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Editor: Giuseppe Richeri.
Co-editor: Qing Luo.
Staff: Chwen Chwen Chen, Cinzia Colapinto.
Graphic: Cinzia Colapinto, Alessia Padovan, Tania Vanetti.

An Analysis of China's Mobile TV Market after the 2008 Olympics

Trisha Tsui-Chuan Lin, Nanyang Technological University, Singapore.

Since the Beijing 2008 Olympic Games the launch of homegrown standard China Multimedia Mobile Broadcasting (CMMB) has triggered a new fascination with mobile TV which not only offers users a platform for watching realtime video on-the-go, but has also heightened competition between telecom operators' 3G TV and broadcasters' mobile TV services (MTVS). The newly-approved standard that supports the TD+CMMB dual network is also accelerating the diffusion of mobile TV in China. Many telecom operators, broadcasters, and content providers are keen to form alliances to develop MTVS and generate new revenue flows. It is predicted that mobile TV will continue to grow rapidly in the next 5 years (CCID Consulting, 2008).

In 2009 the China Internet Network Information Center (CNNIC) reported that the adoption rate of mobile TV is 3.8%; MTVS is the most successful in Guangzhou with 42.6% followed by Beijing, Shanghai and Shenzhen. China's State Administration of Radio, Film and Television (SARFT) issued six mobile broadcasting TV licenses to Shanghai Media Group (SMG), China Central Television (CCTV)'s CCTV.com, Southern Media Corp. (SMC), China National Radio (CNR), China Radio International (CRI) and a Beijing TV Station (BTV) in 2006.

According to Ministry of Industry and Information Technology of China (MIIT), China had 710.5 million mobile subscribers in August, 2009 (Hua, 2009). China's large mobile subscriber base and rising GDP are positive indicators for continued development of the rapidly growing but budding mobile TV industry.

China's mobile TV can be divided into "unicast mobile video" that delivers user-selected audio/video to handsets via cellular networks, and "mobile broadcasting TV" that transmits content with a scheduled timetable over terrestrial or satellite frequencies (Kumar, 2007).

Unicast mobile video, like the 2.5G and 3G video services offered by China's telecom operators, features video on demand (VOD) and interactivity but its one-to-one transmission model cannot handle heavy traffic to serve a large audience. China's telecom operators then cooperated with broadcasters to provide MTVS through broadcasting spectrums. China Mobile and China Unicom started T-DMB (Terrestrial Digital Multimedia Broadcasting) trials in 2004. By mid-2006 three companies in Shanghai, Beijing and Guangdong obtained SARFT authorization for the commercialized T-DMB launch. The CMMB was introduced in December 2006, positioning it for a large-scale trial run of mobile TV broadcasting during the 2008 Olympic Games. Mobile broadcasting TV that is ideal for one-way, one-to-many live broadcasting can reach a large audience in extensive geographic areas at a relatively low cost. Research suggests that CMMB is used to watch broadcast TV programs, along with 3G TV's customized and interactive services (Yang, 2008).

CMMB reflects the growth of broadcast mobile TV in China

SARFT-supported CMMB was created in 2002 and reached technological maturity in 2007. SARFT set up a supervisory company, China Mobile Broadcasting Corporation, to establish a corporate infrastructure and manage the business operations. The CMMB trial networks were set up in six Olympic host cities where users could watch live Olympic Games broadcasts, enjoy VOD and downloaded videos, search for information and participate in interactive content/services (Cai, 2008). In summer 2008 free terrestrial and satellite broadcasting MTVS were made available in 37 selected cities with Beijing receiving the best CMMB coverage. After the 2008 Olympics Games it took off rapidly. By March 2009 CMMB users in 157 cities had free access to six TV broadcast channels (CCTV-1, CCTV-3, CCTV-5, CCTV-News, provincial channel, and city channel) plus four radio channels. Table 1 shows CMMB's development of MTVS in five key cities in 2009. SARFT aims to transmit improved quality CMMB signals to 337 cities in the main 100 counties by the end of 2009. China Broadcasting Mobile Corporation estimated one million CMMB users in early 2009 with a projection of 50 million by 2010. SARFT's Science and Technology Bureau Chief, Wang Xiaojie, attributed the quick rollout to a pro-innovative policy, successful domestic R&D in mobile TV technologies and enthusiastic industrial players.

