The Present Situation and Challenges at NHK: Japan’s Public Service Broadcasting Undergoing the Transition to Digital Broadcasting

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The year 2011 will mark a significant change for Japanese broadcasters and media companies. By July 2011 Japan’s analog terrestrial broadcasting will be terminated across the nation and the ongoing switch over to digital broadcasting will be complete, including domestic satellite broadcasting. Moreover, for the purpose of advancing deregulation and facilitating new entries, there will be a change in the legal framework of broadcasting services for the first time in 60 years since the Broadcast Act and the Radio Act were enacted in 1950. Law revisions are deemed necessary to keep abreast of the increasing convergence between broadcasting and telecommunications. In the midst of all these changes, NHK, Japan’s public service broadcaster, is increasingly called upon to come up with a new vision for 2012 and onwards, and to devise a medium- to long-term operation plan. The central challenge is to present a picture of what services to offer to receiving fee paying viewers in the future and how to adjust the receiving fee system which is a major funding source for creating services. Many of the challenges facing NHK are similar to those that European public service broadcasters have to contend with. Different countries have different systems and different media-related circumstances. To facilitate the understanding of NHK’s challenges, this paper will start off by presenting a broad-stroke view of Japan’s media landscape and developments of digital broadcasting.

Digitalization of Broadcasting and Present Media Situation in Japan

In Japan TV broadcasting began terrestrially in 1953 with two broadcasters, NHK, which was funded by receiving fees, and Nippon Television (NNN), a commercial broadcaster. Commercial broadcasting later expanded to five broadcasters, NNN, JNN, FNN, ANN, TXN. NHK operates with a nation-wide network. Commercial broadcasters, granted a regional licence by the Minister of Internal Affairs and Communications, have a quasi nation-wide network of 127 stations across Japan with these five broadcasters as key TV stations. Japan’s TV broadcasting started life as a dual system modeled on both the public service broadcasting system adopted by countries like the UK and the US system of commercial TV broadcasting. This system continues to this day. Both NHK and commercial terrestrial broadcasters are obligated by the Broadcast Act to comply with “the principle of harmonious programming”, namely, to offer programming which keeps a balance among news and current affairs, education, arts and culture and entertainment. In 1955 cable TV broadcasting began specifically for the purpose of resolving reception impaired problems. In 1987 urban-type multichannel cable TV broadcasting came on the scene, which, as of March 2010, boasts 24,730,000 subscriber households, close to 50% of all households. Unlike in many other countries, BS, direct broadcast satellite by using a frequency bandwidth assigned to Japan, was started by NHK in 1989. In 2000 BS digital broadcasting was started by NHK and all the five commercial terrestrial broadcasters entered into BS business. Today 12 channels are available on TV, both free and pay. BS is also scheduled to abandon analog broadcasting in 2011. Satellite broadcasting utilising CS (Communication satellite), a type of broadcasting service typified by BskyB in Europe, began in 1996.

Japan’s terrestrial digital broadcasting started at the end of 2003 and it is now established by law that analog broadcasting is to be discontinued on July 24, 2011. Japan’s terrestrial broadcasting policy can be characterised as follows.

1. The frequency bandwidth licence was not divided into two, a multiplexer and content provider. Like the US, Japan followed the same system adopted for analog
broadcasting, namely, assigning one frequency bandwidth to one broadcaster, and the existing terrestrial broadcasters, including NHK, were given preferential treatment. That means that there were no new entrants in terrestrial broadcasting.

2. It was determined that one digital frequency bandwidth was to be divided into 13 segments, 12 of which were to be used for HDTV broadcasting\(^3\), the remaining one segment was to be used for transmissions intended for mobile phones. In other words, the introduction of HDTV broadcasting was given priority in terrestrial broadcasting and multichannel services were not provided, and mobile broadcasting was made available in 2006 soon after terrestrial digital broadcasting started.

