NETWORK PRACTICES

Memorandum Supplementing

Statement of Frank Stanton, President,

Columbia Broadcasting System, Inc.

Prepared for the Senate Committee

on Interstate and Foreign Commerce by

Columbia Broadcasting System, Inc.

June 1956

In the Senate Interstate and Foreign Commerce Committee's current "Television Inquiry," Dr. Frank Stanton, President of Columbia Broadcasting System, Inc., submitted comprehensive statements on June 12, 1956, concerning the organization, functions and practices of the CBS Television Network. We are sending you this portion of those statements in the belief that it contains information which may have special interest and significance for you.

Columbia Broadcasting System, Inc.

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PART I: General Introduction

Purpose of this Memorandum

This memorandum has been prepared in the conviction that there has been little understanding, and considerable misunderstanding, of precisely what a television network is, what its functions and relationships with stations, advertisers and the public are, and how it operates. To the casual outsider—the viewer of programs—network broadcasting is exceedingly simple. A knob on the television set is turned to the on position and after a few seconds a picture appears on the face of the tube; the viewer turns another dial to see what other pictures there are; and if he finds what he likes, he settles back to watch—perhaps a play from Hollywood, or a political convention from Chicago or San Francisco, or a news program from many parts of the country, or a visit to Harvard University, or a variety program from New York City, or an interview with a Senator in Washington. One program follows another, with split-second timing. People—drama—news—debates—discussion, appear on the television screen. The viewer looks at what he wants and when he no longer wants to look, he turns the knob to the off position and goes on to some other activity.

It is the purpose of this memorandum to describe comprehensively what is behind the pictures on the face of the cathode ray tube. It has been prepared in order to give to the Committee some idea of the people, the equipment, the organization, the skills and the economics which make possible the remarkable flow of network programs.

The business structure out of which those pictures grow is complex. In many of its elements and combination of elements, it is unique, with no counterpart in other more familiar industries. The business of networking involves a unique integration of otherwise unrelated groups, skills and elements. It is a wedding of creative skills with the hardest-headed kind of slide-rule economics. Its success and its existence hinge on three wholly interdependent and interlocking elements—the public, television stations and advertisers.

The complexity of the structure has grown out of the demands and very nature of the business. There are profound reasons for the details of the structure, rooted in the necessities of the business itself.

Criticisms which have been leveled against networks and their practices, and proposals which have been advanced for change, can be properly weighed only in the context of the entire structure of the business. So interlocking are the relationships that often what appears to be one small change can injure and perhaps even destroy the entire structure.

Therefore, this memorandum has been prepared to provide the basic facts which are necessary before discriminating judgments can be made.

Part II of this memorandum will examine the dimensions of television today, its growth and the role of networks in television. Also in Part II, in order to provide a better understanding of what a network is, this memorandum will describe the CBS Television Network in terms of its organization, manpower facilities, stations and program structure.

To give greater clarity of understanding, Part III of this memorandum will deal with some of the *internal* economics of networking by focusing on one CBS Television Network program, in order to illustrate what the programming functions of a network are, why they are necessary and how the revenues derived from the program are expended.

Part IV will deal with the *external* economics of networking —the economics of providing sound values to advertisers through providing an efficient aggregate of stations and an efficient program structure. Finally, Part V will examine, in the light of Parts II, III and IV, some of the charges against networks and proposals for change.

PART II: Networks—Their Role in Television, Their Functions and Their Nature

A. THE DIMENSIONS OF TELEVISION. Today, over 34 million families in the United States have one or more television sets. They have invested $16.6 billion for the purchase and maintenance of these sets, and the latest figures show each family averages slightly over six hours a day watching television.[1]

Television's growth has been remarkably rapid. It took television ten years to reach 34 million homes. It took telephone service 80 years to reach that number of homes; electrical wiring, 62 years; automobiles in use, 49 years; the electric washing machine, 47 years; the electric refrigerator, 37 years; and radio, 25 years. See Chart I.

