

**Press Release**

Please do not publish until 14:30 on Monday, Dec. 9, 2013.
[Resolution Items] A. BJ Chang, Director of the Terrestrial Broadcasting Policy Division (1420) B. KC Yang, Head of the Online Ethics Team (1560)
[Report Items] A. YM Jun, Director of the Consumer Policy Coordination Division (1510) B. JS Park, Head of the Audience Support Team (1290) C. Y Um of the Broadcasting Advertisement Policy Division (1270) D. Y Um of the Broadcasting Advertisement Policy Division (1270)

## Briefing on the Results of the 43<sup>rd</sup> KCC Meeting 2013

- Two resolution items and four report items tabled at today's meeting.

[Resolution Items]

- A. Matter related to the 2013 renewal of licenses granted to terrestrial broadcasting business operators (Please refer to a separate press release on the matter)
  - o The Meeting has granted renewed licenses with conditions and recommendations attached to 37 operators and 261 broadcasting stations including the Korea Broadcasting System (KBS) whose licenses are to expire on December 31, 2013. Among them, eight operators including KBS who scored at least 700 points in the evaluation are allowed a four-year license, while 29 operators such as Gangleung MBC scoring 650 points or more but less than 700 points are given a three-year license.
  - o On the OBS Gyeongin TV which scored less than 650 points, the meeting has postponed a decision citing that the operator did not have a sufficiently specific plan to normalize its business, and decided to deliberate whether to renew its license only after confirming its specific plan for and commitment to enhancing its financial structure.

- By December 20, 2013, the OBS Gyeongin TV is required to submit to the Korea Communications Commission a specific plan that can bring its business to a normal condition, including ① a detailed plan to enhance its financial structure including an increase in capital, ② the largest investor's plan and memorandum on investment and other supportive measures, and ③ other shareholders' letters of intent to invest more in the company.

- B. Matter related to the partial amendment to the notification on the "indication of media content harmful to teenagers." (Please refer to Attachment 1)
  - o The meeting has approved the proposed partial amendment to the notification on the "indication of media content harmful to teenagers" that is to effect the change in the methods of indicating the means to check the age and identity of a user specified as a attached table, following the amendment to the Juvenile Protection Act and its Enforcement Decree.

[Report Items]

- A. Matter related to improvement measures for handset subsidy sanctions (Please refer to Attachment 2)
  - o The meeting was reported on the measures to improve the handset subsidy sanctions such as for penalty surcharge standards and operational rules for the prohibition of the recruitment of new subscribers, so as to effectively regulate excessive subsidy competition through enhanced telecommunications services.
- B. Matter related to the partial amendment to the notification on "the disabled' right to access broadcasts such as programming and provision of broadcasts for the disabled" (Please refer to Attachment 3)
  - o The meeting was reported on the proposed partial amendment to the notification

on “the disabled’ right to access broadcasts such as programming and provision of broadcasts for the disabled,” with the details of changing the criteria to select operators obliged to air content for the disabled under the notification and of delaying the target time to meet the required content volume. The amendment has been pursued at the request of broadcasting operators to take into account financial capability, whether a channel is watched by many viewers and the sluggish advertising market conditions before selecting operators obliged to provide services customized to the disabled.

C. Matter related to the partial amendment to the Enforcement Decree of the Act on Broadcast Advertising Sales Agencies, Etc. (Please refer to Attachment 4)

o The meeting was reported on the proposed partial amendment to the Enforcement Decree of the Act on Broadcast Advertising Sales Agencies, Etc, so as to specify the broadcast advertising fees applicable to general-programming program providers. The newly licensed program providers have been in a grace period nearing its end, with regard to the broadcast advertising sales agency business.

D. Matter related to the partial amendment to the notification on “the procedures and standards governing the issuance of new and renewed licenses to broadcast advertising sales agencies and the approval of any change thereof” (Please refer to Attachment 5)

o With the grace period soon to expire given to general-programming program providers under Article 4 of the Addendum of the Act on Broadcast Advertising Sales Agencies Etc regarding the broadcast advertising sales agency business, the related notification has been proposed to be amended partially so as to revise the standards necessary to approve an advertising sales agency of a general-programming program provider.