CMMB has developed and currently offers MTVS adopting a free-to-air (FTA) business model to provide terrestrial TV channels and limited made-for-mobile content/services (e.g. stock exchange, traffic, weather information) to a mass market. In the future SARFT will introduce a subscription model that asks users to pay a monthly flat fee for commercial MTVS. When SMG started its commercialized MTVS in February it still offered users one year's free reception. It plans to charge RMB20 (€2) per month later. Eventually, China Broadcasting Mobile Corporation will establish a national structure to synchronize the management of CMMB MTVS and standardize the payment structure at national, provincial, and local levels.

The 2009 CNNIC Report showed that early adopters were most interested in news and sports (34%), followed by entertainment (27.7%). The report also indicated that more than half of the users watched mobile TV for less than 15 minutes a day. To promote its use value-added services were developed until March 2009, including selected mu-

Table 1 - Development of CMMB MTVS in Key Cities (modified Han, 2009)

City	*CMMB MTVS*	*Sets of Programs*	*CMMB Channels*	*Status*	*Payment*
Beijing	Since 2007	7	CCTV-1, CCTV-2, CCTV-7, CCTV-10, CCTV-12, BTV-1	Trial	Free
Shanghai	Since Jan. 2007	7	CCTV-1, CCTV-2, CCTV-7, CCTV-10, CCTV-12, 1 Shanghai local program	Commercialized	First year free reception
Guangzhou	Since 2007	12	CCTV-3, CCTV-9, news, Olympic channel, Children channel, Guangzhou variety	Trial	Free
Shenzhen	Since Oct. 2007	6	CCTV-1, CCTV-3, CCTV-5, CCTV-news, Shenzhen local channel	Trial	Free
Changsha	Since March 2008	6-7	CCTV-1, Hunan Satellite TV programs, Hunan radio news, 2 traffic programs	Trial	Free

sic videos, updated stock market and traffic information. In the future commercialized CMMB mobile TV will offer advertising-supported free content and pay channels, and create made-for-mobile audio-visual content and public services (Yang, 2008).

With SARFT's support CMMB has surpassed other mobile TV standards. Although there is a battle to set up a national mobile TV standard between MIIT (the telecommunications regulator) and SARFT (the broadcasting regulator), the China IT and Telecom Report (2008) forecast that CMMB-enabled handsets would break out of the license bottleneck in 2009. During the Olympics, MIIT granted licenses to TD+CMMB integrated mobile handsets, signaling its possible compromise to lift the CMMB restriction. Many mobile phone manufacturers that invested in producing CMMB handsets also expected its national rollout. These factors will push MIIT to issue the CMMB license in the near future. As Table 1 figures demonstrate, the current rollout of CMMB MTVS appears stronger and more rapid than 3G mobile TV services in China.

3G offers expanded mobile TV services to China's users

China's 3G mobile TV has witnessed a slow but steady growth. The long-awaited 3G mobile TV licenses were issued to China's telecom carriers (China Mobile, China Unicom, and China Telecom) in January 2009. China Mobile, which controls around 70% of the country's mobile subscribers, launched 3G mobile TV trials in eight cities in April 2008 and provided MTVS using a mainland-developed TD-SCDMA standard. China Unicom offers 3G services based on the W-CDMA technology while China Telecom operates services with the CDMA 2000 standard. Even although China Mobile is building its network from scratch, MIIT has clearly stated that the government will support the creation of a TD-SCDMA standard that will survive the competition. China Mobile had recorded 830,000 TD-SCDMA subscribers by May 2009. In comparison, China Unicom can upgrade its existing GSM network easily for W-CDMA MTVS, leaving China Telecom behind due to their lack of mobile experience (Li, 2009). This year the Chinese government may lower mobile data charges to reduce 3G TV fees and boost the uptake. However, 3G mobile TV in China still has bottlenecks to break through before it reaches a critical mass, including technical difficulties of network capacity and data speed, high subscription fees, and an ambiguous profitable business model.

China's mobile TV overcomes challenges; a promising market grows

The Chinese government sees mobile TV development as a key issue. China's MTVS showed rapid progress after the Beijing Olympics but still face challenges before a massive rollout is possible. The biggest barrier remains the turf fight over the establishment of a national mobile TV standard between MIIT and SARFT: MIIT supports the TD-SCDMA 3G mobile TV standard while SARFT favors the technological standard of its preferential proprietor, CMMB. Uncertainty in mobile TV policies and standards increases the risks for the industrial players involved. Second, high-quality, innovative mobile TV content that would draw more users is still lacking. Currently, MTVS operators primarily broadcast traditional TV channels. To attract a critical mass it is necessary to create diverse made-for-mobile or interactive content/services. Technical difficulties and an expensive infrastructure create barriers to success and most of China's users cannot afford relatively expensive MTVS and costly video-enabled cell phones. However, despite the economic downturn and although the development of China's mobile TV may slow down, it will still be one of the fastest growing and promising markets worldwide, because of strong government support, ready technology and a huge mobile subscriber base.

