

# The Korean Broadcasting System and Strategies Against Overdependence on Advertising

HANAWA Kazuma

Nationwide television in South Korea today is dominated by three public broadcasters: Korean Broadcasting System (KBS), Educational Broadcasting System (EBS, which KBS transmits on behalf of EBS), and Munhwa Broadcasting Corporation (MBC). The commercial broadcaster Seoul Broadcasting System (SBS), too, reaches almost the entire country through a network of partnerships with local commercial stations.

The revenue structures of the three public broadcasters all differ: KBS relies heavily on a subscription fee and advertising revenues, while EBS depends in part on subscription fees,<sup>1</sup> in part on support from the Broadcasting Development Fund,<sup>2</sup> and in part on advertising, and most of MBC's revenue comes from advertising. Despite its heavy dependence on advertising revenues, MBC is considered a public broadcaster because 70 percent of its stock is owned by the Foundation for Broadcast Culture, an organization operated entirely from funds provided by the national government.

This essay looks mainly at problems KBS, South Korea's key public broadcaster, currently faces as a result of its revenue structure.

## **KBS Summary**

KBS broadcasts on two terrestrial channels (KBS-1, a national service channel specializing in news, culture, and current affairs; and KBS-2, a cultural channel geared to family entertainment), two satellite channels (KBS Korea and KBS World), and seven radio channels. In 2001, KBS also started broadcasting on two terrestrial digital channels. Furthermore, KBS SKY, a KBS subsidiary, runs KBS SKY Drama and KBS SKY Sports.

As of the end of 2003, KBS had 5,136 employees with a network of 25

<sup>1</sup> Under the Broadcasting Act of Korea, 3 percent of subscription-fee revenue is allotted for EBS operations.

<sup>2</sup> A fund established and run by the Korean Broadcasting Commission. Funds are used for running the Commission itself and EBS. Its main source of funds is the tariffs related to the qualifying advertising revenues of the terrestrial broadcasters. The estimated total for the year 2002 was US\$80 million.

local stations (9 regional headquarters and 16 local stations) covering the entire country. Previously a government-run station, it became an independently run public broadcasting station in March 1973. Its highest decision-making body, the Board of Governors, is comprised of 11 members (currently part-time positions) who are nominated by the Korean Broadcasting Commission (KBC),<sup>3</sup> and appointed by the president of South Korea. The Board nominates the KBS president and chief executive officer, who is also appointed by the South Korean president. The current KBS president is Jung Yun-joo, a former editor-in-chief at *Hankyoreh Daily*, a liberal newspaper, who was inaugurated in April 2003 after being selected by the Board of Governors from 60 candidates chosen by public nomination.

As mentioned above, the main sources of KBS funds are subscription fees and advertising revenues. When it absorbed the private Tong Yang Broadcasting Company (TBC) as part of the country's campaign for consolidation of the mass media in 1980, and its second television channel, KBS-2, was created, KBS began to broadcast advertising to secure an adequate financial base. Article 56 of the Broadcasting Act stipulates that "Expenses of the System shall be met by the television broadcast receiving fees under Article 64, but the revenues as prescribed by the Presidential Decree such as the revenues from the commercial broadcasts may be appropriated if necessary for the proper accomplishment of the objective affairs."

The KBS budget is drafted by the president of KBS and voted on by the Board of Governors, after which it is submitted to the Korean Broadcasting Commission with a budget plan. According to current law, the KBS budget is not subject to deliberation and approval of Parliament.

### **KBS Subscription Fee System**

The subscription fee system was implemented in January of 1963 during the years KBS was operated by the government, with a monthly fee of 100 won. The fee was subsequently revised a number of times, and when color television broadcasting began in April 1981, the fee was set at its current amount of 2,500 won (see Figure 1). The rate has been unchanged for 23 years since (black and white televisions were exempted from the fee in December 1984).

Collection of subscription fees by KBS is grounded in the law under Article 64 of the Broadcasting Act: "Any person who possesses a television receiver

<sup>3</sup> Established under the new Broadcasting Act enacted in March 2000, KBC is an independently administered organization responsible for drawing up all broadcasting policies and for regulating broadcasting industry. Its nine members, also, are appointed by the president of South Korea and the head of the Commission exercises the powers of a member of the cabinet. It maintains offices with approximately 180 full-time staff.