<Attachment 1>

□ Details

- The change of Article 7.4 of the Juvenile Protection Act into Article 2.2. of the same Act is updated.
- Article 17 is newly added in the Enforcement Decree of the Juvenile Protection Act (methods to check the age and identity of a use), and thus the methods to indicate the means of confirming the age and the identity of a user in the [attached table] are changed.

(Example of Indication)

Before amendment	After amendment

<Attachment 2>

□ Details

① Reform of penalty surcharge imposition rules regarding handset subsidy  
(by amending the Enforcement Decree of the Telecommunications Act and the KCC notification)

- A penalty surcharge is calculated within the range not exceeding the penalty surcharge imposition cap of 1 percent of sales amount
- Imposed penalty surcharge = base amount (related sales amount × base imposition rate) + mandatory addition + extra addition or reduction

- o (Increased cap on the imposed penalty surcharge amount) The cap doubled from 1 percent of the sales amount to 2 percent of the same.
- o (Upward adjustment of base imposition rate) The three-tiered base imposition rates depending on the seriousness of a violation increased by 1 percentage point from the current level of 0~3 percent to 1~4 percent.

Considerations		Current	To be
Base imposition rate (seriousness of a violation)	highly grave violation	2~3%	3% ~ 4%
	grave violation	1~2%	2% ~ less than 3%
	minor violation	up to 1%	1% ~ less than 2%

- o (Upward adjustment of mandatory addition rate) The mandatory addition rate will increase to 20 percent per measure received (up to 100 percent) from the fourth corrective measure from the current 10 percent per measure (up to 50 percent) from the third such violation.

number of violations	1	2	3	4	5	6	7	8	9	10 or more
current	-	-	-	20%	30%	40%	50%	50%	50%	50%
to be	-	-	-	20%	40%	60%	80%	100%	100%	100%

② Operational rules on the prohibition of the recruitment of new subscribers

- While the prohibition of the recruitment of new subscribers is stipulated in Article 52 of the Telecommunications Business Act, lack of specific operational rules has impeded regulatory predictability.
- ※ Article 52.1.10 of the Act prohibits the recruitment of new subscribers for up to three months limited to the cases where a violation is repeated at least three times even though other measures have been taken on such violation or where it is clearly recognized that such measures are not sufficient to prevent damage to users.

- o (Clarification of the legal condition) The criteria were specified to decide whether ‘a violation is repeated at least three times,’ which is the condition on which the new subscribers are prohibited from being recruited.
- (Clarification of the meaning of ‘a violation’) Whether a certain violation falls under the same category of a prohibited act as the other previous violations under the Enforcement Decree of the Telecommunications Business Act, and whether the specific content of a violation is the same as that of the previous ones will be considered before a decision.
- (Criteria to decide whether a violation is repeated at least three times) Whether a violation is repeated at least three times will be decided by counting the number of such violations that have occurred within the recent period of three years from the date when a violation terminated.
- ※ The Telecommunications Business Act, the Broadcasting Act, the Act on Broadcast Advertising Sales Agencies, Etc. and the Monopoly Regulation and Fair Trade Act stipulate “within the recent three years” as the condition of imposing an added penalty surcharge.
- o (Specific rules to determine the term of prohibition) The term of prohibition will be decided depending on the seriousness of a violations in case of general prohibited acts, while the term applying to a handset subsidy related violation will be determined according to the average subsidy amount involved in the violation and the violation rate.

