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THE DEVELOPMENT OF SOUTH KOREAN CABLE TELEVISION AND ISSUES OF LOCALISM, COMPETITION, AND DIVERSITY

by

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B.A., Mass Communication and Journalism, Korea University, 1995
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A Research Paper
Submitted in Partial Fulfillment of the Requirements for the
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Professional Media & Media Management Studies
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THE DEVELOPMENT OF SOUTH KOREAN CABLE TELEVISION AND ISSUES OF LOCALISM, COMPETITION, AND DIVERSITY

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Daeyoung Kim

A Research Paper Submitted in Partial

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in the field of Professional Media & Media Management Studies

Approved by:

Dr. Paul Torre, Chair

Graduate School
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MAJOR PROFESSOR: Dr. Paul Torre

This research examines how the South Korean cable television industry has developed. The research reviews a brief history of the South Korean broadcast television system and examines the U.S. cable television system to provide better understanding of the development of the South Korean cable television. The research explains policies, laws, industrial structure, and three issues of localism, competition, and diversity. For diversity issue, the research performs an empirical study on whether or not the South Korean cable television provides programming diversity in that the South Korean government emphasizes diversity of content and choice whenever it introduces any new television medium.

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INTRODUCTION

Fifteen years have passed since South Korea launched a systematically planned cable television, commonly known as the General Cable Television (GCT). Despite the short history of the South Korean cable television, the launch of cable television had been the most contestable issue in relation to the South Korean television industry for more than a decade. Cable television had placed important meanings in the South Korean television industry in the sense that the introduction of cable television meant the transformation of the South Korean television mediascape.

The South Korean television industry had operated under the duopoly system of two public broadcasting companies, Koran Broadcasting System (KBS) and Munhwa Broadcasting Corporation (MBC), until 1991.[1] In this public broadcast television system contest, cable television meant the privatization of the South Korean television industry.[2] In the duopoly system, cable television meant that South Korea was entering the age of multichannel multimedia with diversity of content and increased viewer choice. The introduction of cable television instigated the launch of other television businesses such as Internet television in 1997 and satellite broadcasting in 2001. The launch of South Korean cable television also raised such issues of localism, competition, and

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[1] In South Korea, the public broadcasting system has 'never been a public system' (Kim, 1996, p. 93) in that, for example, both KBS and MBC have been the state-established and state-controlled organizations and yet they have commercial advertisement as the main source of earning.

[2] While the South Korean government prepared for five years (from 1989 to 1993) to launch a new cable television system, the government licensed a privately-owned broadcast television network, the Seoul Broadcasting System (SBS) in 1991, planned to license four local private broadcast television stations in 1993, and finally permitted five privately-owned local broadcast television stations to operate in five big cities respectively in 1995.

diversity almost for the first time. All the aspects above indicate that cable television played an important role in changing the South Korean television media environment, changing both television policies and structures of the South Korean television industry.

The purpose of this research paper is to discuss the developmental process of South Korean cable television in relation to the structural changes of cable television industry, along with the changing governmental policies, and then to discuss issues of localism, competition, and diversity. When South Korean cable system was established in the early 1960s, it was modeled on the U.S. Community Antenna TV (CATV) cable television system. On the one hand, therefore, the South Korean cable television has developed similarly to the U.S. cable television system, but the former has also developed differently from the latter on the other hand. At this point, the research paper will discuss the U.S. cable television system to provide a better understanding of South Korean cable television through comparisons between both countries' cable systems.

The South Korean cable system had operated in order to transmit mostly the air-wave radio signals to rural area, but not the air-wave television signals, until the late 1970s. Since the early 1980s when the transmission and retransmission of broadcast signals started to expand to television programs through the cable networks built for radio signal transmission, cable television had long been considered a profitable and promising business in South Korea. Accordingly, the South Korean government launched a new cable television system, the General Cable Television (GCT), on March 1995. After a couple of

years later, however, the newly introduced cable television system appeared to be a big failure due to the cumulative deficit to both the government and private entrepreneurs unlike their expectation. One scholar metaphorically criticized the failure of GCT as degradation of cable television from the goose that lays a golden egg to the ugly duckling that would never be transformed to a swan (Hwang, 2001). Many critics found the reason for the failure to stabilize the GCT in the South Korean government's lack of proper policies toward cable television and recognition cable television as an industry.

The reason why the South Korean government failed to stabilize the new cable television system in the initial phase emerged from two aspects in terms of policy-making. First, even though there had already been an established cable system known as the Relay Cable Television (RCT) under an established law, the South Korean government set up a new law along with a new cable television system GCT, leaving the existing cable television system RCT intact. As a result, there had been two cable television systems operating under two different law and two different regulatory bodies, competing in a single cable television market.

Second, initial regulation incorporated cable television service into the existing broadcast television structure without ruining the existing structure (Kwak, 2007). In other words, the South Korean government did not want cable television to erode the public broadcast television system even though the government permitted private sectors to jump into cable television business (Lee & Joe, 2000). One way to protect the public broadcast television system was to prohibit any privately-owned cable television company from becoming a big

television conglomerate. As a result, the South Korean government did not allow horizontal ownership and vertical ownership in the new cable television system and the government allotted networks to the state-owned companies.

The second factor was possible because of the South Korean government's long-term perception of television as the political means rather than economic and industrial entity (Hwang, 2001). The South Korean government started to recognize television as similar to other industries after the government confronted failure, criticism, and even economic crisis of 1997. At that point, the government began to deregulate in 1998 the ownership limits in South Korean cable television system by amending the General Cable Television Law. The government in the end abolished the General Cable Television Law and the Cable TV Administration Law and in 2000, which had regulated the GCT and the RCT respectively and had been considered accordingly as the barrier to the stabilization of GCT. The government integrated them into an amended Broadcast Law in 2000 and started to control the current cable television system under the law. Since the early 2000s, South Korean cable television has been flourishing, growing to 15 million subscribers and a penetration rate of nearly 80% in 2010 (Korea Cable Television Association, 2010). Cable television in South Korea becomes an important means to watch television today.[3]

The South Korean cable television has clearly been stabilized as a television industry and seems to be successful in business currently. However, the stabilization as an industry and the success in business are different stories.

[3] According to a research (Korean Broadcasting Commission, 2005), television becomes the most dominant medium used by 89.8% of Koreans. And, 68.5% of those television users have cable television installed at home, and the proportion is still increasing.

The South Korean cable television has confronted other television business competitors in a limited domestic television market since the early 2000s. For example, the South Korean government permitted Direct Broadcast Satellite (DBS) based on the rationale that increasing media and channels would provide television viewers with what they really want to view resulting from diverse competing television services (Hwang, 2001). DBS has been expected to stop cable television's victory by "aggressively pursuing current cable customers for services" (Carlin, 2000, p. 50), bringing the competition in the fee-charging broadcasting market (Ha, 2004). Indeed, the DBS subscribers have continued increasing since DBS was introduced in the South Korean television market. Accordingly, the story of whether or not cable television keeps thriving in the South Korean television market is not over.