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Trisha, Tsui-Chuan Lin (Ph.D., University of Hawaii, Manoa) is assistant professor at the Wee Kim Wee School of Communication and Information at the Nanyang Technological University, Singapore. Her research interests include the adoption and impact of digital video technologies, the diffusion of ICTs in organizations, mobile communication, and digital journalism. For contacts: trishalin@ntu.edu.sg

Status and Trends of China's Smart Phone Market in 2008

Hongyi Xie, Communications Industry Research Center, CCID Consulting, Beijing, China.

(I) Sales volume growth and brand pattern

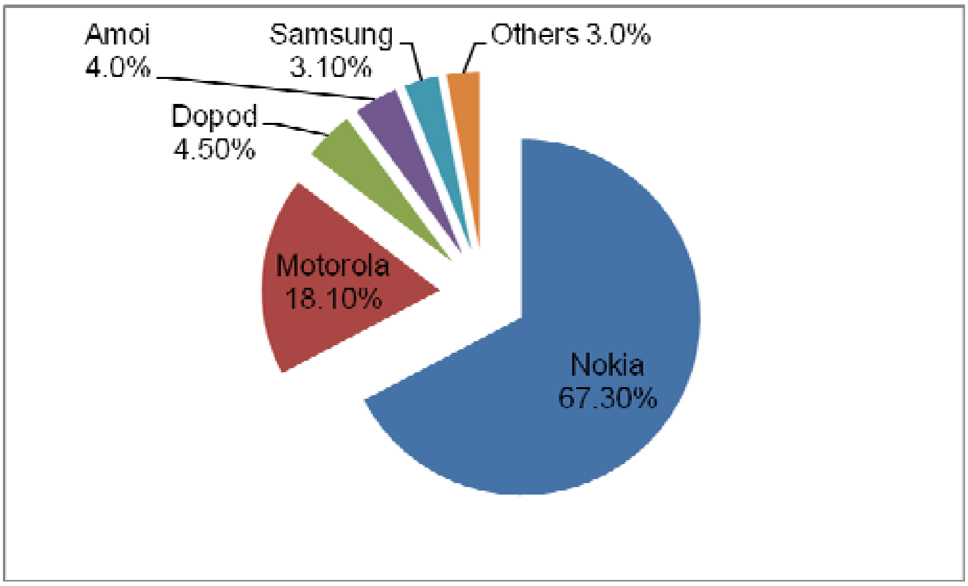
In 2008 China's smart phone market maintained a favorable development trend with sales volumes up 21.3% year-on-year. While the recorded growth rate was slower, it was still higher than the rest of the mobile phone market (8.3%). The smart phone market's rapid growth can be attributed to two main factors: firstly, the wide variety of business, entertainment and network applications of smart phones is increasingly appreciated by consumers and, secondly, mobile phone vendors are actively launching smart phones with a more comprehensive range of models. Sales of lower-end market smart phones are increasing and the target customers now range from high-end consumers to ordinary consumer groups.

The top five brands in China's smart phone market are Nokia, Motorola, Dopod (a Taiwanese manufacturer), Amoi (the Chinese manufacturer) and Samsung which account for 97% of China's overall smart phone market. The market share for China's domestic vendors is limited because Nokia and Motorola have advantages in terms of products, technology, brand and design. Dopod focuses more on the high-end market and industry applications and has gained a certain advantage as regards technology and brand.

(II) Market Characteristics

Nokia still holds a dominant position: its market share in 2008 was 67.3%, up 1.4% on 2007. The reasons for this large market share can be summed up in this way: firstly, Nokia has a comprehensive line of smart phones, ranging from

Fig. 1 -Brand Structure of China's Smart Phone Market in 2008



Source: CCID Consulting, Feb.2009

low-end to ultra-high-end; secondly, Nokia is the driver behind the drop in price of smart phones as it provides a wide range of choices for users; thirdly, Nokia's major competitor, Motorola, has not performed well in China; finally, Nokia's international competitors Black Berry and iPhone have not tapped into the habits of China's consumers or haven't entered the Chinese market so they are unable to jeopardize Nokia's position in China. However, Nokia's huge market share means that the space for domestic manufacturers is limited. Smart phones have extraordinary audio-visual entertainment functions and a mobile business function which requires mobile phone manufacturers to develop functions effectively and differentiate design on the basis of baseband chip and OS but inadequate investment has limited many domestic manufacturers' penetration of this market.