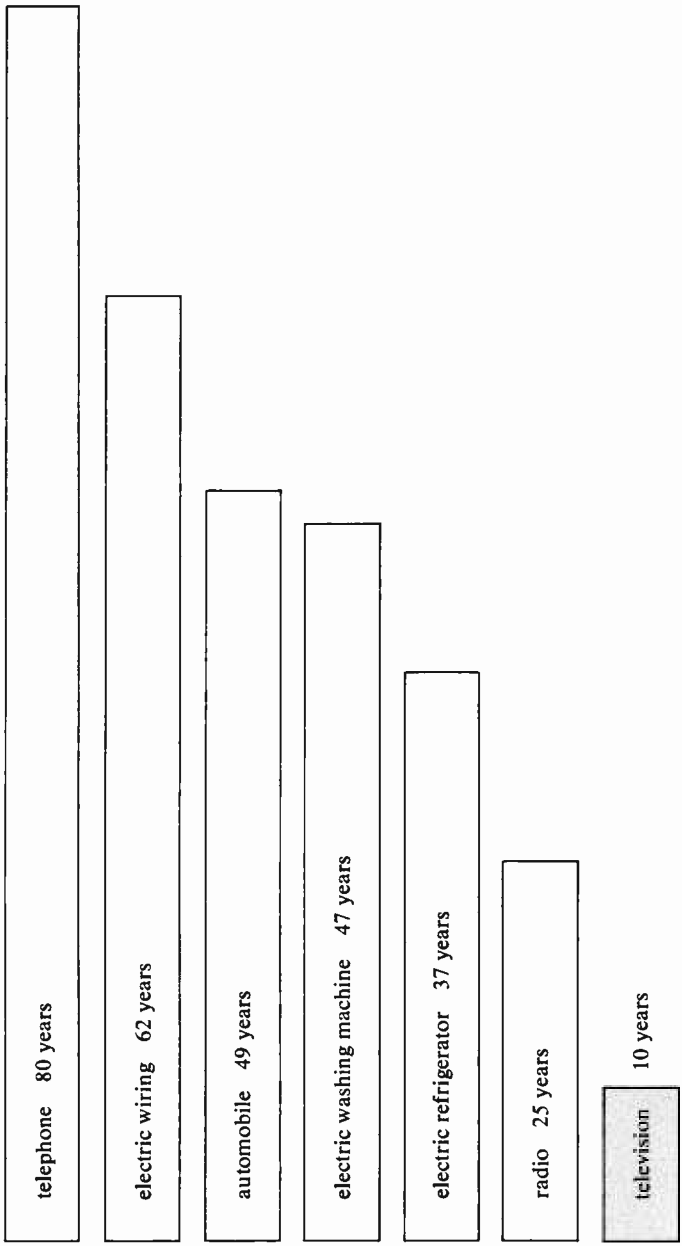
The public investment in money and time and the rate of growth of television have a vital implication to those concerned with the industry. Its dimensions today provide a striking measure of the public's interest in, and its acceptance of, television. It would be difficult to find any industry or business activity with so clear and explicit a stamp of public approval.

The universality of television in the United States is further evidenced by the fact, as Chart II shows, that 99.2 per cent of United States families live in areas which are within range of