In accordance with newly emerging television service providers such as mobile television, Direct Broadcast Satellite (DBS), Satellite Digital Multimedia Broadcasting (SDMB), Terrestrial Digital Multimedia Broadcasting (TDMB), the internet-based multi-channel broadcast services (IPTV), and mobile broadcast service through broadband wireless Internet (Wibro), scholars' concerns about cable television have lessened as many scholars have turned their interests over to new television media. This research paper mentioned earlier that South Korean cable television has important meanings in terms of the transformation of television mediascape in South Korea. Before the introduction of new cable television system, there had been few debates over the issues such as localism, competition, and diversity, and the television laws and policies had rarely been

discussed in depth in South Korea; rather, full discussion of all those subjects above occurred after the introduction of GCT. Furthermore, the policies toward the newly emerging television media mentioned above are mostly established on the basis of the Broadcast Law of 2000 that was born through the 10-year's trial and error of cable television carry-out. Therefore, we can hardly catch the meaningful aspects of new television media industries in the contemporary South Korean television mediascape without understanding the developmental process of the South Korean cable television. So much so that, it is timely for a study to revisit the South Korean cable television for better understandings of overall television industry in South Korea.

The South Korean cable system was modeled on the U.S. cable television system when the South Korean cable radio system in 1961 – cable television system later in the late 1970s and early 1980s – was established. Therefore, there are many similarities between the two cable television systems though there are also some significant differences between the two systems. One major difference between the two systems is that cable television in South Korea has been developed in accordance with the government's political interest unlike the U.S. cable television system which emerged from consumer's demand. In other word, while the U.S. cable system evolved from the necessity of business expansion by relaying over-the-air television signals to fringe areas, the South Korean cable system evolved from the necessity of political justification and propaganda of the Park Chung-hee's military government (1961 – 1979) by transmitting over-the-air radio signals to fringe areas. The initial phase of the

South Korean cable television during the late 1970s and the early 1980s is almost similar to the U.S. cable television of the 1950s and 1960s in terms of the business practice, which was the relay of over-the-air television broadcast signals. In addition, the South Korean cable television has undergone the exact same process as the U.S. cable television since the deregulation of ownerships in cable television began in the late 1990s; that is, the concentration of ownerships in a few big conglomerates.

After the discussion of the developmental process of the cable television of both South Korean and the United States, this research paper will discuss the issues relating to cable television: localism, competition, and diversity. The South Korean government's basic agenda to introduce cable television has been to provide the South Korean television viewers with diversity of content and channel choice. In addition, the diversity agenda has always been included in the government's justification whenever it establishes any new television service provider. Thus, I will focus more heavily on the diversity issue rather than on localism and competition. There are four types of diversity: viewpoint diversity, outlet diversity, source diversity, and program diversity (FCC, 2002; Kunz, 2007). Following the South Korean government's justification, the research paper will describe an empirical study on program diversity among four types of diversity in order to reveal whether or not the South Korean cable television provides diversity of content for television viewers.

The introduction of a new cable television system GCT was a major turning point in the whole South Korean television industry. At this point, a brief

history of South Korean television system is in order before discussing cable television more specifically. This will give a clearer understanding of how the South Korean television mediascape started to be transformed in accordance with the introduction of a new cable television system.

A BRIEF HISTORY OF THE SOUTH KOREAN BROADCAST TELEVISION SYSTEM

The very first broadcast television in South Korea appeared as a privately-owned commercial television station, HLKZ-TV. It was launched on March 12, 1956 by KORCAD, which was the South Korean branch of the American television manufacturing company RCA, for the purpose of promoting sales of television sets in South Korea. It aired television programs two hours a day. Shortly after, on March 6, 1957, however, RCA turned the station over to a South Korean daily newspaper *Hankook Ilbo* due to deficit operation. *Hankook Ilbo* operated the station under Daehan Broadcasting Company (DBC). But, the station was wholly destroyed by fire in 1959 and DBC stopped its broadcast television business in 1961.

Soon after the DBC's stopping its service, Park Chung-hee's military government (1961 – 1979) established a state-owned television station, KBS-TV, on December 31, 1961 and started to air its programs in 1962. Later, Park's government allowed two privately-owned commercial television stations: Tongyang Broadcasting Company (TBC) on December 7, 1964, and Munhwa Broadcasting Corporation (MBC) on August 8, 1969. Under the guise of promotion of just and fair television culture, the Park's military government established the Korean Broadcasting Corporation Law in 1970. The Park government launched in 1973 a public broadcasting corporation and seemingly transformed the state-operated television station to public television station operated by the public broadcasting corporation, which was owned and controlled by the Park government. Even though Park created a public

broadcasting system and permitted the privately-own television stations, they had been thoroughly controlled by Park government's political interest until he died in 1979:

> Television was seen as an important instrument to consolidate national identity, security and development, as well as to provide support for Park's dictatorship during its 18-year regime through the imposition of severe censorship over content (Lee & Joe, 2000, p. 133).

In 1980, South Korea entered the second military regime after Chun Doo-hwan seized power through his military coup. One of Chun's primary imperatives shortly after his coup was to reform the contemporary media systems in South Korea. At the end of the 1980, the Chun's military government established the Prime Press Law, by which private ownership of broadcasting media was completely prohibited. Except MBC for television and a religious station Christian Broadcasting System (CBS) for radio, all radio and television stations were integrated into the Korean Broadcasting System (KBS). Since then until 1990, the South Korean over-the-air broadcasting systems have operated under public management. However, it is hard to say that the two networks are purely public when we look at the main sources of revenue of two public broadcast networks, KBS and MBC. KBS's main sources of revenue have been license fees and advertising while MBC's main source has been advertising. Furthermore, all advertising for both networks was controlled by Korean Broadcasting Advertising Corporation (KOBACO), which was a governmental institution. In these senses,

public broadcast television in South Korea seemed to be closer to a state-controlled duopoly system of KBS and MBC.

In the 1960s and 1970s, television system in South Korea had operated under the coexisting system of public and commercial broadcast television. During the 1980s, South Korean broadcast television had operated in the duopolized public system. However, the duopoly system of public broadcasters started to change in the late 1980s when the South Korean civil government decided to allow private ownership in cable television and local broadcast television stations. Since private ownership was allowed in cable television, the South Korean television industry has transformed dramatically along the controversial shifts of policies toward cable television several times.

In the next two parts of the paper, this research paper will examine the development of cable television systems in terms of policies and industrial structure. The paper will first discuss the U.S. cable television system in relation to the American policies and industrial structures in that the South Korean cable system was modeled after the U.S. cable system. Then, the paper will secondly discuss the South Korean cable system with regard to the policies and industrial structures. This comparison will provide a better understanding of the South Korean cable television system.