The homegrown standard TD-SCDMA's pre-commercial service starts and the smart phone market enters the 3G era.

China Mobile officially began its TD social testing and pre-commercial service on August 1, 2008. China's smart phone market has officially entered the 3G era and domestic manufacturers are seeing a growth in opportunities. The Chinese government is fully supportive of TD and China's domestic enterprises hold a leading position as regards technology patents and product R&D. The domestic mobile phone manufacturers ZTE and Coolpad will have an advantage over the foreign giants. Besides, foreign smart phone brands are expected to take this opportunity to divide their spheres of influence, allowing Samsung and LG to improve their market position and narrow the gap with Nokia and Motorola.

China Telecom has activated the CDMA terminal industry and many vendors are launching smart phones.

The CDMA smart phone market hasn't developed properly for three main reasons: there aren't enough manufacturers, the product range is too limited and the phones are too expensive compared to those of the GSM market. Following reorganization of the operators, China's CDMA has a brighter future. The industrial chain has been rapidly activated, many mobile phone manufacturers have returned to or entered the CDMA sector and the problem of the shortage of smart phones is expected to be overcome. Besides China Telecom's, which dominates the segment of centralized purchasing, other traditional smart phone manufacturers such as Motorola, Samsung and the three domestic Coolpad, Hisense and Amoi also launched CDMA smart phones. China Telecom will focus on high-end phones and more CDMA vendors will launch smart phones in order to acquire operators' centralized purchasing orders.

China Mobile becomes involved in operating systems for smart phones and wins a commanding competitive edge.

China Mobile has customized OS for smart phones, directly impacting the users' experience and having a real effect on the promotion of data services. As value-added services gradually become mainstream, more businesses will need to participate in the manufacture of mobile phones. Exploiting its dominant position as regards OS, China Mobile will seize opportunities in the mobile internet market. China Mobile's mobile phone OS R&D achieved a fundamental result in 2008 with the development of its own OMS operating system, and it continued to cooperate with Lenovo and LG on terminal R&D projects.

(III) Development trend

China's smart phone market will focus on 3G, application functions and industry applications. China Mobile, China Telecom and China Unicom have planned large-scale 3G promotional campaigns for 2009. To attract high-end users and promote data services these operators will promote corresponding smart phone market development standards. As a result of this, mobile phone vendors will intensify the promotion of TD-SCDMA, CDMA EV-DO and WCDMA smart phones. Function innovation is still top priority for mobile phone vendors. Smart phones with GPS, mobile TV and WiFi wireless Internet access will be the development trend in the next three years. Besides, with the reduction in traffic and charges, the improved network speed and the development of the mobile office, industry applications for smart phones will yield efficiency improvement and cost saving solutions for businesses. Governments and businesses are the operators' high-end clients and operators actively promote the development of industry applications to enhance attractiveness for group clients.

The average price of smart phones will continue to drop. The baseband processor, memory card and OS licensing fees are the main cost items of a smart phone but the price of memory cards is dropping, open OS is forcing a reduction in the average license fee and the R&D cost for software development is being cut. Moreover, vendors are paying more attention to the smart phone market. In the face of the high-end market's gradual saturation and new emerging markets, Nokia, Motorola, Dopod have adjusted their product lines and are concentrating more on the low-end smart phone market. Finally, as the Chinese MTK launches the smart phone chip, more vendors will enter the smart phone sector.

BOC International to launch media PE fund

BOC International Holdings (BOCI), the Hong Kong-based investment banking unit of Bank of China, is looking to start a private equity fund focused on Chinese media. According to sources, a fund-raising team headed by Li Tong, BOCI deputy chief executive, is in talks with several state-owned media groups that could become potential investors in the fund. The fund would focus on both traditional media such as television and newspapers as well as new media such as the internet. It would also look at media company consolidation. Last year Beijing started encouraging venture capital funds to invest in domestic media companies with a view to seeing these companies floated.

Source: China Economic Review - July 9, 2009.

China Had 55 million DTV Households by the End of June

China had 55 million digital cable TV households by the end of June according to a new report from digital media consulting firm CMR-Union. 33.74% of all cable TV households subscribed to digital services, according to the report.

The province with the highest number of cable digital TV households was Guangdong with 6 million households. Jiangsu province followed with 5.5 million households and Liaoning came third with 3 million households. Hunan ranked fourth with 2.7 million households and Hubei ranked fifth with 2.55 million households.