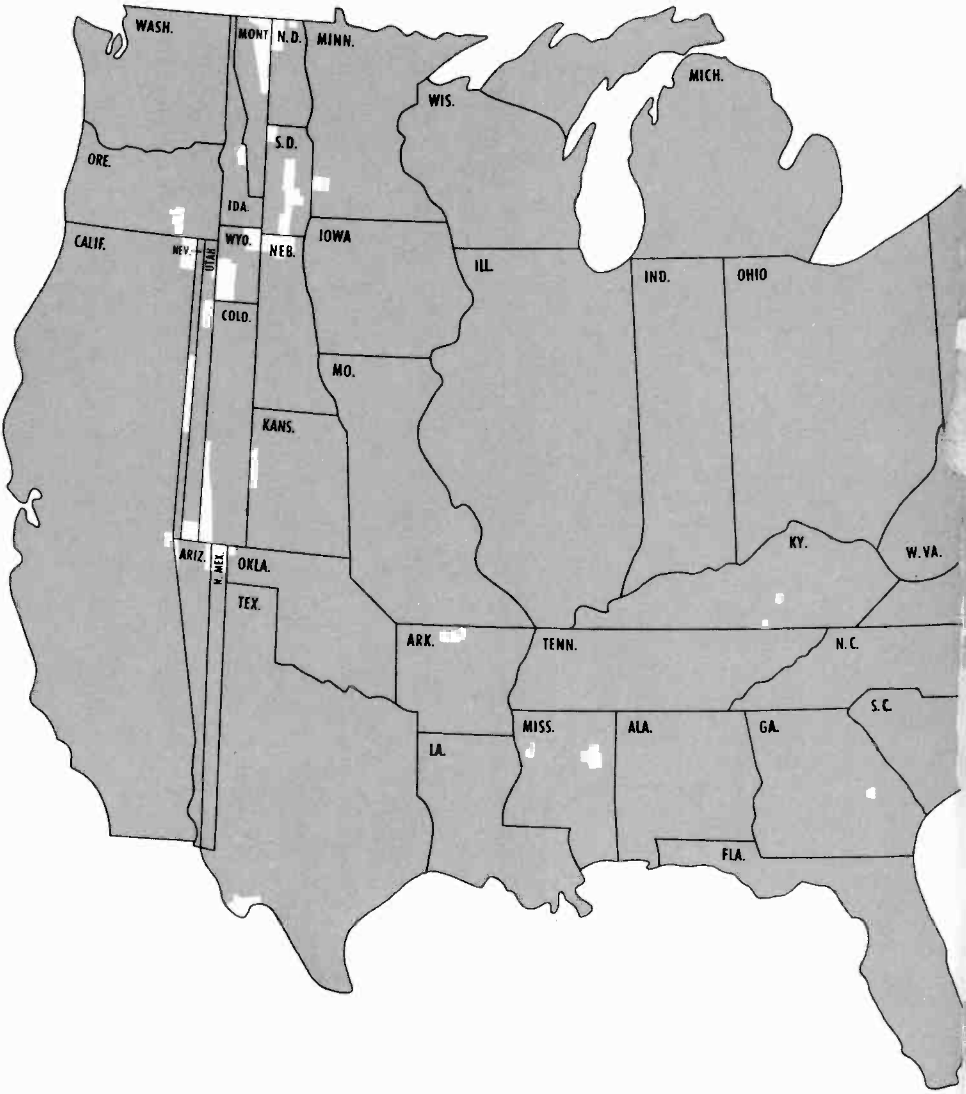
[1]Nielsen Television Index, National Television Nielsen-Ratings, First Report for March 1956. The A. C. Nielsen Company is a leading research organization which studies and reports on broadcasting audience data.