**Figure 1. Changes in the Subscription Fee**

year	1963	1964	1965	1969	1974	1979	1980	1981
Subscription Fee (won)	100	150	200	300	500	600	800	2,500

Source: Korean Broadcasting System.

in order to receive television broadcasts shall register the TV set with the System, and pay a television broadcast subscription fee under the conditions as prescribed by Presidential Decree.”

When revising the subscription fee, the KBS Board of Governors deliberates and passes a decision, which is then submitted to the Korean Broadcasting Commission. The Commission investigates the appropriateness of the fee revision, and submits its investigation results to Parliament. The revision is adopted once it is approved by Parliament.

Viewers are notified of the subscription fee they owe via the electricity bill sent out by the Korea Electric Power Corporation, which acts as a collection agent for KBS. This arrangement was implemented in October of 1994; the average collection rate in 1993 prior to this set-up was 53 percent, while in 1996, two years after the start of the new collection system, it had risen to 89 percent, and in 1999 reached 99 percent, where it remains today. At the same time KBS adopted this collection arrangement, it discontinued broadcast of advertisements on KBS-1.

**Fluctuations in the KBS Revenue Structure**

Let’s take a look at the shifts in KBS’s subscription fee revenue and advertising revenue, as well as changes in their ratio since the adoption of advertising broadcasts.

As can be seen from Figure 2, revenues from advertising exceeded that from subscription fees only four years after broadcast of advertising began. In the late 1980s, viewers rallied in protest against KBS for news coverage sympathetic toward the government, and for broadcasting advertising. There was a movement supporting refusal to pay subscription fees, and revenues from this source continuously dropped below that of the previous year. For three years beginning in 1988, the percentage of revenues from subscription fees was less than 30 percent. In 1995, however, due to the new subscription fee collection system, the figure returned to roughly the 40 percent range. In 1998, advertising revenues suffered a sharp drop resulting from the currency crisis and subscription revenues rose to 55 percent of all revenues. Subsequently, the number dropped to almost 40 percent, and remains more or less the same today.

**Figure 2. Shifts in Ratio of Subscription Fee and Advertising Revenue at KBS**  
(unit: million won)

Year	Subscription Fee	Advertisements	Subscription Fee/ Advertisements Ratio
1980	52,118	0	100:0
1981	63,276	39,555	62:38
1982	90,942	63,915	59:41
1983	108,058	100,085	52:48
1984	125,562	136,756	48:52
1985	119,605	136,479	47:53
1986	101,254	148,710	41:59
1987	91,803	169,636	35:65
1988	78,973	215,289	27:73
1989	103,959	262,953	28:72
1990	122,965	303,300	29:71
1991	149,713	330,101	31:69
1992	169,216	350,158	33:67
1993	202,197	367,816	35:65
1994	217,111	424,555	34:66
1995	368,509	485,849	43:57
1996	378,537	594,457	39:61
1997	398,505	569,898	41:59
1998	414,669	335,882	55:45
1999	432,995	487,257	47:53
2000	447,206	672,316	40:60
2001	468,752	584,974	44:56
2002	481,969	735,163	40:60
2003	499,692	678,154	42:58

Source: Korean Broadcasting System.

### Criticism of KBS-2 Commercialism

As mentioned above, KBS has two terrestrial channels. Of the two, KBS-1, which focuses on news, culture, and current affairs and does not broadcast advertising is sometimes criticized for the bias in its news coverage and other programs.<sup>4</sup> However, for the most part, it enjoys the respect and support of its

<sup>4</sup> As a recent example, there has been criticism that KBS romanticized a figure engulfed in a spy controversy without thorough verification in the September 2003 documentary, "Talking About Korean Society: Homecoming and Exiles Who Have Returned," featuring Song Dulyul, a sociologist living in Germany. In addition, KBS has been criticized for biased news reportage on the president's impeachment in February 2004.

viewers as a public broadcaster. Recently, KBS-1 has been commended for actively organizing viewer-produced programs and for the production of programs that directly criticize its own past errors.