According to a survey conducted by The Ministry of Internal Affairs and Communications, the regulatory body for broadcasting, as of March 2010 the penetration rate for digital terrestrial broadcasting stands at 83.8%, up by 14.3 pts from September 2009\(^4\). The increase is partly attributable to various measures which were maintained after the Democratic Party displaced the Liberal Democratic Party. With a view to assist a nation-wide switch-over to digital broadcasting, welfare recipients and those exempt from paying NHK receiving fees were offered digital broadcasting tuners for free, and the eco-point system\(^5\) continued to be applicable for purchasing digital TV sets, and analog broadcasting termination notices are continuously issued all over the place. The survey, however, also revealed the following. The digital broadcasting penetration rate in rented apartment buildings is rather low, at 65.6%. There is a digital broadcasting disparity among prefectures (Okinawa Prefecture at 65.9%). Households with an annual income of two million yen have a penetration rate of 67.5%. While these problems can be said to stem from receivers, external issues surfaced in the survey as well. Urban blocks shaded by tall buildings or mountain regions continue to be problem reception areas and this reception problem remains to be solved. These are challenges to be met in less than one year leading up to the complete termination of analog broadcasting.

**Current Situation at NHK**

At present NHK provides domestic broadcasting services through two terrestrial TV channels (General TV: GTV, Educational TV: ETV), three BS channels (BS 1, BS 2, BS hi) and three radio stations (Radio 1, Radio 2, FM Radio), and offers data broadcasting and One-Seg broadcasting (mobile broadcasting). NHK also runs overseas broadcasting services, NHK World Radio Japan and NHK World TV.

The NHK Science and Technical Research Laboratories built the foundation of Japan’s broadcasting technologies and, in collaboration with leading electronic manufacturers, has endeavoured to bring new broadcasting technologies to home viewers. In light of NHK’s historical contribution, the Japanese broadcasting industry was relatively generous when NHK embarked on new projects such as offering satellite broadcasting services and HDTV broadcasting. However, when NHK took a step outside the boundaries of broadcasting into the Internet, just like the BBC in the UK or ARD/ZDF in Germany caught flak for the same reason, NHK’s commercial competitors or the newspaper industry were up in arms over what they perceived as NHK’s pressing into the areas of non-broadcasting and crowding out commercial competitors. While NHK started full-scale Internet services in 2000 including the renewal of the homepage designs and content, restrictions were placed on NHK in terms of expenditures on Internet businesses or the scope or quantities of online news. But the situation started to change with advances in technology to enable the provision of TV-like services on the Web. Along with NHK, commercial terrestrial broadcasters are the central providers of TV programmes in Japan. Since 80% of their revenues steadily came from advertising, they were less than enthusiastic about the risk of investing in new projects involving the convergence of TV programming and the Internet. Against this background the government and the private sector expected NHK to take on the role both as a driver to encourage broadband take up and also as a testing site for new on-demand services. In 2008 the Broadcast Act was
revised to permit NHK to offer NHK On Demand (commonly known as NOD), on-demand TV programme services on the NHK website. In many other countries this form of service is approved as part of public service broadcasting and made available for free for all licence fee payers, but NOD is a pay service and users must pay additionally even though they already pay a reception fee of NHK. There are three reasons for this. Firstly, this is not a broadcasting service but a telecommunications service, and is inconsistent with the concept of the receiving fee system, more on that later. Secondly, broadband width is not an infrastructure available across the nation. Thirdly, a generational disparity. In other words, the demographic profile of Internet users is young and elderly people are not actively part of it. The revised Broadcast Act stipulates that revenue from NOD business is to be accounted for separately from revenue from receiving fees.

**NHK and Audiences**

The width and breadth of NHK's services have expanded in step with technological innovation and it is somehow transforming from a traditional public service broadcaster to a public service media entity.

How is the public making use of NHK’s services? Public Opinion Research Division of the NHK Broadcasting Culture Research Institute conducts a nation-wide audience survey twice a year. According to a survey in June 2010, the average TV viewing time is 3.35 hours, 56 minutes for NHK and 2.39 hours for commercial TV stations. TV viewing time differs widely by sex and age. The majority of people who spend more than an hour watching NHK turn out to be those over the age of 60 for both sexes, and both males and females between 13 and 19 and females in their twenties are not avid TV watchers, spending less than two hours watching TV. These young age groups spend only ten minutes watching NHK. Furthermore, weekly reach for NHK are 60.6% for GTV, NHK’s main channel, and 26.2% for ETV. The combined rate for all three NHK BS channels is 18.4%. The total reach for all NHK radio stations is 20.8%.