Around 70% of the cities in China have started the digitalization process. Different cities in China have historically operated independent cable TV networks. However, around 53% of the cable TV network operators in China have now started integrating their resources via mergers, asset transfers or acquisitions. This process has helped to increase compatibility between the cable TV networks in different Chinese cities.

Source: www.dvbcn.com (shuzi dianshi zhongwenwang, China Digital TV Net) – July 14, 2009.

GAPP Tightens Regulation of Online Game Imports

On 20 July the General Administration of Press and Publications (GAPP) released a communication which tightened regulations concerning the online games industry. The communication covers the licensing process for online game operators, online game imports and exhibitions involving foreign online games.

The communication stated that many Chinese operators have started distributing foreign online games without securing the necessary authorization from GAPP. Other businesses have simply started downloading undesirable online games with pornographic and violent content from the Internet and offering them to users. A number of international organizations have also promoted and presented unapproved games at trade fairs and expos.

To rectify these problems the communication says that all foreign online games must be submitted to GAPP for examination and approval before they can be released in China, including all games that will be presented at trade fairs and expos. The industry regulator warned that it would punish anyone who infringes these rules in accordance with the law.

According to the communication all companies must also secure an "Internet publishing" license from GAPP before it can operate an online games service in China. It warned that all unlicensed online game operators face having their businesses suspended.

The communication also stressed that GAPP is the only government department responsible for licensing online games and approving foreign imports. It said that some government departments have set up their own licensing processes for online games without authorization from the State Council but warned that all operators face punishment unless they obtain the appropriate licenses from GAPP.

While the communication did not specify the names of the "government departments", the Ministry of Culture recently released a similar set of regulations on imported online games.

Sources: GAPP, www.xinhuanet.com – July 22, 2009.

WTO Orders China to Revise Rules on US Audiovisual Imports

On 12 August the World Trade Organization (WTO) ruled that China was in breach of international trade regulations by limiting the import of American books, movies and music. The ruling targets Chinese regulations that require foreign media to be distributed through a handful of state-owned companies. Both the US and China are allowed to appeal against the ruling. American media companies have expressed the hope that lifting restrictions on the sale and distribution of their products would not only grant them access to a growing Chinese market but also potentially undermine the existing market for pirated US goods. In 2001 China agreed to allow relatively open access to foreign art when it joined the WTO. In the following years, however, China joined WTO members such as Canada, EU and Australia which claimed exemption of cultural products from the principle of free trade, a position upheld also by the US.

While the US has seemingly gained a victory over China in this case, the WTO rejected US allegations that China's criminal law facilitated piracy.

Sources: China Economic Review, Caijing – August 13, 2009.

China urges audio, visual publishing houses to compete

China's press regulator has told state-owned audio and visual publication houses to become self-supporting and more competitive in the market. The move also aims to make the industry more creative.

Audio and visual publication houses affiliated to higher education institutions and local governments - except non-profit organizations - should complete the process before the end of this year, the General Administration of Press and Publications (GAPP) said.

Companies attached to central government departments are required to complete the transformation before 2010. Businesses which refuse to take part in the process will be closed, according to the regulator.

The move aims to solve problems that have hampered the development of the industry in recent years. These include lack of creativity and competitiveness, and slack supervision.

The administration is also to encourage the set up of larger regional and trade audio and visual companies. It says large state-owned newspapers and publication groups are welcome to incorporate audio and visual enterprises through acquisition.

State-owned companies in the field will also be encouraged to expand cooperation with private enterprises as long as they can ensure "a correct development orientation" and state ownership.

Companies are also being encouraged to diversify publication channels through cooperation with telecom and network operations. Those targeting rural areas, minors and ethnic minorities will be more strongly supported, the GAPP said.

Source: www.chinaview.cn – July 30, 2009.

China to Launch English Edition of CCP Journal "Qiushi"

The Chinese Communist Party (CCP) will mark the 60th anniversary of the People's Republic of China by launching an English language version of its mouthpiece journal *Qiushi* (Seeking Truth) on October 1.

The English language Qiushi will aim to provide people in western countries with easier access to the CCP's values and ideologies, in China's latest move to boost its soft power overseas. Rather than presenting readers with a translated carbon copy of the Chinese version, the English version will feature revamped content and a format tailored to the tastes of western readers.

The new journal will be launched on a quarterly basis, while the Chinese language version is published twice a month. It will be produced with a budget of around RMB3 million (€306,340) each year, excluding marketing and distribution costs.

"Making the journal profitable will not be the top priority for the English language Qiushi in the initial stage," according to an unnamed source familiar with the plans. "The main objective is to secure a footing in the western media and allow mainstream western readers to access and understand the Party's voice."