On the other hand, KBS-2, the cultural and family entertainment channel that does run advertising, has been receiving criticism for its increased commercialism and the growing number of entertainment programs of questionable taste.

The Korean Broadcasting Commission and other public broadcast research agencies conduct surveys and analyses of each broadcasting station's spring and fall program line-ups. These analyses report that KBS-2 broadcasts the same high percentage of entertainment programs as MBC and SBS, a commercial broadcaster. For example, the Korean Broadcasting Institute,<sup>5</sup> which conducted a survey of program line-ups from spring of 2003, revealed that among the four terrestrial channels (KBS-1, KBS-2, MBC, SBS), KBS-2 had the highest percentage of variety shows, at 59.6 percent.

It is said that the "commercialization" of KBS-2 comes as a result of its reliance on advertising revenues, which forces the channel to produce and present programs focused on ratings. KBS president Jung Yun-joo announced immediately after his appointment that the company would strive to enhance its public nature, even if it meant that KBS would lag behind in the ratings race. However, the Korean Broadcasting Commission reported in the program analysis for the spring 2004 line-up that the percentage of prime time entertainment shows were 64.7 percent, 67.8 percent, and 66.6 percent for KBS-2, MBC, and SBS, respectively, indicating that there has not been significant improvement of KBS-2 overreliance on entertainment shows.

### **Reform Prerequisite to Subscription Fee Revision**

The draft for statement of accounts for fiscal 2002 submitted by KBS was not approved in the plenary session of Parliament on July 2, 2003 on various grounds including "lax management of funds." This came about when the conservative opposition party, the Grand National Party (GNP), which held the majority in Parliament, voted against approval. A rejection by Parliament of its annual accounting report does not have the effect of punishing KBS, but in response to the situation Parliament requested a special audit by the Board of Audit and Inspection. The special audit was begun in December of 2003 and lasted for five months. The results were submitted to Parliament on May 21, 2004 (see Figure 3).

<sup>5</sup> A public research organization established in 1989 for the promotion of Korean broadcasting.

**Figure 3. KBS Special Audit Results (Excerpts)****Management Organization**

- The independent nature of KBS must be guaranteed. However, inasmuch as KBS is an organization financed entirely by the government and is operated on subscription fees shouldered by citizens, the organization's budget must be in balance with that of other governmental agencies. Nevertheless, because KBS is not supervised by any outside parties and its criteria for budget-planning are not well considered, part of its personnel costs and welfare benefits are set at a level much higher than in other government-financed agencies.
- The Board of Governors, despite having the crucial role of voting on matters of importance and keeping the KBS President in check, includes no members with expertise in management and accounting, while three former KBS employees serve on the Board. Its expertise in the broadcasting field and capacity to function as monitor are low.

**Revenue Structure**

- For KBS to realize its public interest goals as a key public broadcaster, subscription fees should ideally be its main source of operating revenue. However, after the monthly subscription fee per television was set at 2,500 won in 1981, it has been difficult to implement a fee increase. Thus, when there are insufficient operating funds due to an increase in personnel costs, the problems have been resolved not through cost reductions but by expansion of advertising revenue. As a result, KBS has focused on ratings, which are closely tied to advertising revenues, producing a large number of entertainment programs despite criticism that "its identity as a public broadcaster is not clear."

**Organization/Personnel Management**

- Due to the broadcasting industry's movement towards multimedia and multi-channel broadcasting, the coverage of wider areas thanks to the advancement of transportation and communications, and the expansion of transmission facilities and nationwide broadcast transmissions from headquarters, the *raison d'être* of the 16 local broadcasting stations has been weakened. These stations are still in operation despite a pressing need for major organizational realignment, placing a heavy burden on the KBS management.
- Since the IMF crisis of 1997, restructuring has resulted in a reduction in the total number of employees by 3.7 percent, while the number of higher-level positions has increased, as seen in the 41.7 percent increase of department chiefs. Furthermore, high-cost department and division chief positions are continually appointed at numbers above the quota.

**Budget-Planning and Execution**

- Personnel-related costs and welfare benefits budgets are inappropriate. Execution is also inappropriate.

**Measures for Improvement**

- Revision of the Broadcasting Act with respect to estimated cost and account settlement by, among other means, utilizing the budget compilation guidelines used for government-financed agencies.