CABLE TELEVISION IN THE UNITED STATES

U.S. cable television emerged in the late 1940s. The purpose of cable television was to enhance and provide the broadcast television signals reception in fringe areas such as rural and mountainous communities where it was hard for the television users to view the over-the-air television programs with the conventional television antenna. It was adopted in a small scale using the shared noncommercial community antenna television services (CATV). However, the development was slow and intensively local until the late 1950s (Parsons, 2008) because CATV was considered to be "simply a local retransmission service" of broadcast television signals (Crandall & Furchtogot-Roth, 1996, p. 2).[4] Because of this retransmission function, CATV had not been considered as a threat to the broadcast television industry by both the Federal Communications Commission (FCC) and broadcast television entrepreneurs in the 1950s (Crandall & Furchtogot-Roth, 1996) even though the first subscription cable television system was established in Lansford, Pennsylvania in 1950.

The U.S. CATV industry began to grow more rapidly after several CATV operators were able to deliver broadcast signals hundreds of miles away by using microwave in the late 1950s (Gomery, 2000; Mullen, 2008). Local broadcasters considered the distant retransmission of broadcast signals as a threat to their businesses and they forced the FCC to restrict the CATV operators' importation of distant television signals. Then, the FCC started regulating the U.S. cable industry in order to protect local broadcast stations, and

[4] This 'retransmission service' had been accepted as a major function of cable television until the late 1970s (Mullen, 2008).

the FCC's regulation of the U.S. cable industry continued mostly for two decades of the 1960s and the 1970s until the Commission abandoned most of restrictions by 1980 (Crandall & Furchtgott-Roth, 1996).

In 1962, the FCC established a rule that CATV should carry local signals but not distant signals that duplicated the local stations. The FCC's regulation slowed the development of the U.S. cable industry during the 1960s (Albarran, 2002; Gomery, 2000). Nevertheless, several large corporations already started to become multiple system operators (MSO) in the early 1960, creating regional consolidation of ownership through buy-out of the small systems.

The period of 1968-1974 was characterized by three rules: 1) anti-leapfrogging rule; 2) syndicated exclusivity rule; and 3) public access rule. Under anti-leapfrogging rule, cable systems should carry all local broadcast signals and they were allowed to import the distant signals. Under the syndicated exclusivity provisions, however, any cable system was not able to show "a program via the transmission of a distant station it carried if a local station held exclusive rights to the program in that particular market" (Mullen, 2008, p. 100). With the public access rule, the FCC regulated that cable systems that had over 3,500 subscribers should set aside non-commercial cable channels for public, educational, and governmental programming, commonly know as PEG, and cable systems in the top 100 markets had to provide four public access channels for members of the community.

However, the FCC had abandoned "most of restrictions on how many and what kind of signals cable companies could carry" by 1980 (Crandall &

Furchtgott-Roth, 1996, p. 4) since the Commission viewed the U.S. cable television as a competitor rather than a harm to the U.S. broadcasters by concluding that "the public stood to gain more than television broadcasters stood to lose" (Brainard, 2004, p. 63). The FCC eliminated the public access rule in 1974, permitted to import unlimited distant signals in 1976, and lifted the syndicated exclusivity provisions in 1980. The only restriction remaining by 1980 was the 1975 sport-related blockout rule.

The FCC's lifting of the syndicated exclusivity provisions made programming more available for cable operators and brought increasing number of subscribers. However, local authorities regulated still subscription rates to protect local broadcast television stations. Accordingly, the U.S. cable television industry lobbied to eliminate municipal service requirements and regulation of rate, and the U.S. Congress responded to the U.S. cable television industry to remove the stranglehold of municipal rate by passing the Cable Communications Policy Act of 1984 (Crandall & Furchtgott-Roth, 1996).[5] In 1992, however, the U.S. Congress passed the Cable Television Consumer Protection and Competition Act, and the law re-imposed both municipal and federal rate regulations. In the Telecommunication Act of 1996, the U.S. Congress removed federal rate regulation but left the rate regulation to the local municipalities as being negotiable for basic services. To summarize, the U.S. cable television industry has operated as the most unregulated entity since 1980, no matter how

[5] In addition, the Cable Act of 1984 prohibited the broadcast networks from owning cable systems and telephone companies from owning the systems within their service regions (Crandall & Furchtgott-Roth, 1996).

laws and policies toward the cable industry had been changed in the United States.

The U.S. cable television industry has basically operated under a monopoly structure. The U.S. cable television industry evolved from locally owned franchises: “the core of the cable television operation, where the programming meets its customers, is the basic local franchise” (Gomery, 2000, p. 253). Through the franchising process on a competitive bid basis, one cable operator gains a franchise from the local franchising authority – the operator tends repetitively to gain a franchise on the renewal basis. This franchise system creates a monopoly structure of the cable industry at local level, meaning that “if a household wanted to subscribe to cable TV, it had only one choice of supplier” (Albarran, 2002, p. 87). Under this monopoly structure of the U.S. cable industry, ownership has become more concentrated through horizontal and vertical integration in the industry. Corporations typically collect franchises under one corporate umbrella to increase their profits, creating multiple system operators respectively (Gomery, 2000). The corporations attempt to reduce the risk in obtaining programs through vertical integration between program production and cable distribution. As a result, Megan Mullen (2008) explains:

> Today, two corporations, Time Warner and Comcast, control the vast majority of local cable systems in the United States. Additionally, cable MSOs have tended to be owned by other media or telecommunications conglomerates, thereby contributing to and benefiting from the synergy generated within those corporations. (p. 19)

Cable television is basically the “television for a fee” (Parsons, 2008, p. 109). The subscribers pay for their cable television installation on monthly basis. Thus, the number of subscriber influences the cable system’s revenues. The cable industry continues to grow in terms of subscriber penetration to the extent that nearly 75 million U.S. households subscribe cable networks services – approximately 70 % of total U.S. television households (Blumenthal & Goodenough, 2006). Along the increasing subscribers, the cable industry uses multi-layered markets for financing, such as basic service, premium service, pay service, advertising, pay-per-view, equipment rental, installation fee, cable modem, and the like. Among them, the most lucrative market is basic cable television service, accounting for nearly 60 % of total industry revenues in 2009 (National Cable & Telecommunications Association, 2010).

THE DEVELOPMENT OF CABLE TELEVISION IN SOUTH KOREA

The major function of South Korean cable television was the same as U.S. cable television which was developed in order to help "the transmission of over-the-air television in order to serve those who could not receive local broadcast signals" (Pacey, 1985, p. 81). Unlike the U.S. cable system starting from transmission of television signals, the South Korean cable system was adopted to deliver the air-wave radio signal to rural areas that had poor reception of radio signals in the early 1960s. However, the adaptation of cable system in South Korea rooted in political interest rather than media expansion imperatives. Right after Park Chung-hee seized power in a military coup in 1961, the military government eagerly promoted the cable radio broadcast in order to justify his military coup nationwide and to propagandize the Park government's political agendas later on. Accordingly, the government established the Amp Town Project[6] by enacting the Administration Law of Cable Broadcast Transmission and Reception on September, 1961. Following the project, the government began to construct the cable networks to the fringe areas in South Korea for the radio signal reception and to supply the radio sets, amplifiers, and loud speakers for rural areas. Later in the 1970s and 1980s, the cable networks for radio signal transmission started to be used to transmit the over-the-air television signals after the South Korean military government established a state-owned television station. However, the

[6] With regard to the Amp Town system, basic concept is almost the same as the early CATV in the United States. What difference is to connect a cable to a shared loud speaker with an amplifier, instead connecting the cable to a shared community television antenna as in case of the CATV.