CHART I

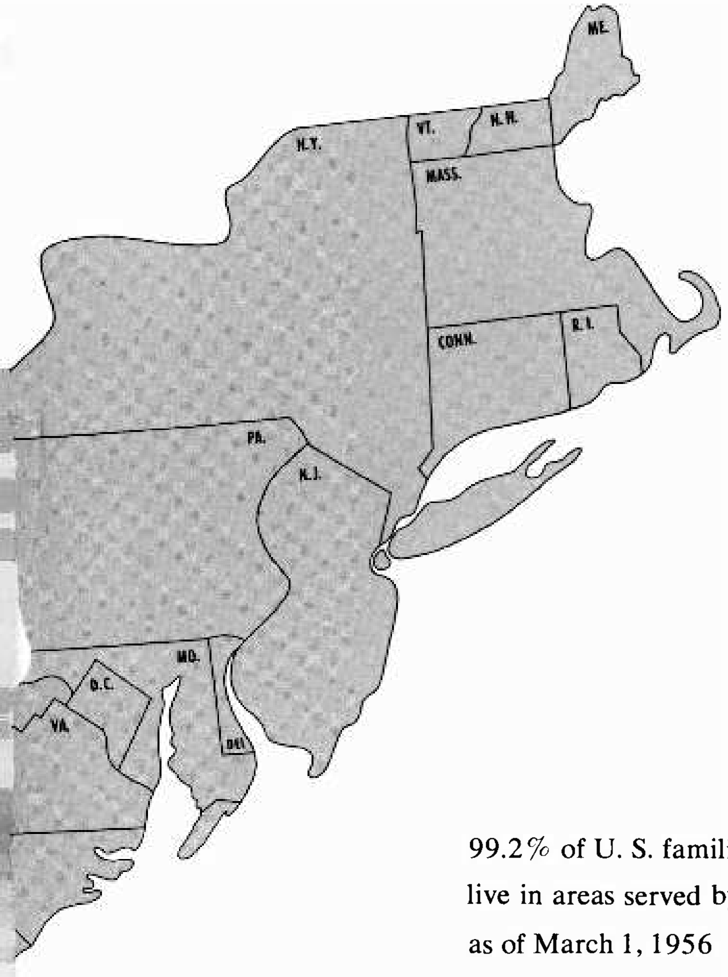
YEARS TO REACH 34 MILLION HOMES



POPULATION DISTORT MAP OF THE UNITED STATES



SHOWING TELEVISION COVERAGE FROM ALL U.S. STATIONS



99.2% of U. S. families
live in areas served by television
as of March 1, 1956

7 out of 10 families have sets

at least one television signal.[1] More than seven out of ten United States families actually have television sets. Exclusive of educational stations, by March 1, 1956, there were 429 stations on the air, of which 393[2] were affiliated with a nationwide network.

Despite misconceptions to the contrary, in the vast majority of cases the American public has a considerable choice of service. As Chart III shows, 9.4 out of every ten television homes have a choice of two or more signals, while 8.7 out of every ten have a choice of three or more signals. The average television home has a choice of 5.1 different signals.[3]

Thus the size of television today is established by the availability of television signals, by set ownership, by the choice of programs available to each viewer and by the amount of viewing. But there is another important measure of television today —the advertisers' evaluation of television in the concrete form of their dollar investment in television advertising. From a volume of $57.8 million in 1949, advertising on television grew to more than $1 billion in 1955, far outstripping the rate of growth of national advertising revenues for newspapers and magazines during that period.

1Areas "within the range of at least one television signal" are all counties: (1) in which ten per cent or more of the homes had television sets on June 1, 1955, according to Advertising Research Foundation estimates, plus (2) all counties in the service areas of CBS Television affiliates which have gone on the air since June 1, 1955, and (3) all counties in the service areas of other stations which have gone on the air since June 1, 1955.

The service area of a CBS Television affiliate is defined in accordance with the criteria of the CBS Television Engineering Department as indicated on pp. XVII to XXII of Appendix C of this memorandum. The service areas of other stations which have gone on the air since June 1, 1955, are assumed to include all counties more than half of which fall within 50 miles of the station transmitter for a VHF station and within 30 miles of the station transmitter for a UHF station.

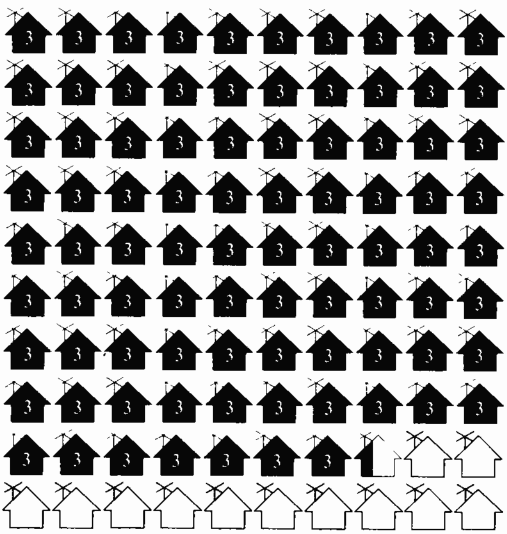
2Not including non-affiliated stations receiving network programs on a per-program basis, but including four satellites. Of the remaining 36 non-affiliated stations, 13 are in cities where all three networks have primary affiliates or own their own stations. Of the 23 in other cities, the CBS Television Network supplies programs to six stations on a per-program basis. Undoubtedly the other two networks similarly supply programs to some, if not all, of the other stations.

3Based on a special Nielsen Television Index study as of January 1, 1956.

