

Press Release

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2014, The Year for ‘Creative Broadcasting and Globalization’

- Secure overseas platforms and broadcast channels to market and carry Korean channels
- Another leap forward of the Korean-Wave through raising license fees and innovating the advertising system
- 24-hour monitoring of unlawful handset subsidies and doubling of penalty surcharge

□ At 10:00 AM of February 17, 2014 at the Cheong Wa Dae, the Korea Communications Commission (KCC, Chairman Lee Kyeong-Jae) reported the 『2014 Plan of the Korea Communications Commission to Help Realize the Creative Economy』 to the President together with the Ministry of Science, ICT and Future Planning (MSIP).

- Vision:
“Creative Broadcasting and Telecommunications Trusted by the Public”
- Top Three Policy Goals:
 1. Creative Broadcasting and Globalization
 2. Consumer Protection for the Happiness of the People
 3. Increased Trustworthiness of Broadcasting

□ Chairman Lee said that “the KCC will make 2014 the starting year to make another leap forward for the Korean-Wave and revitalize the broadcasting

sector that is favored by the young, while making every effort in a full-fledged manner to implement policies benefiting the public through user protection, actively responding to the illegal subsidies on mobile handsets and leakage of personal information.”

1. Creative Broadcasting and Globalization

① To secure funds for a second Korean-Wave, KBS license fees and the broadcast advertising institution will be raised and improved with focused efforts.

o The broadcasting market is now suffering shrinkage in advertisement revenue due to economic depression with the advertising orders moving to the Internet, and the mediocre licensee fees for KBS which has stayed unchanged for the past 33 years, and as a result it encounters serious difficulties in management and weakening capability to produce content, losing steam to drive the Korean-Wave abroad.

o Faced with this reality, increased license fees will help stabilize the funding for public service broadcasting and strengthen other broadcasters’ content production capability as many of the advertising orders for KBS are to be funneled to them. In addition, increased supports for EBS utilizing license fees will result in increased investment in educational content that can lift parents’ burden of paying for private education.

o In the meantime, the ways to improve the uniform and rigid broadcast advertising institution will be prepared.

② Community media centers will open more across the nation and be made as the hub for broadcasting image production both in name and reality.

o Community media centers run in Busan and Gwangju at the moment and greet 280,000 visitors every year. Soon, more centers will open in phases: in

Daejeon, Incheon and Gangwon in 2014 and in Seoul and Ulsan in 2015.

o In addition, to help nurture the ability to create broadcast image, the centers will link with elementary and secondary schools, universities and private companies to provide education that is applicable on the ground right way and help expand the facilities and equipment that are necessary for production and offer them for free.

③ Efforts will be made to vitalize domestic-made animations.

o Since last year, all-genre and news-only channels have also been required to program Korean-made animations but they air the programs only in the middle of the night. In response, the broadcasters will be induced to program animations during the time slots when children watch TV mostly by way of not giving evaluation points to night-time animations.

④ The advertising industry will be made as the main force to drive the creative economy.

o Small and medium-sized companies and ventures who lack capital to promote their quality products enjoy reduced advertising fees, which lead to increased sales, among many other benefits. This year, 200 companies will benefit from the advertising fee discount scheme and those entering overseas markets will be provided with subtitle production cost supports.

⑤ Next-generation technology including UHD TV and MMS will be pursued.

o To get ahead in the global competition with China (price) and Japan (quality) in the area of UHD TV that is drawing attention as one of the next-generation broadcasting technologies, the KCC will work on the ways to vitalize the ecosystem of UHD content and devices together with the MSIP, and in particular the capability of terrestrial broadcasters will be strengthened as they account for more than 80 percent of the broadcast content produced

in Korea.

o As for the multi-mode service (MMS) of terrestrial channels which are being experimented at the moment, policy measures will be prepared with the aim of enhancing viewers' welfare and helping reduce private education expenses.

⑥ A channel, not an individual program, will be supported to enter foreign markets.

o With the recent increased regulation against Korean-made content in many countries, individual broadcast programs are having difficulties in entering foreign markets. In this context, the KCC will support the overseas advancement of broadcast channels like Arirang TV and KBS World, making 2014 a ground-breaking turning point for the expansion of the Korean-Wave and enhancing cooperation with major countries such as China.

o As part of the effort, Arirang TV will be aired from February 20 to 11 million households on a package of DirecTV, a US satellite broadcaster. It is a feat that serves the mainstream Americans as the first Korean channel.