Seriousness of a Violation	Number of days
<ul style="list-style-type: none"> <li>highly grave violation</li> <li>in case when the mobile handset subsidy is offered in a unfairly discriminating manner, specifically when the average amount of subsidy exceeds 2.5 times the base amount (270,000 won) or the violation rate is higher than 70 percent.</li> </ul>	20 ~ 60 days
<ul style="list-style-type: none"> <li>grave violation</li> <li>in case when the mobile handset subsidy is offered in a unfairly discriminating manner, specifically when the average amount of subsidy is 1.5 ~ 2.5 times the base amount or the violation rate is 40 ~ 70 percent.</li> </ul>	10 ~ 30 days
<ul style="list-style-type: none"> <li>minor violation</li> <li>in case when the mobile handset subsidy is offered in a unfairly discriminating manner, specifically when the average amount of subsidy does not exceed 1.5 times the base amount and the violation rate is less than 40 percent.</li> </ul>	5 ~ 15 days

③ Rules to single out the operator initiating overheated competition

o (Objective indicators reflected) The violation rate and average subsidy amount involved in a violation showing whether a violation led to overheated competition and the degree of policy reflection indicating the efforts made to stabilize the market after a KCC warning are considered as indicators.

- The operator scoring the highest number of points will be singled out as an operator causing overcompetition.

	Violation Rate	Avg. subsidy amount	Degree of policy reflection			Subtotal	Total
			Number of days of a high violation rate	Number of days of a high avg. subsidy amount	Time taken until the warning is complied with		
Penalty points	35 pts	35 pts	10 pts	10 pts	10 pts	30 pts	100 pts

<Attachment 3>

Details

- Change in the criteria of selecting broadcasting operators obliged to provide broadcasts for the disabled under the relevant notification.
  - (SO) An operator is selected if it posts at least 10 billion won in broadcasting sales and recorded positive operating profits for three consecutive years.
  - (PP) An operator is selected if it has at least 0.5 percent of audience share and recorded positive operating profits for three consecutive years.

< Current vs. To be >

	Current	To be
SO	an operator spending 1% or less of the total broadcasting sales producing content for the disabled	an operator posting at least 10 billion won in broadcasting sales with positive operating profits for the recent three years in a row
PP	an operator spending 1% or less of the total broadcasting sales producing content for the disabled and with at least 0.2% of audience share	an operator with at least 0.5% of audience share and positive operating profits for three consecutive years

- Postponement of the target time to meet the required programming volume
  - The obliged broadcasting operators are given two more years to meet the minimum programming volume considering the difficult financial situation due to the sluggish advertising market.

<Attachment 4>

Details

- Article 11.1 (broadcast advertising fee) of the Enforcement Decree of the Act on Broadcast Advertising Sales Agencies, Etc. is amended to stipulate the fees to be paid by a general-programming program provider to an advertising sales agency to be within the range of 15~19 percent of the advertising sales amount.
- The fees for consigning advertising sales paid by terrestrial broadcasting operators and program providers, which have already been mentioned in the above Act, is now stipulated in Article 11.1.1 of the same Act.
- The fees for consigning advertising sales paid by terrestrial digital multimedia broadcasting operators and program providers, which have already been mentioned in the Act, is now stipulated in Article 11.1.2 of the same Act
- Article 11.1.3 is newly added to the Act to stipulate the fees to be paid by general-programming program providers.

< Summary of the proposed amendment to the Enforcement Decree of the Act on Broadcast Advertising Sales Agencies, Etc. >

Current	Amendment proposal
Article 11 (broadcast advertising fee) ① Terrestrial (13~16% of advertising sales amount) and terrestrial-DMB (13~18% of advertising sales amount)	Article 11 (broadcast advertising fee) ① advertising consignment fees broadcasting operators are obliged to pay 1. Terrestrial (13~16% of advertising sales amount) 2. Terrestrial-DMB (13~18% of advertising sales amount) 3. General-programming program providers (15~19% of advertising sales amount) - newly added
②~③ omitted	②~③ omitted (no change)

<Attachment 5>

Details

- The title of Attached Table 2.II, specifying detailed criteria and other considerations to be reviewed before granting a license, is amended to be more inclusive so that it may be used for the business of a broadcast advertising sales agency for all-genre program providers as well.

Current phrase	After amendment
II. Detailed criteria and other considerations for deliberation to grant a license for <u>the business of a terrestrial broadcast advertising sales agency</u> which is not notified to support bundled sales of terrestrial broadcast advertising	II. ----- -- <u>the business of a broadcast advertising sales agency</u> ----- -----