CHOICE OF SERVICE
IN U. S. TELEVISION HOMES

service from 2 or more stations — 94.4%

service from 3 or more stations — 87.3%



B. THE ROLE OF NETWORKS IN THE DEVELOPMENT OF TELEVISION. The foregoing provides some measure of the size of television and the rate of its growth. There can be no serious question that the stimulus for that growth and a basic, if not *the* basic, reason for its current size is *network* television.

The networks were active in the development of television long before most others now on the scene. By the end of 1930, both CBS and NBC had established television laboratories and had been licensed to operate experimental television stations. By the end of 1931, CBS was broadcasting on a regular schedule over its local station in New York. It was not until after the war, in 1946, however, that full scale broadcasting operations were possible.

But in the early postwar period there were few sets, numbering only in the tens of thousands. Because there were so few sets, there were few programs, since advertisers were unwilling to pay for programs which had such small potential audiences. Conversely, because there were so few programs, there was little incentive to purchase receivers. The industry was thus bound within a tight circle of economic frustration.

There was only one way to break out: to program far in excess of what was then justified by the number of sets, the potential viewers and advertiser interest. It was the television networks which, at enormous cost to themselves, broke the circle. They embarked on what was then an extremely uncertain and risky course. They provided the major entertainment programs and the broadcasts of popular sports events and important political events of national interest.

As was stated in a recent article in the *New York Herald*

Tribune (December 22, 1955), it was these programs that "signaled the start of television as a major industry back in June of 1949. There were few stations then and practically no network to speak of. Within a matter of weeks, people were flocking to their television dealers to buy sets because they wanted 'to see Milton Berle' [on NBC]."

Thus it was the networks, with their investment of creative energy and of dollars, that provided the driving force that brought together the families in the home, the receiver manufacturers, the performers and writers, the advertisers and the station licensees, which led to the explosion of television on the American scene.

In priming the television network pump so as to lead to the flow that we know today, CBS, alone, invested $53.1 million from 1934 through 1952, without a single year of network profit.

It may be noted that during that period of initial growth and financial loss, CBS Television alone among the networks lacked both of two vital elements: (1) ownership of its permissible quota of stations, which historically are profitable before networks are[1]; and (2) a supporting television receiver manufacturing activity. NBC and ABC each had five stations in major markets and DuMont had three, while CBS, until 1951, owned only one station. NBC and DuMont also were engaged in the manufacture of receivers, so that their investments in programming could be justified by the returns which resulted through the sale of receivers stimulated by programming.[2]

[1]See Part V, p. 131 of this memorandum.

[2]CBS did not enter receiver manufacturing until 1951.

In sum, the road which in retrospect may sometimes appear to have been so easy for the CBS Television Network to chart and develop—and on which so many who contributed so little in the early days to its construction would now like to travel—was a hard and dangerous one and its direction, while clear today, was by no means clear a few short years ago.

C. NETWORK FUNCTIONS. Networks today perform the same functions for the public, stations and advertisers, that they performed in starting television on its miraculous road to success.

(1) *Network functions for the public.* Networks function first for the public. The networks bring to the public news, information, education, and more and better entertainment than the general public has ever known on a nationwide basis. Today, through the networks and without paying any fee, the entire nation can see the Sadler's Wells Ballet, the World Series, "Peter Pan," "The Caine Mutiny Court-Martial," a debate between Leonard Hall and Paul Butler, a discussion of the Federal Constitution by Joseph Welch and an infinite variety of the best that the entertainment world has to offer. Never before have such opportunities for education and amusement been made so universally available, and on such a scale, to the people of any nation.[1]

By making available throughout the country information, education and the best of our culture, network television has

[1]For an interesting and vivid article concerning the cultural effect of television in Iowa, see an article in *Harper's Magazine*, April 1956, by William Zinsser, motion picture editor of the *New York Herald Tribune*, entitled "Out Where the Tall Antennas Grow." In his article, Mr. Zinsser describes a visit to Iowa where, to his consternation, his friends and relatives discussed cultural and entertainment matters to which they had been exposed through television with which Mr. Zinsser, who had no television set in New York, was unfamiliar. Mr. Zinsser resolved, on his return to New York, to become thoroughly familiar with the more obscure aspects of farms and farming, so that on his return to Iowa he might match the expertness of Iowans in their own fields.