South Korean cable television had developed in a small scale limited to a few urban areas until the early 1980s.

Similar to the U.S. cable television system, the initial cable television system in South Korea functioned to retransmit broadcast signals. After cable television expanded to the rural communities which had poor signal reception, another important function had been added to retransmission, which was to relay the broadcast signals at the same time as the over-the-air television stations televise their signals (Nam, 2008). At this point, the early South Korean cable television system had long been characterized the so-called Relay Cable Television system (RCT) and operated under this system. In this system, a relay operator (RO) is able to transmit broadcast television programs permitted by Ministry of Information and Communication at the same time as the relay operator directly receives the programs from over-the-air television stations or to retransmit them later.

To promote the RCT, the South Korean government formed a scheme for cable television in 1982 as a part of the Fifth Economic Development Plan (Lee & Joe, 2000). However, the RCT had still limited to certain areas until 1986. Since the establishment of the CATV Law in 1986 under which the South Korean government granted the license for the legally registered relay operators to open for their business in urban areas, the RCT had spread nationwide. However, the law brought up not only the legal relay operators but also illegal relay operators who considered the cable television as a profitable and promising business, resulting in competition between legal relay operators and illegal relay operators

in the South Korean cable television industry. As a result, both legal and illegal relay operators focused on their business to transmit widely low quality video programs in order to have more subscribers rather than relaying the broadcast signals. From then on, the South Korean cable television started to be “no longer simply a system for re-transmission of broadcast signals” (Calabrese & Wasko, 1992, p. 123) at some points. To resolve the problem, revising the CATV Law of 1986, the South Korean National Assembly established the Cable TV Administration Law in 1987 which limited the programs on the cable television to the over-the-air broadcasting signals and public information (Lee & Joe, 2000).

Since 1986, the RCT had been perceived as one of the most promising and profitable businesses in South Korea. Nevertheless, the South Korean cable television industry had not developed as well as people had expected due to its small-scale business with regard to the RCT. Accordingly, demands for creation of a new cable television system had been continuously raised from the diverse cable television related sectors such as academia, industry, governmental institutional, etc., along with the public’s demand for multichannel television environment. At this point, a presidential candidate, Roh Tae-woo, set up the cable television issue as one of his campaign pledges.

After Roh Tae-woo became the President of South Korea, the nature of South Korean cable television industry dramatically changed from a small scale RCT business to a new big cable industry. The South Korean government decided to establish a new cable television system and launched a working group in 1989, the Broadcasting System Research Commission, in order to

investigate the problems and possibilities of the new system before it was introduced. After the group's test-run to 10,000 households, the South Korean government decided to launch a new cable television industry, which was called the General Cable Television (GCT), in six big cities on March 21, 1995, established the General Cable Television Law on December 31, 1991, and selected 53 system operators and 21 program providers. Then, by revising the General Cable Television Law in 1993, the South Korean government reselected 116 system operators and 20 program providers for 11 programming fields such as news, movies, sports, culture, entertainment, education, music, children, women, transportation and tourism, and religion (Kim, 1996).[7] Later on in 1997, the South Korean government expanded the GCT services from six big cities to small cities and rural areas and permitted an additional 24 system operators.

When the South Korean government introduced the GCT and composed a law regarding the GCT, its primary concern was that the existing public broadcasting system should not to be eroded by privately operated large media corporations (Lee & Joe, 2000). In the General Cable Television Law of 1993, therefore, the South Korean government strictly regulated the GCT through ownership restriction.[8] The law prohibited the industry from being horizontally and vertically integrated. In addition, the government assigned two state-owned

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[7] Among the 20 programming fields, however, the potentially expected profitable fields, such as movie, sports, drama, and entertainment, were allocated to *chaebols*, which refers to the South Korean family-controlled conglomerates (Kim, 1996; Shim, 2002).

[8] Article 4 of the Cable TV Law of 1993 says:

- Cross-ownership between and among system operator (SO), programming provider (PP), and network operator (NO) is not allowed, except for the government invested companies and public institutions
- Multiple-ownership of more than one operating system is not allowed, to avoid horizontal concentration

corporations as network operators, which is technically the most crucial part in cable television industry. As a result, any big media corporation was not able to be formed in South Korea in the initial phase of GCT.

Despite the investment of tremendous national budget and private funds to the GCT, expecting high economic profit both for the country and for the entrepreneurs, the GCT appeared as a fiasco due to the large cumulative deficit for three years resulting from strict regulation and economic crisis in 1997. In response to the big failure, the South Korean government started to deregulate the industry (Kwak, 2007; Lee & Joe, 2000). The government amended the General Cable Television Law in 1998. The most significant aspect of the amended cable television law was the deregulation of ownership. The law allowed cross-ownership between system operators, program providers, and network operators. Two years later in January, 2000, the government established an amended Broadcast Law, integrating all cable television regulatory rules into the law by abolishing the General Cable Television Law toward the GCT and the Cable TV Administration Law toward the RCT.

From the beginning of the GCT, the South Korean cable television market had been uniquely structured in two aspects: 1) three separate business areas of System Operator (SO), Program Provider (PP), and Network Operator (NO); and 2) coexistence of the RCT and the GCT. The first structure comes from dividing the SO and the NO. Network is a technically critical domain not only for cable television but also for all other media in terms of providing content service.[9]

[9] In this research paper, network refers to the cable line or lines which cable television uses to transmit programs.

However, the separation of the SO from the NO in business practices made it hard for a SO to provide channels, which is the fundamental role of the SO, in the sense that the SO rests too much on an NO's interest when the SO does not have its own network.[10] For instance, two state-owned NOs, the Korean Telecom Corporation (KT) and the Korean Electric Power Corporation (KEPCO), which had controlled the whole cable networks in South Korea, stopped investing in cable network construction after the economic crisis of 1997, and these NOs' decision made it for many SOs to retrieve their business from the South Korean cable television industry because the SOs was not able to obtain enough cable networks to acquire enough subscribers to survive (Hwang, 2001; Lee, Kim, & Koh, 1999).

The second structure of South Korean cable television industry had been characterized by its dualistic structure: 1) the preexisting small cable television RCT; and 2) a newly emerging big cable television GCT. This situation happened because the South Korean government excluded the locally based relay operators of the preexisting RCT when selecting the system operators for the GCT. As a result, two similar industries coexisted within the same cable television market, regulated by different regulation laws and different regulatory bodies; that is, the Ministry of Culture & Tourism regulated the SOs and PPs under GCT system with the General Cable Television Law and the Ministry of Information & Communications regulated the NOs under GCT system and the ROs under RCT system with the Cable TV Administration Law. The coexistence

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[10] The dispossession of a SO's own network caused also the disadvantage in subscriber gathering competition against a RO which had its own network.

of the GCT and the RCT, competing with each other for subscribers, meant that SOs had difficulty obtaining enough subscribers for their survival whereas ROs had already secured SOs' potential subscribers. In other words, SOs struggled to acquire subscribers while the local ROs were increasing their subscriber numbers (Lee, Kim, & Koh, 1999). The coexistence of two cable television systems in the same market would not be problematic to the entrepreneurs if the merges and acquisitions were allowed between ROs and SOs. However, separate laws administered by different regulatory bodies of the Ministry of Information & Communication to the ROs and the Ministry of Culture & Tourism to SOs made the activities impossible. Consequently, the exclusion of the ROs when launching the GCT was considered as the fundamental reason that the South Korean cable television industry had failed to advance toward a profitable sector in the overall broadcasting marketplace (Kwon & Oh, 2005).