- Strengthening the functions of the Board of Governors by, among other means, adopting a system of permanent governors and establishing quota/salary-related regulations under the supervision of the Board of Governors.
  - Establishing an identity for public broadcasting by instituting thoroughgoing reforms of the revenue structure.
  - Reorganization of the 16 local stations, closing some stations, reducing the number of senior posts, and observing quotas for specialist posts.
  - Appropriate planning and execution of the budget.
- 

### **Contrary Evaluations of KBS**

As mentioned above, the conservative opposition party, GNP, which enjoys great influence in Parliament, maintains a harsh stance towards KBS. In 2003 it rejected the draft for approval of KBS's statement of accounts and demanded the privatization of KBS-2 and the revision of the subscription fee collection system.

Ko Heung-kil, representative of the GNP's Special Committee on the Press, claims that the GNP is demanding that KBS engage in impartial broadcasting, rationalize its business management, and establish autonomy of its personnel practices. "We have submitted to Parliament a bill for amendment of the Broadcasting Act stipulating that the appointment of the KBS president and approval of the KBS budget be subject to a vote in Parliament," he says, "Furthermore, although this was not addressed in the proposal, we recommended the privatization of KBS-2 as a long-term goal. However, it was not passed due to opposition from the ruling party. Thus, we are demanding that the subscription fees be collected separately from electricity fees in order to allow citizens to apply pressure to KBS."

On the topic of the demand for KBS-2 privatization, Ko continues, "There are five terrestrial channels broadcast nationwide, KBS-1, KBS-2, MBC, EBS, and SBS, of which only SBS is a private corporation. The Grand National Party believes that in the long run, KBS-1 and EBS should remain public broadcasters while the entertainment channels, KBS-2 and MBC, should be privatized. We believe the ideal set-up is for KBS-1 to operate on subscription fees alone after the privatization of KBS-2, with a slight fee increase if the current rate does not sufficiently cover costs."

Regarding possible change in the fee collection system, Ko says, "We will continue to seek the revision. The combination of subscription fees with electricity fees is an administrative expedient, not a legal measure. We believe it is illegal. We believe that the collection rate will drop to below 50 percent if fee collection is separated from electricity fees, but that is something that KBS must resolve with its viewers."

Meanwhile, major newspapers such as *Chosun Ilbo* and *Dong-A Ilbo*, which have been outspoken in their opposition to the government's attempts to regulate the management of major newspapers, are critical of KBS, which they see as overly sympathetic to the government. In reaction to the above-mentioned audit report, *Chosun Ilbo* censured KBS, saying, "Not only has KBS not cut back costs, it has increased advertising revenues on the pretext of the need for funds. As a result, advertising revenues currently surpass collected subscription fees. It is astounding that KBS can then shamelessly claim that subscription fees must be increased."

While the conservative opposition party and major newspapers continue their criticisms of KBS, some forces support KBS and encourage it to institute the internal reforms that will enhance its public nature. These are civic groups active in democratization and expansion of the scope of freedom of speech in South Korea.

A leader among these groups is the Citizens' Coalition for Democratic Media founded in 1984, which was instrumental in promoting a movement to refuse payment of the subscription fee to KBS when it acted as the public relations arm of the military regime. The secretary-general, Choi Min-hee, regards the debasement of KBS-2 broadcasting content in an effort to achieve high ratings and hence maintain advertising revenue as disgraceful, and appeals for reform in the revenue structure to rectify the source of the problem, which is excessive dependence by KBS on advertising revenues.

While claiming that it would be ideal for KBS as a public broadcaster if 100 percent of its costs could be covered by subscription fees, Choi adds, "Given the immaturity of Korean politics today, this is impossible. We believe the appropriate ratio of subscription fee revenues to advertising revenues is 7:3. Even though Korean broadcasting is independent from the government to a certain extent, it has yet to become independent of vested interests (politics and big capital). It is very possible that these parties might unite in harassing KBS over programs they find unsatisfactory, using refusal to pay subscription fees as their weapon. If KBS cannot secure approximately 30 percent of its funds from advertising, it will not be able to remain free from such pressures."