brought about a cohesion among the people of the United States which has never before existed, and has given them a firsthand knowledge of the entire country which has never before been available to them. And it has provided the potential of an incalculable benefit in terms of the national interest, for it makes available a means by which in times of national crisis the nation is afforded a mobility which is needed to meet totalitarianism.[1]

It should be emphasized that the only source of nationwide *live* programming is the networks. Only by live network programming can events of national interest be seen throughout the country as they happen. The entertainment and informative qualities of some film programs cannot be denied; indeed, some programs require film and are better because of it. But good as film programs are, it is the live quality, the sense of seeing the actual event or performance taking place before the eyes of the viewer as he sits in his living room, that is the real magic of television. To remit television largely to film is to confine its excitement, scope and impact,[2] and even more important, it is to destroy the only effective means of nationwide visual communication to the entire country for national emergency purposes.

(2) *Network functions for the stations.* None of this service to the public can, of course, be performed by a network except through the individual stations. The second major element in television networking and the second vital link is, therefore, the stations themselves.

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[1]See Frank Stanton, "The Role of Television in Our Society," before the National Association of Radio and Television Broadcasters, May 26, 1955.

[2]Another advantage of a *live* series of programs over film is the flexibility of the former in its being susceptible of change and reshaping in the light of actual experience and public response. See p. 39 of this memorandum.

A major difference between radio and television has thus far proven to be the great cost of television programming, even on a local basis. A vital function, accordingly, which networks perform for stations, is furnishing them with programming. Network programs furnish a double benefit to stations: First, revenues accrue to the station for carrying the network programs (see p. 47 of this memorandum). And second (and in many ways equally important), because the network has provided the programs to the station, the station is relieved of the necessity to expend monies for its own local programs or for the acquisition of other outside programs.[1]

Thus network service to the stations provides them with not only a program schedule at no additional cost to them but also revenue from network advertisers. Further, there is a third and basic by-product of benefits to the stations: As a result of a network's providing major programs of substantial popularity, a large circulation accrues to the affiliate. This large circulation attracts additional revenues directly to the station—revenues both from national spot advertisers and from local advertisers. These revenues are vital in station economics. It is a basic fact of television advertising that advertisers look to "adjacencies"—the times, whether 10 seconds, 30 seconds, a minute, 15 minutes or half-an-hour, which may be available adjacent to the programs which have attracted the greatest audiences.

The rating services show that, with rare exceptions, network

[1]The network schedule supplied to the affiliates is composed not only of the sponsored programs but also the sustaining entertainment and public affairs programs. These sustaining programs cost CBS Television in excess of $10.5 million in 1955 without any allocation of general administrative overhead (see p. 43 of this memorandum). It is reasonable to assume that no station, or limited group of stations, could afford to present such programs at their own expense or through their own facilities.

programs are far and away the most popular.[1] Hence it is network programs which build the station's circulation, on which the station bases its rates,[2] and make it possible for the station to attract additional revenues. In this important sense, it is relevant to note, network programming and national spot and local programming are not antithetical at all. Indeed, national spot and local advertising is complementary to network programming and takes its strength from a strong network schedule. National spot and local revenues in television have increased with network revenues (see pp. 123 to 126 of this memorandum). An explicit illustration of the strength which national spot programs are given by network programs is provided by the following comment of Frederick W. Ziv, the president of a leading producer of syndicated films, which appeared in *Variety* on November 16, 1955: "Ziv said that since the PEP, EMP and other network plans to bring web programming to smaller markets got underway, Ziv's sales to stations included in the plans have undergone an increase of between 10% and 15%. He declared that 'it's been the industry patterns so far that the more network programming an unaffiliated [sic] station carries, the more syndicated films it also schedules, boosting the total number of program hours the station airs each week.' Smaller stations, once they get more network revenue, he explained, usually use it to

[1]In the 60 television markets for which American Research Bureau local rating reports are available for January, February, or March, 1956:

10 of the 10 most popular programs are network programs in 46 markets.
9 of the 10 most popular programs are network programs in 12 markets.
8 of the 10 most popular programs are network programs in 2 markets.