In response to growing digitalisation in society, NHK also conducts a weekly reach survey which includes access to NHK TV programmes through non-broadcasting media forms such as the Internet. The survey in June 2010 shows that a broadcasting reach for NHK is 73%, a non-broadcasting reach 20.9%. The reach for all of NHK services is 74.5%. This survey has been repeated six times since November 2007. While statistically insignificant, the reach for all of NHK services shows a decline from 76.8% registered in a November 2009 survey. On the other hand the reach for commercial broadcasters is 85.1% (86.6% in November 2009). The reach for NHK’s official website is 3.9% and the reach for all of NHK web contents including those on video-sharing sites and podcasts is 4.7%.

As regards TV viewing by programme genre, we can turn to a 2006 comparative survey conducted in seven countries on the attitudes towards public service broadcasting. The survey identified four programme genres, arts and culture, education, news and current affairs and entertainment, and inquired about the respondents’ viewing attitudes. According to the results, viewing of NHK is low in entertainment and high in news and current affairs as indicated in the following numbers. 34% for arts and culture, 23% for education, 71% for news and current affairs and 29% for entertainment. BBC viewers, in contrast, turn to BBC, 62% for arts and culture, 37% for education, 79% for news and current affairs and 76% for entertainment.

The survey numbers for NHK and the five commercial broadcasters suggest that, while Japanese audiences’ TV viewing time is on the increase, NHK is perceived as a medium for short-term viewing and low contact, and it is favoured mostly by older age groups. As for how NHK programmes are received, it can be said that NHK is perceived to follow the principle of keeping a balance among “news and current affairs, education and culture and entertainment” although differences in popularity among the genres are striking. Furthermore, according to a survey conducted by The Ministry of Internal Affairs and Communications, while internet use by individuals has reached 93% in Japan, the number of people who access NHK through the Internet is very small.
NHK’s Regulatory Framework and Receiving Fee System

NHK was established as a special corporation by the Broadcast Law, and the Executive Board of NHK is overseen by the Board of Governors composed of 12 members appointed by the Prime Minister, not the Minister of Internal Affairs and Communications, with approval by both Houses of the Diet. It is decreed that a chairperson of the Board of Governors be elected by the members of the Board and therefore the independence of both the Board and NHK itself be guaranteed. The central task of the Board of Governors is to decide on important matters such as management policy. The law revised in 2008 stipulates that three members chosen from the Board of Governors are to make up the Audit Committee in order to strengthen the governing function. NHK’s budget and operation plans must be submitted annually through the Minister of Internal Affairs and Communications to be approved by the Diet. NHK is also obligated to submit to the Diet its annual operation report. This framework of governance bears a marked similarity to that of public service broadcasting systems in many other countries.

NHK is supported by receiving fees paid by the public. The total revenue for the fiscal year 2009 is 669.9 billion yen (approximately $7.9 billion). 96% of it, 644.2 billion yen (approximately $7.6 billion), comes from receiving fees. NHK is prohibited by law to broadcast advertisements and sponsorships. The government subsidy is merely 3.7 billion yen and is issued as support for overseas broadcasting.

While licence fee systems in Europe are designed as a framework in which a government grants a licence to entities charged with transmission and reception of broadcasting, in the case of Japan, it is stipulated by law as below.

“Any person who has installed receiving equipment capable of receiving the broadcasting provided by NHK shall conclude a contract with NHK with regard to the reception of its broadcasting” (Article 32 of the Broadcast Law)

Therefore, receivers of specifically “NHK’s broadcasting”, as opposed to general broadcasting, are obligated to enter into a direct contract with NHK. In accordance with this NHK receiving contract rules, authorised by the Minister of Internal Affairs and Communications, receivers are obligated to pay receiving fees. Fees are collected by NHK and the collected fees are to be under NHK’s management without going through the Exchequer.