In the spring of 2003, after the inauguration of President Roh Moo-hyun, Choi and her colleagues presented these arguments at a public discussion attended also by representatives of KBS, recommending an increase in the subscription fee. They expressed their resolve: "Although there is resistance among the general public to an increase in the subscription fee, if we first see improvements in the KBS management and its staff makes efforts to strengthen the public nature of their broadcasts based on a spirit of service, then we will do our best to convince the public."

Support for KBS from such civic groups as the Citizens' Coalition for Democratic Media can be attributed to the fact that KBS is actively engaged in producing programs that encourage progressive and reform-oriented changes in South Korea as a whole.

### **Rectification of Revenue Structure Through Reform**

On June 1, right after the Board of Audit and Inspection presented its KBS Special Audit Report, I spoke to Managing Director of KBS Administration Chung Tai-jin.

#### *A subscription fee increase is crucial now*

Chung, claiming that the biggest issue of the year is the “pragmatization”<sup>6</sup> of the subscription fee, which has remained unchanged for 23 years, says, “KBS’s budget for this year is 1.37 trillion won. We need to expand our budget to respond to digitization, but because our subscription fee revenue is fixed we inevitably have to rely on advertising revenues, raising the proportion of such funds. Due to the recession, even the revenue that can be attained from advertisements is limited. There is no other way, therefore, but to raise the subscription fee.”

#### *Pressing need for correction of the revenue structure*

In 1981 when advertising revenues were first introduced and the subscription fee was set at 2,500 won, the ratio of KBS subscription revenues to advertising revenues was 62:38. However, the ratio quickly reversed itself, reaching 42:58 in 2003.

To the question of how KBS will go about correcting this ratio, Chung responded, “Generally, the revenue structure of the public broadcasters is of three types. There is 1) the “commercial” structure, with less than 30 percent of revenues from subscription fees and more than 50 percent from advertising, 2) the “mixed” structure, with 50 or more percent of revenues from subscription fees and less than 30 percent from advertising, and 3) the “pure” structure, with 80 or more percent of revenues from subscription fees and less than 10 percent from advertising. Currently, KBS falls in the commercial category. He said what KBS was aiming for was the mixed structure, with the ideal subscription-to-advertisement ratio at 7:3. The reason the mixed structure had been chosen, he noted, is because adopting the heavily subscription-dependent revenue structure means that the budget would then be subject to

<sup>6</sup> KBS employees often use the expression “pragmatization” instead of “increase” when referring to the subscription fee with the implication that the current monthly fee of 2,500 won is unrealistic.

approval by Parliament. If that were to happen, the broadcaster would have to answer to politicians, making it impossible for the organization to be politically autonomous and forcing it to relinquish the power to criticize, which is the most important function of a broadcaster. By aiming for a mixed revenue structure, he said, KBS hoped to maintain its political independence.

*Necessary steps for realization of the subscription fee increase*

KBS claimed the broadcaster was eager to take the steps necessary to achieve revision of the subscription fee in 2004, but perhaps this enthusiasm was due not solely to tight financial conditions within KBS, but also to the results of the general elections in April in which the GNP, the conservative opposition party that is most critical of KBS, lost its majority of seats in Parliament to the reformist Uri Party. With much criticism still aimed at KBS, however, it will be no easy feat to increase the subscription fee that has been fixed for 23 years. As for the steps KBS is taking to achieve this, Chung explains, "First, the important thing is to address our internal problems. We have been criticized for inefficient management, and we have begun aggressive efforts to reorganize and improve efficiency such as through realignment and closure among the 25 local stations. In terms of our internal system, we are actively implementing reforms in program production, news reporting, and personnel affairs. Once these efforts have been fulfilled, we would like to appeal to opinion leaders in academia, civic groups, and the Korean Broadcasting Commission to support our appeal for an increase in the subscription fee. Currently, we are still in the self-reform phase."

*Expenses of digitization a heavy burden*

In late 2001, four terrestrial stations, including KBS, began terrestrial digital broadcasting geared to fixed television at household or elsewhere, the first in Asia. Digitization expenses are generally paid for by individual broadcasting stations, and KBS is no exception. "The first purpose of the subscription fee increase is, as I mentioned before, to change our revenue structure, but the other major purpose is to secure funds necessary for digitization. We are in need of an enormous amount of funds by 2010, when analog broadcasting is slated to end," Chung says.