Source: South China Morning Post – July 24, 2009.

Publishing Grew Slowly in 2008 but Exports Fell

China's publishing industry - print, audio-visual and electronic - maintained stable growth in 2008 despite the global financial crisis, according to a new government report summarizing the overall development of the industry in 2008.

While the economic turmoil did not curtail the overall growth of the industry, the report found that it did have a significant impact on publication exports. The General Administration of Press and Publications' (GAPP) Planning and Finance Department released the report on July 16.

The book publishing industry reported healthy growth. 579 publishers across China released 275,668 titles in 2008, an increase of 11.03% year-on-year. Book sales across China totaled RMB145.64 billion (€14.87 billion) over the same time frame, an annual increase of 6.56% year-on-year.

Most periodical publishers also saw slow but steady growth. The total volume of newspapers and magazines in circulation increased 2.1% year-on-year to 3.11 billion units, while the total number of titles published grew 0.86% to a total of 9,549 titles.

Newspaper circulation grew 1.13% year-on-year to around 44.29 billion units and the total number of titles grew 0.26% year-on-year to 1,943 titles. Two periodical genres saw marked declines in circulation: pictorial magazines dropped 14.97% year-on-year while prefectural newspapers declined 2.19% year-on-year.

The audio-visual product publishing industry did not fare so well. The number of audio product titles - including audio tapes, CDs and audio-only DVDs - in circulation dropped 23.46% year-on-year to 11,721 titles. Sales revenue fell 2.69% to RMB1.12 billion (€114 million). The number of visual products (including video tapes, VCDs and visual DVDs) in circulation fell 29.26% year-on-year to 11,772 titles, while total sales revenue plunged 63.74% to RMB723 million (€73.83 million).

In contrast, the market for electronic publications – such as CD-ROMS, DVD-ROMs and CD-Is – showed healthy growth in 2008. The total number of electronic titles published grew 11.74% year-on-year to 9,668 titles, while the total volume of publications in circulation grew 16.10% year-on-year to 157.71 units.

Publication exports suffered greatly under the influence of the global economic crisis. The total income China generated from the export of books and periodicals dropped 7.93% year-on-year to US$34.87 million (€24.32 million). The total income generated from the sale of audio-visual and electronic publications dropped 43.87% YoY to US$1.01 million (€704,600).

Imports, by contrast, continued to grow. China imported US$240.61 million (€167.64 million) worth of print publications in 2008, a year-on-year increase of 14.01%. The value of audio-visual and electronic imports grew 4.99% YoY to US$45.57 million (€31.79 million).

As economic ties between the two grew, Taiwan became the largest trading partner for China's print and electronic publishing industry, relegating the United States to second place. South Korea and Hong Kong also remained major trading partners for the industry.

Source: GAPP - July 16, 2009.

China Had 338 Million Netizens by the end of June 2009

China had 338 million netizens by the end of June, a year-on-year increase of 13.4%, according to the "24th Statistical Report on Internet Development in China" (Report) published by the state-run China Internet Network Information Center (CNNIC).

The report found that China has retained its crown as the country with the most Internet and broadband users in the world. The number of Chinese people who use their mobile phones to surf the web also grew by 32.1% to 155 million, thanks to the development of the 3G industry in China. The ".cn" domain also boasts more registered websites than any other country-specific domain in the world.

Online music was the most popular Internet application for Chinese netizens, followed closely by online video and online shopping. More than 87.88 million people registered for online shopping services for the first time in the first half of 2008, a trend the report attributed to consumers driven to look for ower prices due to the global financial crisis.

Sources: www.xinhuanet.com - July 16, 2009; China Internet Network Information Center (CNNIC) – July 28, 2009.

FOCUS

Chinese cultural industry keeps growth via loans

A list of 15 cultural enterprises has been submitted to the Export-Import Bank of China (China Exim) via the Ministry of Culture for a huge amount of bank loans to support the development of China's cultural industry. China Exim, one of three banks affiliated to the State Council to support import and export projects, will grant loans of at least RMB20 billion (€2.037 billion) over the next five years to help the industry mount productions abroad.

The 15 enterprises' cultural programs are the first batch of loan applications, said Xu Rong, an official in the cultural industry department of the Ministry.

The programs include an acrobatic interpretation of the classic ballet “Swan Lake” by a Shanghai dancing company, a Shaolin martial arts drama by a film production group and a dance drama called “Dunhuang My Dreamland” by a troupe from northwestern Gansu Province’s Lanzhou which will be staged in Europe.