There are two types of receiving contracts. One is a terrestrial contract for terrestrial TV broadcasting alone, 1,345 yen per month, and the other is a satellite contract for terrestrial/satellite TV broadcasting, 2,290 yen per month. 72% of all households have a contract and pay a fee.

Crisis and Accountability of NHK

Japan’s public service broadcasting system is unique compared to comparable institutions elsewhere. In terms of the relationship between the government and the public service broadcaster, a framework is in place to secure the independence and autonomy of NHK. While no significant changes have been made to this overall framework, in the process of convergence, discussions took place about the role of NHK as a public service broadcaster, and the Broadcast Law was revised accordingly. When the revisions were made in 1988 before the introduction of BS services unique to Japan, the role of NHK and its differentiation from the other broadcasters in the age of multichannel broadcasting were defined. Before the revision of the Broadcast Act, it was simply stipulated that the aim of NHK was “to offer broadcasts that can be received all across Japan”, which was then changed and broadened to “to offer broadcasting all across the nation to serve the public welfare, to offer better and effective programmes, to contribute to the improvement and development of Japan’s broadcasting and reception, to implement overseas broadcasting” (Article 7 of the Broadcast Law). Among the missions, NHK’s role in the development of broadcasting technology was specified, which subsequently paved the road for future developments in
digital broadcasting. This makes a marked difference to public service broadcasters elsewhere.

Now, seen in an international context of various discussions which have continued since the mid-1990s about the role of public service broadcasting in Europe, Japan has been largely spared from influences of deregulation or globalisation, due to cultural traits and political stability made possible by 60 years of no regime change. Consequently discussions on the redefinition of public service broadcasting or funding issues have never been fully pursued in Japan.

Since the beginning of public service broadcasting, all countries have held public service broadcasters accountable to the public by requiring them to submit annual reports to parliaments and instituting a broadcasting council in order to ensure that audiences’ voices are reflected in programming. However, with pressures coming from continuing globalisation and marketisation of broadcasting, there is growing demand for more accountability from public service broadcasters to justify the maintenance of publicly-funded broadcasting. Public service broadcasters are accountable directly to license fee payers, rather than parliaments. Today public service broadcasters enter into a contract with the government or an appropriate regulatory body as regards their services, and are obligated to make “promises” or make known their “programme policies” to their licence fee payers (Coppens 2005, Nakamura 2007).

In contrast to public service broadcasters in many other countries, NHK seemed like a calm sea or in a state of slumber for many years. However, a series of scandals involving financial misconduct by NHK employees hit the headlines in 2004, which prompted refusal to pay or withholding payment of receiving fees among the public who had been duly paying their share. As a result NHK suffered an annual budget shortfall of 40 billion yen. The irony is that this shock jolted NHK out of its long slumber and made NHK buckle down to the task of restoring audience trust. Taking lessons from Europe’s experiences, NHK set up “a promises assessment committee” composed of outside experts and proactively adopted “the promises and assessment” system as a new accountability system. This system was in place on a trial basis for three years from 2005 (Tsujii 2006).

After the flurry of scandals, the Executive Board was shuffled twice, and at the beginning of 2009 a new chairperson with rich experience in the corporate world was installed, recruited from the private sector. NHK is now in the process of implementing a three-year plan for fiscal 2009 to fiscal 2011 which holds up “two goals to build a bridge between NHK and audiences”. The goals are as follows, “80% reach to NHK in three years, 75% receiving fee payment rate in three years, 78% in five years”. The following are nine action plans.

1. Making all efforts to reform the organizational culture of NHK to heighten audience trust.
2. Directly addressing domestic and global issues.
3. Fulfilling NHK’s role as a public service broadcaster by offering new services in the coming era of the convergence of broadcasting and telecommunications media.
4. Becoming a base for revitalising regional areas.
5. Reflecting Japan and Asia and broadcasting it to the world.
6. Effectively prioritising efforts for the smooth and complete transition to digital broadcasting.
7. Increasing receiving fee value by structural reforms.
8. Strengthening efforts for fairness in payment of receiving fee.