As evident in Figure 4, KBS digital conversion costs, including the costs just for changeover of production and transmission facilities are anticipated to reach at least 1 trillion won (100 billion yen, or US\$ 900 million) by the year 2010.

**Figure 4. KBS Digital Conversion Costs (Investment Plan by Year)**  
(unit: 100 million won)

Year	Production facilities	Transmission facilities	Maintenance costs	Total
2001	1,151	139	4	1,294
2002	517	276	11	804
2003	484	684	32	1,203
2004	711	541	48	1,300
2005	552	815	68	1,435
2006	961	499	68	1,528
2007	347	481	68	896
2008	–	481	68	549
2009	–	459	68	527
2010	–	472	68	540
Total	4,726	4,847	503	10,076

Source: Korean Broadcasting Commission.

The following is the history and future plan for the digitization of terrestrial broadcasting in South Korea (see Figure 5).

**Figure 5. Schedule for Digitization of Broadcasting in South Korea**

2001	Late in the year, four terrestrial broadcasters (KBS, EBS, MBS, SBS) begin terrestrial digital broadcasting.
2002	Late in the year, terrestrial digital viewing becomes possible in the entire metropolitan area, where almost half of the Korean population resides.
2003	Digital broadcasting was to begin in Pusan and four other major cities late in the year, but conflicts over the digital TV standard cause indefinite delays.
2004	In July, the conflict is resolved with an agreement on the ATSC standard, and areas where digital broadcasting is available expand. Plans to increase availability in provincial capitals late in the year.
2005	Plans to provide digital broadcasting nationwide by the end of the year.
2010	Plans to end analog broadcasting.

#### *Responding to civic groups*

Chung agrees with the views of civic groups that KBS should reaffirm its identity as a public broadcaster. He says, “Currently, all KBS-2 programs broadcast advertisements, but as a step towards raising the subscription fee, we are considering, for example, limiting such broadcasts of advertisements to primetime or selecting specific time slots to broadcast them while decreasing the overall number of advertisements to make quality improvements.

#### *Regarding criticism of the subscription fee collection system*

Concerning the current subscription fee collection system, Chung responds,

“It’s a difficult problem. We have a contract with the Korean Electric Power Corporation, which is renewed every three years. Depending on how one looks at it, it may be an unreliable system. If one party breaks the contract, then that’s the end of that. In any case, we are now studying other feasible methods.”

### **KBC View of Subscription Fee Revision**

How does the Korean Broadcasting Commission, which regulates the country’s broadcasting industry, see the issue of a KBS subscription fee increase? Deputy Manager of the Commission’s Terrestrial Broadcasting Division Kim Young-il, who is in charge of KBS at KBC, says, “We do not think that the current revenue structure of KBS is ideal for a public broadcaster. Therefore we sympathize with its hope for an increase in the subscription fee, but in order to implement such a change, it is imperative that KBS institute internal reform while simultaneously cutting back on the number of advertisements broadcast on KBS-2. Ultimately, KBS will need to acquire the understanding of viewers.” According to Kim, however, many citizens have registered with and already pay for cable television, through which they also view terrestrial broadcasting channels. Therefore, they see a raise in the subscription fee as a double burden and are likely to react negatively to such a measure.

What can KBS do to win the public’s understanding? Kim says, “Most important is to increase the public nature of KBS-2, which at the moment is no different from MBC or SBS. If KBS-2 strengthens its public nature, the public is more likely to accept an increase in the subscription fee. In addition, it is necessary for KBS to aggressively reform itself in response to the criticisms. If KBS appeals for an increase in the subscription fee but maintains the current level of advertisement broadcasting on KBS-2, it will never earn public support.”

According to Kim, KBC needs to discuss the issue to reach a consensus within the organization itself, as there are some within KBC who argue that KBS should be run on funds solely from subscription fees.