2. Consumer Protection for the Happiness of the People

① Personal information will be protected thoroughly including by cracking down on illegal web sites selling personal information.

o The relevant authorities including the KCC supervising Internet companies, the Financial Services Commission (FSC) dealing with financial institutions and the Ministry of Security and Public Administration (MOSPA) governing public organizations and offline markets will solidify coordination with each other, and carry out joint investigations into the illegal sites that distribute personal information leaked in the recent financial incidents in cooperation with the National Policy Agency. In addition, the Korea Communications

Standards Commission (KCSC) will be in cooperation for the swift blocking of the web sites illegally selling personal information.

o In addition to the prohibition of collecting residential registration numbers initiated last year, information and communications service providers such as online portals will be required to destroy the numbers they have had in their database.

o Moreover, the Act on Promotion of Information and Communications Network Utilization and Information Protection, etc. will be amended to enable stronger punishment* against leakage of personal information (it is now reviewed by the Regulatory Reform Committee, and an amendment proposal will be submitted to the National Assembly during the first half of the year).

※ Increased cap on penalty surcharge: 100 million won -> 1 % of sales

· As for the companies that leak personal information, it is unnecessary to prove the causal linkage between the violation of protection obligation and the actual leakage of personal data.

② An all-out effort will be made to root out the illegal subsidies paid for mobile handsets.

o Last year, the KCC took action in an iron fist in the form of suspending the business of the operator who triggered the so-called subsidy war and imposing penalty surcharge of around 180 billion won, an all-time high, to uproot unlawful subsidies on mobile handsets. This year, in addition to sorting out the lead operator and making sanctions on it, the Commission plans more stronger punishments by raising the ceiling of penalty surcharge from the current 1 percent of the sales amount to 2 percent of the same.

o In the meantime, the authority will also build a constant monitoring system to deal with the guerilla tactics in which sales occur online or only in the

dead of night. As for the online transactions, pre-inspection will be carried out 24 hours a day, increasing the monitoring hours from the current daytime only. Regional areas will be also subject to stronger monitoring as the monitoring frequency will increase from once a week to six times a week.

o Above all, the Commission will work with the MSIP for a swift passage of the ‘Handset Distribution Channel Improvement Act,’ now pending with the National Assembly, so that the handset distribution structure can improve fundamentally. Once the bill passes the National Assembly, it will work on the follow-up measures without failure such as regarding the ceiling of subsidy and the criteria of penalty surcharge, contributing to lowering the communications expenses born by the public.

③ Illegal spam will be blocked such as those sent by money lenders.

o Spam using the leaked personal information will be cracked down on intensively and money lenders in particular will be monitored more thoroughly.

o Spam through social network services is on the rise: a 15 times increase from 4,000 pieces of spam in 2010 to 60,000 in 2013. Thus, a convenient function will be added that can report the received spam by simply clicking a button.

3. Increased Trustworthiness of Broadcasting

① Efforts will be made to ensure the all-genre program providers uphold the public nature through a thorough license renewal examination.

o When evaluating the license renewal, public responsibility will be given a focus and whether the business plan is implemented as planned will be inspected thoroughly to induce investment in a variety of content, and more

considerations will be given when deliberating on the on-air rough words hardly thought through.

- ② Access to television for the disabled will be guaranteed.
 - o When developed, a smart sign-language broadcasting in which the sing-language picture size can be modulated will give convenience to those with and without hearing problems at the same time.
 - o By 2017, low-income disabled persons will be provided with a broadcast receiver that shows caption and sign language.
- ③ The public's viewing right will be guaranteed through joint broadcasting and sequential programming of major sports events such as the Brazil 2014 World Cup.
 - o In the past, one broadcaster would have an exclusive right to broadcast major sports events. Then, the channel would air sports all day long while other broadcasters did not carry sports programs at all. In response, the KCC and terrestrial broadcasters agreed last January on joint broadcasting and sequential programming of the Sochi 2014 Winter Olympics, Brazil 2014 World Cup and Incheon 2014 Asian Games. The KCC will make sure the agreement will be implemented as planned so that the public can enjoy the games without any inconvenience.