Based on continuous critiques and suggestions from diverse players from the economic, the politic, and the public, the government started examining the laws thoroughly in attempts to resolve the problems. In the end, on December 28, 1999, the Korean Congress passed an amended Broadcast Law which included the General Cable Television Law and the Cable TV Administration Law and decided to enforce the Broadcast Law of 2000 by abolishing the two separate cable TV laws of RCT and GCT in January, 2000. Not only did the amended Broadcast Law make it possible for a RO to transform into a SO, but it also allowed mergers and acquisitions among SOs and between ROs and SOs. Consequently, 5.7 million households were estimated to turn into the SO

subscribers by 2004 since the ROs were allowed to transform themselves to the SOs. Even though the South Korean government permitted a RO to be transformed to a SO, the dualistic structure of the South Korean cable television industry is still alive in a small scale.

TABLE 1 – The South Korean Cable Television Before and After 2000

	Before		After
Cable System	RCT	GCT	GCT
Law	Cable TV Administration Law of 1987	General Cable Television Law of 1993	Broadcast Law of 2000
Regulatory Body	Ministry of Information & Communication	- SO: Ministry of Culture & Tourism - PP: Ministry of Culture & Tourism - NO: Ministry of Information & Communication	Korea Broadcasting Commission
Industrial Structure	Separated or Combined business of RO and NO	Separated business of SO, PP, and NO	Separated or Combined business of SO, PP, and NO
Programs Transmission	Retransmission of the over-the-air television	- Transmission of programs provided by PP. - Retransmission of the over-the-air television and DBS programs	
Monthly Fee	$3 to $4	$17	Wide range

The most significant aspect in the Broadcast Law of 2000 was deregulation of ownership. The law allowed multiple-ownership, which led to creation of the multiple system operator (MSO) and multiple programming provider (MPP). Consequently, nine MSOs were formed by 2005, which held 70 % of the whole South Korean SO market (Youn & Kim, 2006). Among the nine MSOs, top five MSOs held 56.2% of the market in 2005 and they take currently 70.3 % of market share in March, 2010 (Table 2). The law allowed also cross-ownership between SO, PP, and NO, which led to creation of the multiple system operator and

programming provider (MSP) and the multiple system and network operator (MSNO). As a result, for example, four MSPs were formed by 2004 (Kwak, 2007).

TABLE 2 – The Market Shares by Top Five MSOs from 2005 to 2010

MSO		2005	2006	2007	2008	2009	2010
C&M	# of SOs	16	16	15	15	15	15
	Subscribers	1,556	1,905	2,028	2,081	2,153	2,154
CJ	# of SOs	8	10	13	14	14	14
	Subscribers	1,244	1,516	2,132	2,556	2,514	2,531
CMB	# of SOs	12	12	12	12	12	10
	Subscribers	910	1,139	1,197	1,216	1,237	1,296
HCN	# of SOs	8	10	11	11	10	8
	Subscribers	859	1,029	1,141	1,198	1,182	1,348
Tbroad	# of SOs	21	20	18	15	15	21
	Subscribers	2,746	2,938	2,666	2,759	2,857	3,396
Top 5's Subscribers		7,315	8,527	9,164	9,810	9,943	10,725
Total Subscribers		13,026	14,031	14,215	14,866	15,260	15,265
Total Households		17,390	17,858	18,327	18,787	19,247	19,707
Top 5's market share rate (Top 5's Subs/Total Subs)		56.2%	60.8%	64.5%	66.0%	65.2%	70.3%
Penetration rate (Total Subs/Total HS)		74.9%	78.6%	77.6%	79.1%	79.3%	77.5%

Source: the Korea Cable Television Association
* Unit for subscribers: thousand

The law also allowed *chaebols*[11] and foreign companies to hold up to 33 % of shares in cable operation companies, which was previously prohibited, and the law increased the rate up to 49 % in 2004. The Broadcast Law of 2000 changed the license system of PP to the registration system. As a result, big television companies with the large amount of capital and the powerful know-how of

[11] A *chaebol* refers to a South Korean family-controlled conglomerate.

production were able to enter into commercial channels such as sport, entertainment, and drama. The entrance of big media companies into PPs and MPPs and the entrance of *chaebols* and big foreign funds to SOs and MSOs are viewed as the signs of monopoly and oligopoly in the South Korean cable television industry, which indicates that "cable television … control over increasingly concentrated supplies of cable programming rests in [big] private hands" (Calabress & Wasko, 1992, p. 121).

Since 1995 when the GCT started, the market of the South Korean cable television industry has steadily grown. In 2010, South Korea has 15.3 million cable households out of 19.7 million total households nationwide, which is approximately 78% of households (Table 2). In this large subscriber market, the financing of the South Korean cable television industry is exactly the same as in the U.S cable industry: subscription fees, by service tier, pay services including pay-per-view, equipment rentals (boxes and modems), installation fees, and revenues from advertising. However, the South Korean cable industry was rarely profitable despite the rapid market growth until the early 2000s. For example, the SOs recorded a $50 million deficit in 1995, a $57 million deficit in 1996, and a $5.7 million deficit in 2000; and the PPs recorded a $180 million deficit in 1995, a $240 million deficit in 1996, and a deficit of $85,000 in 2000.[12]

[12] Sources are retrieved from the Korean Broadcasting Institute (2000), the Korea Information Society Development Institute (2000), and the Korea Broadcasting Commission (2000; 2003).