### **Successful Rectification Depends on Internal Change**

KBS management’s hopes to rectify its advertising-dependent revenue structure can only be fulfilled if the organization succeeds in reforming itself. Asked whether such a fundamental reform and taking steps to increase the subscription fee is possible anytime soon, Kim Yung-duk, a research fellow at the Korean Broadcasting Institute (KBI), says, “The Board of Audit and Inspection conducted an unprecedented, full-scale audit of KBS. The audit was an implied warning from the government. Before this, KBS’s own vision

for self-reform had rarely been communicated to the public, but we now see a shift towards more openness. We get the sense that there is a possibility that quite pervasive reforms will be made. KBS president Jung's commitment to reform is probably meeting a lot of resistance within the organization, and the immediate task is to deal with that resistance. I think the audit will serve well in furthering his program for internal reform."

For KBS as a public broadcaster to rectify its overdependency on advertising revenues—which has been the basic source of the criticisms lodged against KBS commercialism—and to simultaneously secure funds for digitization, raising the subscription fee may be the only way. However, even if the subscription fee is as small as 2,500 won (250 yen, or US\$2.3), revising the amount that has remained unchanged so long will be no easy task. All concerned parties and specialists interviewed for this study emphasized that "internal reform at KBS is the prerequisite for any increase in the subscription fee." KBS management seems to fully understand this. However, the reforms KBS has been called on to make are numerous. It will take considerable leadership and determination for KBS itself to execute all the changes required.

KBS president Jung is said to be a man firmly committed to KBS reform. All eyes are on him, concerning whether he has the leadership and ability to win over the internal factions opposed to reform because of vested interests and established positions, and to what extent the reforms will actually take place.

### **Afterword**

Here let me describe the developments that have most recently taken place between July and November 2004 regarding the subject covered in this study.

#### *Shift in criticism of KBS-2*

In a PSI (Public Service Index) survey conducted in 2004 by the KBS Broadcast Culture & Research Institute, KBS-2 scored 70 points out of a possible 100, coming in second to KBS-1 (71.9 points) and receiving praise for revisions in their program line-up in the second half of 2003, demonstrating that efforts to assert the public nature of its programming are starting to show results. PSI is a viewer assessment index on program quality that was created by KBS in 1991 in cooperation with the Korean Society for Journalism and Communication Studies to overcome the effects of a system that prioritizes ratings, as well as improve broadcasting quality and fulfill its public service role. In 2002, KBS-2 had a PSI of 67.7, lower than that of MBC (69.4) and SBS (69.9). In 2003, it had a PSI of 69.7, lower than MBC (69.9) and higher than SBS (68.7).

*Steps toward KBS internal reform*

On August 9, KBS implemented a fundamental reorganization of its internal structure, replacing its former system of divisions/departments with teams and eliminating over 300 division and department chief positions. Due to these reforms, the number of employees holding managerial positions was drastically cut from 1,120 to 184. Seven local stations which produced very few programs themselves were closed down, bringing the number to nine regional headquarters and nine local stations. KBS president Jung claims to have conducted the reforms in response to the criticisms of lax management, authoritarianism, and bureaucracy. In mid-September, the KBS Development Council, an organization critical of these reforms, was established but has not been particularly active, leaving KBS president Jung's reform drive free to accelerate.

*Backdrop of external trends*

The stance vis-à-vis KBS taken by the opposition party, GNP, a leading critic of the broadcaster, has been modified. On November 2, 2004, a special committee of the GNP prepared a draft for establishing a national key broadcaster law, proposing a limit of 20 percent for advertising revenues in KBS revenues and calling for an increase in the subscription fee and continuation of the current fee collection system. The proposal was submitted to the GNP party head. It is to be deliberated on at the plenary meeting of Parliament members of the party before it is officially adopted. According to press reports (*Chosun Ilbo*), a member connected to the special committee said, "The call for privatization of KBS-2 and separation of the subscription collection system from electricity bills was seen by many as a political offensive, so we decided not to pursue these options." He added, "Instead, we decided to promote the public nature of KBS by setting up a national key broadcaster law for regulation of public broadcasters only." According to the GNP proposal, the KBS budget would be presented and approved in Parliament, and its annual statement of accounts would be approved by Parliament after an audit by the Board of Audit and Inspection. Furthermore, a management council with the highest decision-making powers will be established to discuss matters such as the selection of the KBS president. Parliamentary deliberations of such broadcasting-related bills will greatly affect the future of KBS.

*(Translated by Kobayashi Chikako)*