In the first year, 2009, “the NHK assessment committee from the audience perspective” was formed as NHK chairperson’s consultation council comprised of three third-party members. The assessment committee made medium- to long-term assessments about the role of NHK as a public service broadcaster with a focus on the audience perspective, and, by using its unique indices, made judgments on NHK’s performance outcome (how successful NHK’s output is from the audience perspective). In fiscal 2009, the committee formulated and announced its own appraisal indices and principles on a conditional basis.
against which to measure NHK’s performance, and proceeded to give “two principles of trust, eight indices”. “Two principles of trust” signifies “trust in broadcasting” and “trust in management”. “Trust in broadcasting” was measured against the following indices, “independence, impartiality”, “quality”, “usefulness”, “audience-friendliness” and “contribution to society”. To assess “trust in management”, three indices were given, “sincerity, transparency”, “economic viability, efficiency, effectiveness” and “adaptability to change, flexibility”. The committee calculates “an audience satisfaction rate” by combining NHK’s achievement levels and information on audience expectations gleaned from audience surveys. Based on the rate, a benchmark score is set which the committee will use for assessment. While there is no room to go into the details of the first year assessment here, “trust in broadcasting” exceeded the benchmark score and “trust in management” fell below it.

**Challenges facing NHK**

In the aftermath of the collapse of Lehman Brothers in autumn 2008 and the subsequent global recession, Japan’s commercial terrestrial broadcasters suffered a drop in advertising revenues and, with the Internet gaining more power, they are being forced to review their revenue structures. By contrast, in fiscal 2009 NHK’s receiving fee revenue bounced back to the fiscal 2006 level, after a decline in 2007. While TV viewing time for NHK remains on a plateau, “Taiga drama”, an annual year-long costume drama, and feature drama programmes enjoy popularity among people of every demographic. Things may look better than they were for NHK.

NHK is currently working on the preparation of medium- to long-term operation plans for the coming era of full digitalisation. There are, however, some challenges.

The first challenge is this. Is it at all possible to clarify the role of NHK as a public service broadcaster? The paper has already touched upon NHK’s aims. However, it has never been articulated as to what kind of role NHK is to play for these aims in the 21st century, or what aims are to be replaced by new ones.12

The second challenge is this. For the first time in its organizational history, NHK upheld management goals based on viewing reach and contract rates. This has led to an atmosphere on TV productions where NHK employees are overly conscious of daily ratings, and in their effort to create ever more audience-friendly programmes, entertainers are hired because of their popularity among young people. Consequently, there is criticism of some NHK programmes looking hardly distinguishable from commercial TV programmes.13 It is ultimately up to the audience to decide on the definition of “NHK-like quality”, but, there is no denying the danger of NHK facing the dilemma of falling between two stools in pursuit of management goals while trying to maintain its identity as a public service broadcaster. To solve the issue brought about by viewing reach and contact rates, it is critical to examine how the approach taken by “the NHK assessment committee from the audience perspective” is incorporated in management policy. This approach is similar to the assessment method adopted by the BBC which measures the overall public value a broadcaster creates for society.

The third challenge is the receiving fee system. Can it be maintained? NHK’s receiving fee system can be likened to a club system in which you become a member by paying a membership fee and it is based on voluntary payment. Although it is a good system in an “ideal” world, in a seamless era of broadcasting and telecommunications, the legal basis of the receiving contract, namely, “installment of receiving equipment capable of receiving the broadcasting provided by NHK”, is no longer viable. This issue has come up for debate in Germany and Finland as well. The fee structure is also a problem. Is it desirable that the dual fee system for terrestrial contracts and satellite contracts be unified? Or, should all satellite broadcasting be a pay service? “Study group on current status and issues on achieving fairness in paying a receiving fee” set up by the Ministry of Internal Affairs and Communications made its final report in 2008 and made the following remarks.