THREE ISSUES: LOCALISM, COMPETITION, AND DIVERSITY

Localism

Historically, the U.S. Federal Communication Commission has emphasized localism, holding that the best broadcast practice is locally generated and operated (Gomery, 2000). This idea of localism with regard to broadcast television has also been applied to the U.S. cable television industry. Thus, the cable television policies in the United States have evolved to balance localism (Calabrese & Wasko, 1992). To regulate the cable industry in the early development stage during 1950s and 1960s was to protect local broadcast stations, which were considered a primary resource for representing local communities. To regulate the industry to carry locally originated programming was to promote local communities and identities. Deregulation in the Cable Act of 1984 based on the FCC's concept of 'effective competition' was also to encourage localism through competition between local cable television and local broadcast television. However, the deregulation promoted the ownership concentration in terms of programming recruiting and diverted the concerns of cable television industry away from localism as Calabrese and Wasko (1992) argue:

> In the process of its evolution, cable industry leaders have made little effort to develop a system which is responsive to the spirit of localism which was present in the early visions of cable, nor have they been responsive to independent programmers. In fact, there is hostility by dominant players in the cable industry to sources of

> television programming which are not commercially controlled by the increasingly concentrated cable cartel. (p.123)

In terms of the South Korean television industry as a whole, there had been not a similar concept of localism. When the South Korean government introduced cable radio and CATV in the early 1960s, it was not because of localism but because of the political goals of justifying the military coup and the government's economic development. Several scholars (see Youn & Kim, 2006) argue that the introduction of the GCT in the early 1990s is the very beginning of localism in South Korean broadcasting television. However, the decision to introduce the cable television system in South Korea was not to promote localism but in response to a public outcry against the low quality video programming on the RCT and to satisfy economic demands (Lee & Joe, 2000; Youn, 1999). In addition, the RCT's function was to relay the nationwide broadcast signals rather than to carry locally generated programs at that time. In this sense, I would say that the beginning of private local commercial stations in the mid-1990s, which started to televise their own locally generated programs, was the advent of localism in South Korea. Whether the local stations would "help to strengthen the local community" (Calabrese & Wasko, 1992, p. 136) is still open-ended question to study further.

Competition

The concentration of ownership in large media corporations is still an issue in both the U.S. and South Korean cable television industries. In this situation, a

contestable issue is competition within the industry and between the television industries. Deregulation since the Cable Act of 1984 in the United States has promoted rapid growth in cable television service but brought on concentration of ownership through vertical integration, creating MSOs. Crandall and Furchtogott-Roth (1996) argue that competition is not promoted under concentration environment by explaining that “large MSOs can prevent entry into cable programming because they favor their own programming and are less likely to purchase programming in which they have no financial interest” (p. 17). Furthermore, they indicate three reasons why competition has not emerged:

> 1) Cable television systems generally required a franchise from a municipal government. Municipal franchising is often restrictive, favoring the franchisee and some constituency groups (p. 85); 2) some competitive situations have been ended by mergers or system swaps among MSOs (p. 85); and 3) a large share of an incumbent cable firm’s assets are sunk; therefore, the incumbent may lower rates substantially in the face of a competitive threat (p. 86)

In terms of the competition between the television industries under the multi-channel and multimedia environment, however, Crandall and Furchtogot-Roth (1996) consider that DBS already became a competitor unlike many other terrestrial alternatives to cable television in 1996. Goolsbee and Petrin (2004) explain that the U.S. cable television has not faced many competitors in terms of the entry or start-ups, but they urge us to reconsider the competition in terms of

alternative programming sources such as (Direct Broadcast Satellite (DBS) and Multichannel Multipoint Distribution Service (MMDS). They hold that DBS is the only direct competitor to cable television. Otherwise, DBS is to some degree expected to stop cable television's winning in television industries by bringing up the competition and the direction of development in the fee-charging broadcasting market (Ha, 2004). Unlike the scholars above who consider DBS as a competitor to cable television, however, Chan-Olmsted (1996a) argues that DBS does not become a competitor in the concentration structure of the U.S. cable television industry, which draws on monopoly or oligopoly structure. In order to justify her claim, she measures the percentage of total market shares accounted for by the top four (CR4) and top eight (CR8) firms:

> The concentration ratios of the top four and top eight MSOs in early 1995 are close to 50% and 65%, which imply a moderately concentrated industry structure with strong market power concentrated among the top four firms. If this leading MSOs' partial holdings of other MOSs are included, the adjusted CR4 and CR8 are as high as 58% and 73%, approaching a strong oligopolistic market structure. (Chan-Olmsted, 1996a, p. 31)

These measurements tell that the higher the concentration ratios are, the more the economic activity is centralized under the control of only a small handful of firms. In this oligopolistic market structure, she explains, the large MSOs do not allow the entry or start-ups from the other television industry sectors like DBS. In this sense, Chan-Olmsted (1996a) claims that a structural regulation on

integration and concentration “is still necessary to curb MSOs and MPPs anticompetitive conduct” (p. 39).

The South Korean broadcasting marketplace as a whole has been going through dramatic changes due to various broadcast service providers such as DSB, digital DMB, terrestrial DMB, IPTV, and Wibro. South Korea is today clearly under multichannel and multimedia circumstance, under which the South Korean cable television industry seems to meet considerable competition. In this multichannel and multimedia age, Hwang (2001) views that the South Korean cable television is not guaranteed to survive competition with other new media, especially, in the limited small market of Korea. Two South Korean scholars, Youn and Kim (2006), examined how competition appeared between the South Korean television industries. They claim that the absolute winner is the cable television industry because of its increasing vertical integration of programming, distribution, and production in the overall competition. Their findings explain that the concentration structure of the South Korean cable industry hardly allows the entry or launch of other television industry sectors; likewise, Chan-Olmsted (1996a) argues the large MSOs do not allow the entry or start-ups from the other television industry sectors like DBS in the U.S.

Diversity

With regard to diversity, the FCC (2002) presents four types of diversity: viewpoint diversity, outlet diversity, source diversity, and program diversity. Viewpoint diversity refers to the number of media content from a variety of

perspectives which is available to media users, and it often relates to informational content relating to the welfare of the public. Outlet diversity refers to a variety of independent owners who control media outlets, so it relates to how many independent outlets are available to media users in a given market; however, the currently increasing media outlets do not reflect an increase in the number of owners under the concentration of media outlets in a few hands. Source diversity refers to the availability of media content creators or producers, so it relates to the number of program producers from which media channels acquire their programs. Program diversity refers to a variety of programs, formats, and content, and it is often considered to be achieved through competition.

In the age of multichannel and multimedia, it is no doubt that there are increasing number of outlets and channels. However, there is no guarantee that the variety of outlets and channels reflects true diversity in the era of concentration. All four types of diversity above are closely related one another, and they are all satisfied in true diversity. Among the four types of diversity, however, this research paper examines program diversity in relation to South Korean cable television in that the government's justification of the necessity of multchannel and multimedia has centered on the variety of content and viewers' choices.

One major point in the cable television industry is the increase in viewing options in terms of the increasing number of channels provided by the rapidly growing industry (Kim, 1997). In addition, a research (Korean Broadcasting

Commission, 2005) reveals that the diversity of channels in cable television is the second most important factor for viewers to choose to subscribe the cable television in South Korea.[13] Many people seem to believe that the creation of new cable television channels means a new level of diversity in content or programming available to the television viewers (Kubey & Shifflet, 1995). In her study, for example, Chan-Olmsted (1996b) argues that the increasing number of children's channels in cable television industry contributes to the increasing diversity in children's programming.