The 15 enterprises are expected to receive China Exim’s first batch of loans totaling more than RMB4 billion (€407 million). A panel of experts evaluated the programs’ potential for development before submitting the applications to China Exim, which will review the list, evaluate investment risks and decide which companies will receive loans.

Culture industries in China include the production and distribution of cultural products and services such as publishing, music, television and film production as well as crafts and design.

“These cultural companies, products and services all aim to promote traditional Chinese culture,” Xu said, adding that they were all export-oriented and had distinctive ethnic features, which was an important criteria for selecting applicants.

The selection and recommendation process will be conducted twice a year over the next five years for the bank to allocate the RMB20 billion (€2.037 billion).

Xu said China’s cultural industry was showing good momentum despite the influence of the global economic downturn.

“But financing remains difficult for the culture industry, and it has curbed its development,” Xu said. The government has actively adjusted industry strategies and helped to find partners for culture enterprises worldwide in order to promote their international expansion.

Xu said Chinese culture enterprises were in most cases “small- to medium-sized and have difficulty financing their projects.” But she said the ministry could “act as an intermediary to help potential enterprises establish ties with financial institutions and get the capital they need.”

Minister of Culture Cai Wu said he hoped culture enterprises would seize this opportunity and make full use of the platform set up by the ministry-bank agreement to strengthen government, bank and enterprise cooperation and improve export competitiveness.

“Efforts should be made to build competitive international cultural brands and promote the influence of Chinese culture,” Cai said.

The first line of credit in this initiative was granted in March 2009 to Shenzhen Huaqiang Holding Ltd, which produces cartoons and develops entertainment technologies applied to theme parks. The company said the fund would be used to promote exports of their products and other operations abroad. “Cooperation with China Exim will enhance our financial capability and promote exports. We hope to contribute more to the international standing of China’s cultural products and services,” the company’s president Liang Guangwei said.

Source: China Daily – August 5, 2009

Reform in the Air for Chinese Broadcasters.

TV and radio broadcasters are preparing to buy privately produced entertainment as state control undergoes a gradual change.

A spate of new television programs is likely to appear soon on CCTV’s finance and sports channels following the introduction, at least on a limited scale, of market principles in the state-controlled broadcast system.

The State Administration of Radio Film and Television (SARFT) announced in a circular dated July 16 that, in the future, at least 30 percent of annual TV broadcast hours must be content purchased from market players.

State-controlled CCTV will participate in the first round of market reform by adjusting programming on its finance channel CCTV 2 and sports network CCTV 5.

In addition, local broadcasters Beijing Television (BTV), Shanghai Media Entertainment Group (SMG), and Hunan Television Broadcasting Group will take part in the opening phase. BTV has started working on a plan while proposals drafted by SMG and HTV have reached the final stages.

The moves by CCTV and the smaller channels represent a first step towards separating the broadcasting and production roles of the nation's broadcasters. The reform will affect national broadcaster CCTV which operates several channels, as well as stations backed by local governments. The goal is to bring market competition to the production of drama series and entertainment shows. "The separation of broadcasting and production is an important element of the ongoing reform of our cultural system," according to an official at the Central Propaganda Department's Cultural System Reform and Development Office.

Market Moves

Plans to separate broadcasting and production were first suggested for China at the end of the 1990s.[1] However, officials decided such a far-reaching reform required slow steps, leading to stagnation over the past two years.

Recent discussions over the proposed changes have moved beyond reviews of the production-broadcast relations to embrace reform of the culture industry - a goal that the nation's private media sector has been pursuing for a long time.

Promoters of separation say its power and attraction lie in its ability to generate hundreds of billions of RMB for the market economy.

SARFT hopes to quickly expand traditional television assets. They believe that as television and radio move towards an enterprise format, through the establishment of market-oriented programming companies, "when the conditions are right they will attract private capital to found radio and television holding companies or go public."

Content Control

The content of privately produced programs will be strictly limited under the reform. For now, the focus is on entertainment and public service programs.

Content categories open to the purchase plan include radio plays, TV dramas, cartoons, children's shows and sports, as well as non-political, certain light news programs. But breaking news, government interviews and investigative programs would be excluded. Moreover, SARFT's ruling says planning, editing, production, reviews and broadcasting may not be handled by stations independently, and cannot be commercialized. Outsourcing will be restricted.

SARFT said TV stations must retain power over "major decision making, asset control and allocation, appointments and removals of persons in leadership positions, content editing and publication, and reviews of all programs to decide which are to be broadcast."