*It is pointed out in discussions leading up to authorisation that a satellite contract has characteristics of*
“a special fee” in that all owners of receiving equipment are, in the same way as terrestrial broadcasting, obligated to pay a receiving fee regardless of their viewing. Viewers, however, point out the following.

1. This is a system designed to compel viewers to receive satellite broadcasting in addition to terrestrial broadcasting.

2. At the introduction of satellite broadcasting, it was usually the case viewers purchased and installed satellite broadcasting reception equipment for the purpose of watching BS programmes.

3. Unlike satellite broadcasting elsewhere, where the same content is broadcast simultaneously both terrestrially and by satellite, different programming is compiled on NHK’s satellite channels from on NHK’s terrestrial channels.

It can be said that, compared to fees for terrestrial broadcasting, fees for satellite broadcasting make viewers more conscious of benefits and payments.

When the transition to satellite digital broadcasting is completed in 2011, NHK is scheduled to eliminate one of the three BS channels, which will leave NHK with a four channel system, terrestrial and satellite. NHK will have to present a new strategy on what services to offer on a reduced platform. This change is clearly linked to the need to reform the receiving fee system.

There is no ready solution for any of the three challenges. It may be fair to say that Japan is finally catching up with European public service broadcasters in critical issues which have been repeatedly contemplated and debated in Europe since the late 90s.

REFERENCES


Useful Links

MIT
http://www.soumu.go.jp/english/

NHK
http://www.nhk.or.jp

1 “Public service broadcasting” is commonly used in Europe. In Japan it is usually referred to as “public broadcasting”

2 While satellite pay TV broadcasting like BSkyB normally tries to vertically integrate platforms and contents by monopolizing so-called killer contents, movies or sports, SKY Perfect TV! a Japanese platform management firm for CS broadcasting, is mainly in charge of channel management and sales, and does not have a vertical integration structure.

3 Commonly known as Hi-Vision in Japan.

4 More on the development of Japan’s terrestrial broadcasting and topics such as D-pa, a corporation made up of
mainly broadcasters for the coming switchover to digital, see “Switching to Digital” by Michael Starks (p.162–p.168), published by Intellect in 2007.

5 Part of an economic stimulus program launched by the government in fiscal 2009, aimed at promoting the use of environmentally friendly appliances. The program grants buyers of certain types of energy-efficient air conditioners, refrigerators and digital television sets so called eco-points which can later be used as “cash” for other environmentally friendly goods and services.

6 The survey was conducted for one week from June 7, 2010 to 13, targeted at 3,600 people over the age of seven across the country. Diaries with 24 hour lines were distributed and later collected.

7 Percentage of people who watch TV broadcasting more than five minutes per week.

8 Conducted during the same period with a nation-wide audience survey, targeted at 3,600 people over the age of seven across the country. Forms were distributed and later collected. Unlike nation-wide audience surveys, it records TV viewing time over five minutes on a daily basis including recorded telecasts. The valid response rate 69.4%.

9 Conducted from February 2006 to March by telephone using random direct dialing (RDD) to collect data from approximately 1000 people over the age of 20 in Japan, South Korea, the UK, France, Germany, Italy and the US. A joint paper by Nakamura Yoshiko and Yonekura Ritsu drew on the survey results (NHK Broadcasting Studies 2008 No. 6).

10 Information and Communications White Paper published in July 6, 2010 by the Ministry of Internal Affairs and Communications.

11 The members are Etsushi Tanifuji (prof. of Waseda University), Egami Setsuko (prof. of Musashi University) and Yamauchi Hirotaka (prof. of Hitotsubashi University).

12 For example, the third management policy statement says “fulfilling its role as a public broadcaster by offering new services”. It cites the following as three centerpieces. Further improvement of NOD, NHK’S on-demand service. Creation of an environment for NHK’s contents to be delivered to mobile phones, TV and PC anytime and anywhere. Research and development of new broadcasting technologies.

13 One of the reasons of their increasing presence on NHK programs is that due to an economic downturn commercial broadcasters are cutting back on the number of new programs which drive TV personalities to seek jobs at NHK.