The development of cable television industry in South Korea had played crucial roles in creating a great deal of channels. Today, the creation of channels is accelerated by the South Korean cable television industry in competition within the industry and with other television industries. Peterson and Berger (1975) indicated that a competitive market leads to diversity. Technology and the marketplace idea of competition encourage "the proliferation of channels and new audience markets" (Iosifides, 1999, p. 160). In other words, competition can increase numerical diversity; that is, competition creates more channels which can give people more consumer choice. However, Iosifides (1999) argues that this is just theoretically possible. He holds that the quantitative diversity in terms of channel variety does not actually reflect the qualitative diversity in terms of media content or programming. In this sense, Park (2005) examines how competition under the contemporary South Korean multichannel and multimedia

[13] 36.1% of the South Korean cable television subscribers answer that they choose the cable television because of the number of channels; 43.6% of them answer that the most important factor is the higher definition of cable television than the over-the-air television (Korean Broadcasting Commission, 2005).

circumstance influences the programming diversity of top-ranking cable channels. She holds that competition and diversity are negatively related; “when a competitor enters the market, there is generally a drop in diversity” (Park, 2005, p. 51). In other words, she explains that the overall genre diversity on the cable television tends to decrease when new channels increase as a result of competition. At this point, it seems true to say that the increasing numbers and types of channels do not necessarily reflect an increase in diversity of programming (Calabrese and Wasko, 1992; Kunz, 2007; etc). However, an examination as to whether or not the South Korean cable television channels operate with the program diversity is still necessary to provide more empirical evidence.

In order to examine the program diversity in the South Korean cable television, I performed a simple case study. The Korean Broadcasting Commission (2005) reported that almost 90% of the South Korean cable television subscribers watched two specific types of channels the most: drama and movie. According to the report, 48.8% of the subscribers watched drama channels the most and 40.4% of them watched movie channels the most. According to a South Korean viewer ratings company, ABG Nielsen Media Research, three drama channels and two movie channels have always been ranked top ten among the South Korean cable television channels in terms of viewer ratings in 2009 and 2010. Therefore, I chose three drama channels (KBS N Drama, MBC Drama Net, and SBS Plus), and two movie channels (Channel

CGV and OCN). All five channels are included when a subscriber installs a cable television service.

When examining program diversity, the paper adopted two diversity concepts to the study: 1) vertical program diversity; and 2) horizontal program diversity. Grant (1994) defines horizontal program diversity as “the number of program types available to viewers from all available channels at any given time” (p. 54) and vertical program diversity as “the number of program types offered by a single channel over its entire schedule” (p. 54). In the definitions with the term, *program types*, programs are classified into one of broad categories such as news, comedy, drama, movie, variety, etc. This case study has already chosen two specific types of programs: movie and drama. Even though each channel chosen for the study operates basically with their specific program types of movie and drama, the two movie channels offer also a few foreign drama series and the three drama channels offer other entertainment programs along with drama series. Therefore, redefinition of the two program diversity concepts is necessary for the study purpose. Regardless of program types, accordingly, the study defines vertical program diversity as the number of different programs and episodes provided in a single channel and horizontal program diversity as the number of different programs and episodes between two or more similar channels.

In order to examine program diversity, the study used a programming schedule of each channel for 100 days from January 1, 2010, to April 10, 2010,

retrieved from a South Korean portal website, Daum.[14] Using the programming schedule, the study took four steps to find the numbers of programs offered by each channel: 1) how many programs each channel provided; 2) how many times each channel delivered the programs; 3) among the total number of delivery, how many programs were delivered once and how many programs were delivered twice or more; and 4) how many programs were shared by the two movie channels and how many programs were shared by the three drama channels. The study also transformed the numbers found to proportions to better interpret the numbers. By comparing the numbers and proportions, the study revealed whether or not there are vertical program diversity and horizontal program diversity in relation to the chosen channels. The results show that the higher the numbers and proportions of programs that delivered once, the wider vertical program diversity in a single channel, and that the lower the numbers and proportions of programs shared by channels, the wider horizontal program diversity between channels.

Table 3 reports vertical program diversity for each movie channel and horizontal program diversity between two movie channels along with the number of programs used by each movie channel, the number and proportion of each channel's program transmission, and the number and proportion of programs shared by both channels. Channel CGV offered 333 different movies for 100 days with 173 of these transmitted movies once and 160 movies transmitted

[14] There are many websites providing cable television schedule including each cable channel's website, but they do not provide the past schedule; rather, they provides schedule on today or this week basis. Daum is the only site that provides the past cable television schedule. For schedules, refer to http://movie.daum.net/tv/cable/chartTable.do?channelType=2

twice or more. With 333 different movie programs, Channel CGV placed 789 slots in its programming schedule for 100 days. A subscriber of Channel CGV could be exposed once to 333 different movies. For the remaining 456 slots, Channel CGV filled them with the repeats of 160 movies. OCN offered 296 different movies for 100 days. It transmitted 148 movies once and 148 movies twice or more. OCN set up 778 slots in its 100-days programming schedule. A subscriber of OCN could watch 296 different movies once. OCN filled the remaining 482 slots with the repeats of 148 movies.

TABLE 3 – Vertical and Horizontal Program Diversity in Movie Channels

		Channel CGV	OCN	Total
Number of programs	Once	173	148	321
	Twice or more	160	148	308
	Total	333	296	***629 (100%)***
Number of program transmission	Once	333 (42.2%)	296 (38.0%)	629
	Twice or more	456 (57.8%)	482 (62.0%)	938
	Total	789 (100%)	778 (100%)	1,567 (100%)
Shared programs	Number of programs	***3***		***3 (0.004%)***
	Programs transmission	3	8	8 (0.013%)

1. Vertical diversity: shaded cells
2. Horizontal diversity: bold italics

In order to revealed vertical program diversity in each movie channel, the study examined the proportions of one-time transmission of movie channels respectively. Channel CGV consisted of 42.2% one-time transmission out of the total 789 offerings (Table 3). With 42.2% of one-time transmission, the study found that Channel CGV provided programs in .422 degree of vertical program

diversity. OCN made up 38.0% one-time transmission out of the total 778 offerings (Table 3). With 38.0% of one-time transmission, the study found that OCN provided programs in .380 degree of vertical program diversity in OCN. Comparing the two vertical program diversity degrees, Channel CGV presented slightly wider vertical program diversity than OCN did. Out of 629 different movies from Channel CGV and OCN all together, there were three movies shared by both movie channels. The proportion of shared programs marked 0.004%, which could be said almost Zero. At this point, two movie channels operated in approximately 1.0 degree of horizontal program diversity.

With regard to the drama channels, the study used a different approach to examine vertical program diversity and horizontal program diversity. According to the programming schedules for 100 days, KBS N Drama operated with 48 programs, MBC Drama Net operated with 54 programs, and SBC Drama operated with 56 programs. The number of each drama channel's programs is considerably small, comparing with the two movies channels, but this does not mean that the drama channels did not have diversity in their programs. Unlike the two movie channels in which a movie is referred to as a program, the three drama offered most of their programs classified as program types such as dramas, variety shows, situation comedies, etc, which consisted of a series of episodes other than one-time programs. In this sense, the study examined the number of one-time programs and episodes of programs rather than the number of programs or program types. If the study examines the number of programs or program types, the result might appear differently.