Wang Ran, CEO of the private investment firm China eCapital, said the reform cannot solve all the problems but should help state media organizations develop resources to eventually enter the capital market. Market force rumblings have already been heard. A public company last year planned to buy shares in Hunan Television, but the transaction failed, underscoring the

1 See Document n. 82 issued by the State of Council in 1999 ("Opinion on strengthening the administration and construction of the cable radio and television network", Guanyu jiaqiang guangbo dianshi youxian wangluo jianshe guanli yijian).

challenges linked to broadcaster content pricing and trade – a problem all media players in a market environment would face. "If a unified market can't be formed quickly, content assets pricing will be determined entirely at the whim of a majority shareholder," said one investor at a 2008 conference on financing broadcast media.

Better Programming

An underlying reason for the reform is to encourage media organizations to offer top-notch programs to the public. Architects of the plan see more than just economic benefits.

The head of the Harbin Institute of Radio, Film and Television said that 12 organizations are taking part in this opening phase of the reform. A draft of the plan provided no names but said broadcast-production reform would affect central, provincial and local radio and television stations.

A high-ranking official with one participating organization said the reform would eventually lead to nationwide implementation, although every organization would have to be approved by SARFT. Market leader CCTV is the most high-profile participant. It reported 2008 earnings of tens of billions of RMB and said its finance and sport channels were the most profitable. SMG's participation is linked to its recent establishment of the Shanghai Fashion Media Group to handle content, operation and management of its EnjoYoung channel.

Hunan TV's plans, under development since 2008, call for a new TV station governed by the provincial government to handle news, political programs and public service programming, while Hunan TV establishes companies to produce entertainment and shopping programs. In the meantime SMG and HTV officials said that they have already reached goals for attracting external investment.

Private Media's Slice

Private media firms are approaching the changes cautiously. Dong Chaohui, president of Joy Media, a Beijing-based start-up private media company, said he has long awaited this moment.

While Joy or Enlight Media, China's largest private television program producer, will have some advantages, uneven rules governing market transactions may work against them. Enlight President Wang Changtian said, for example, that BTV is buying three or four hours of programs on the market, below the 30% threshold. In his opinion, private media still has huge room for growth. The plan to separate at least some broadcasting and production will also shake up the nation's RMB70 billion (€7.15 billion) television advertising market.

"If you spend 50% of the money, or RMB35 billion (€3.57 billion), on content, deducting 20% for news and RMB6 billion (€613 million) for TV series, companies controlled by TV stations keep part of the remainder," said Wang. "Private production companies (who take the rest) will be able to immediately take a slice out of this multibillion RMB market."

Wang has an ambitious plan that has drawn a lot of press coverage. Using the resources at hand, in coordination with television stations in many cities, he wants to create a "unified network" of content linked to the Enlight Media brand – a plan he shared with the media in October 2008, just as SARFT was researching its broadcast-production plan.

SARFT's formal indication that it plans to proceed with the reform scheme made it clear that Wang's plan had come of age. China eCapital's Wang thinks the reform will encourage more state-run media organizations to enter the market and compete with private enterprises, including Enlight.

Source: Caijing – August 13, 2009.

- Chinese New Media and Communications 2009 Conference
  Institute of Journalism and Communication, Tsinghua University, Beijing, China, November 20-22.

  Organized by the China Network Communication Association, this 2009 conference will focus on the new media, their transformations and the social development they bring about. Internet and the new media market have been steadily growing in China in recent years in such a way as to completely change the Chinese media landscape. The changes and effects new media bring about on the society call for more understanding and research. This 2009 edition aims to discuss issues of concern such as: 1. Mobile new media: challenges and opportunities; 2. The cultural production and consumption within the context of new media; 3. Internet events and communication/management of risk; 4. The development patterns of new media; 5. Monitoring and guiding Internet public opinion. The conference will be held in Chinese and English. For more information, visit:
  http://academic.mediachina.net/news_view.php?id=2365

New & Notable Books

Li, Jingsheng (ed.). (2007). ***Zhongguo dianshiju niandu fazhan baogao 2005-2006 [Annual Report of Development of Chinese TV drama 2005-2006],*** Beijing: Communication University of China Press.

This book, edited by the TV drama department of the State Administration of Radio, Film and Television (SARFT), provides an overview of the TV drama market in 2005. After tracing the development of this genre (and market) from an historical point of view, the book outlines the main regulations and administration governing TV drama in China. A section is also dedicated to the stages of the value chain and the consumption of the TV drama genre. The market for TV drama has grown steadily over the last five years thanks to a series of specific policies implemented by the Chinese government with a view to fostering its Creative Industries. For Chinese broadcasters, TV drama is a major source of revenue as it is the main driver of TV advertising investments.