Table 4 presents the number of programs used by each drama channel, the number and proportion of each channel's program and episode transmission, and the number and proportion of programs shared among the channels. In so doing, the table also reports vertical program diversity and horizontal program diversity with regard to three drama channels. KBS N Drama set up 1,970 slots in its 100-days programming schedule with 629 episodes from 48 programs. Out of its 1,970 slots, KBS N Drama used 692 episodes of dramas, situation comedies, and variety shows to fill the same number of slots as the number of episodes. KBS N Drama filled the remaining 1,278 slots by transmitting the 629 episodes twice or more. MBC Drama Net had offered 1,053 episodes from 54 programs with 2,488 slots for 100 days, and it filled 1,435 slots by transmitting the 1,053 episodes twice or more. SBS Plus used 684 episodes from 56 programs in order to fill 1,863 slots in its 100-days programming schedule. While 684 episodes took charge of 684 slots of SBS Plus, it filled 1,179 slots by transmitting the 684 episodes twice or more.

TABLE 4 – Vertical and horizontal program diversity in drama channels

		KBS N Drama	MBC Drama Net	SBS Plus	Total
Number of programs		48	54	56	***158 (100%)***
Number of transmission of episodes	Once	692 (35.1%)	1,053 (42.3%)	684 (36.7%)	2,429
	Twice or more	1,278 (64.9%)	1,435 (57.7)	1,179 (63.3%)	3,892
	Total	1,970 (100%)	2,488 (100%)	1,863 (100%)	***6,321 (100%)***
Shared programs/episodes		***0***			***0 (0%)***

1. Vertical diversity: shaded cells
2. Horizontal diversity: bold italics

692 episodes which appeared once in KBS N Drama composed 35.1% of its 1,970 slots. In other words, KBS N Drama operated in .351 degree of vertical program diversity. MBC Drama Net's 1,053 episodes took 43.3% in terms of the proportion of one-time transmission out of the total 2,488 slots in the channel. The proportion 43.8% represented .433 degree of vertical program diversity in MBC Drama Net. SBS Plus came up with 36.7% in terms of one-time transmission out of 1,863 slots, which stood for .367 degree of vertical program diversity in SBS Plus. There were no overlapped programs among three drama channels. At this point, three drama channels operated in 1.0 degree of horizontal program diversity. However, the result seems problematic. If this study examined the number of program types, there would be many program types overlapped among the three channels, so the horizontal program diversity might appear relatively lower than current degree 1.0. All three drama channels are subsidiaries of their parent broadcast companies, KBS, MBC, and SBS. Also, subsidiaries of KBS, MBC, and SBS are program providers for the drama channels: KBS Media, MBC Production, and SBS Media Holdings. Each program provider offers programs a drama channel only under its corporate umbrella, and the programs are mostly the ones that appeared or appear once in the parent company's over-the-air broadcast channels. At this point, a major operation of the three drama cable channels is retransmission of broadcasting programs (Calabrese & Wasko, 1992).

CONCLUSION

This research paper has examined on the development of the Korean cable television system. In so doing, the research paper took account for the relations between the government policies toward the South Korean cable television and changes within its industrial structure. Then, the paper discussed three important issues raised by the introduction of cable television in South Korea: localism, competition, and diversity. In the section on diversity especially, the research paper provided empirical findings in relation to vertical and horizontal diversity of programs in the South Korean cable television channels.

A primary driver of cable television in South Korea was the government's political interest rather than public and economic interest. A former South Korean president Roh Tae-woo proposed a pledge during the 1987 presidential campaign that he would establish a new cable television system in order to provide a multichannel television environment for South Koreans, and he began to set up a plan for the new cable television system, GCT, to fulfill his pledge after he became president in 1988. Ever since then, however, the South Korean cable television had been a hot issue for more than a decade in terms of policy-making and stabilization of cable television.

The South Korean government failed to stabilize the GCT in the initial phase due to lack of proper policies and lack of recognition of cable television as an industrial property. What Roh government had done during his incumbency was just to add a new cable system GCT and a new law to an established cable system RCT controlled by an established law. As a result, two cable television

systems had coexisted, controlled respectively by different regulatory bodies with different laws and competing with each other to survive in a single cable television market. In addition, the South Korean government worried that the GCT would erode the duopoly system of public broadcasting companies. Accordingly, Roh government blocked the ways of any privately-owned company to become a big television conglomerate by prohibiting vertical and horizontal ownerships in the GCT, which made it hard for SOs and PPs to survive in competition with the RCT entrepreneurs and with the two public broadcasting companies.

A couple of years later after its start, the GCT was estimated as a big failure. Both the South Korean government and the GCT entrepreneurs lost a considerable amount of money. In order to revive the GCT, the South Korean government began to deregulate the ownership limitation, amending the General Cable Television Law in 1998. Furthermore, the South Korean government integrated three television-related laws into one compressive law, the Broadcast Law of 2000. Since then, South Korean cable television has been stabilized and has thrived to the extent that the cable television now reaches 77.5% nationwide with more than 15 million subscribers.

The introduction of GCT has important meanings in South Korean television industry. The South Korean television mediascape started to be transformed since the introduction of GCT. The GCT brought privatization in the South Korean television market where two public broadcasting companies had dominated under the duopoly system. The GCT indicated South Korea entered

the age of multichannel and multimedia. The introduction of GCT raised such important issues as localism, competition, and diversity of content and viewers' choices.

While thriving, South Korean cable television has also faced harsh competition with other TV media such as DBS, DMB, DMB, IPTV, and Wibro. Cable television in South Korea seems to be beating the competition, but whether or not it will still be a winner in the future is unknown. The introduction of GCT was considered to be the beginning of localism in South Korean broadcasting system (Youn & Kim, 2006). Unlike expectation, however, the GCT had rarely promoted localism (Lee & Joe, 2000; Youn, 1999) because a subscriber in a rural area enjoys the same channels and programs as a subscriber in the capital of South Korea, Seoul, regardless of whether or not a system operator for the rural subscriber is a local entrepreneur. In terms of program diversity, this paper performed a small case study with five channels – two movie channels and three drama channels. According to the findings of the study, each channel operated in certain degree of vertical diversity but did not so in a high degree though channels operated with high degree of horizontal diversity.

With regard to localism and competition issues, this research paper lacks much explanation of what really happens in the South Korean cable television. Thus, another project could include an empirical study on those issues to show what really happens. For the diversity issue, this research paper possesses at least two weak points. A weakness of the report's empirical study on program

diversity is that it cannot generalize the findings to the extent that all other cable channels operate in the similar degrees of diversity to the five chosen channels. Therefore, a paper needs to expand cases; for example, the number of channels of cable television, the program types of cable television and other television media, etc. Another weakness is that the case study looks at only the program diversity among four types of diversity: viewpoint diversity, outlet diversity, source diversity, and program diversity. For instance, the three drama channels seem to operate with vertical and horizontal diversity of programs, but the program diversity in those channels reflects neither true program diversity nor source diversity if compared with the parent companies of each channel. Each drama channel transmits all the programs that appeared or appear once in its parent company's over-the-air television channel(s). Therefore, when all four diversity types are incorporated in a study, the study can fully explain true diversity in the South Korean cable television.

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