In other words, on the average, in these 60 markets, 9.7 of the top 10 programs are network programs.

[2]An analysis of rate cards of stations in markets in which four or more stations are located shows that a network affiliation contributes to the circulation of the station so that it in fact charges a higher rate for all hours of the broadcast day than do non-affiliates, no matter how remote those hours are from a network program.

expand their airtime, buying in most cases syndicated film to do so."

While discussion of the division of revenues between stations and network is reserved for a later point in this memorandum (see p. 47), it may be noted here that it is this factor of dependence of national spot and local revenues on network programming which underscores the inaccuracy of comparing the direct revenues which a station receives from a national network advertiser for carrying a network program with the revenues received from national spot and local advertisers. In the first place, a station necessarily bears greater costs when it must provide its own sponsored program locally and must itself pay various costs such as advertising agency commissions in addition to operating costs and sales costs. Furthermore, there must be added to the revenues which accrue to the stations directly from the network program the circulation and revenues which come to it through national spot and local advertisers *because* of the network program. In many ways, the contribution of network programs as a factor in increasing the affiliates' circulation and rates generally and in attracting the national spot and local dollars is even more valuable to the affiliate than the actual revenues received by the affiliates directly from the networks as their share of the payment of national network advertisers.

(3) *Network functions for national advertisers.* As has been seen, the public and the stations are two of the vital elements which permit networks to exist and to which networks provide services and for which they perform their basic functions. The third vital element and the third point in television's immutable

triangle are the advertisers. For advertisers, network television provides large circulation at specific time periods in the schedule at a low unit "cost per thousand" (see pp. 59 to 85 of this memorandum) and in one efficient purchase. Detailed discussion of the economics of advertising in network television is reserved for Part IV of this memorandum. It is well to emphasize, however, that advertisers are hard-headed businessmen, who invest their advertising dollars carefully and as scientifically as possible. The annual investment of individual advertisers in network television ranges from the tens of thousands of dollars to the tens of millions. They will not make this investment unless they are persuaded they receive sound value for the money they expend. It is a network's function to organize itself and fashion its network line-up of stations and programming so that it can persuade the advertiser that network television is a good buy. For advertising dollars are the life blood of all of television.

D. THE OPERATIONS OF THE CBS TELEVISION NETWORK. In the preceding subsections, this memorandum has examined the broad dimensions of television today and described in general the services and functions which networks perform for the public, for stations and for advertisers. In order to provide greater specificity, this memorandum here turns to focus on the operations of a single network—the CBS Television Network.

(1) *The CBS Television Division.* The CBS Television Network is a part of the CBS Television Division, one of the seven operating divisions of the Columbia Broadcasting System, Inc. The other six operating divisions are: The CBS Radio Division, historically the first of the divisions, which operates the CBS Radio Network and six owned radio stations; the CBS Laboratories

Division, which is engaged in the development of broadcast and receiving equipment for both black and white and color television and in research in electronics and other fields, not only for the CBS divisions but for the Government and for outside industrial use; the Columbia Records Division, which produces primarily phonographs and records; the CBS-Columbia Division, which makes television and radio receivers; the CBS-Hytron Division, which makes electronic tubes, including black and white and color television picture and receiving tubes; and the CBS International Division (the only one of the seven divisions which plays no part in bringing radio and television programs to people), which is engaged in the export business.

The CBS Television Division, whose activities began in 1931 but which was not established as a division until 1951, is engaged in networking and in operating VHF television stations in New York, Chicago and Los Angeles, and a UHF television station in Milwaukee. CBS has pending an application, which has been the subject of a comparative hearing and which is now before the FCC, for a VHF station in St. Louis. CBS also has contracted to purchase a UHF station in Hartford subject to FCC consent. The matter is pending before the Commission.

The CBS Television Division also includes CBS Television Spot Sales, an organization which acts as national spot advertising representative for the four CBS Owned stations and for eight CBS Television affiliates.[1]

CBS Television Film Sales, Inc., a wholly owned subsidiary of CBS, produces and sells entertainment and newsfilm pro-

[1]The eight affiliated stations represented are WTOP-TV, Washington, D. C.; WCAU-TV, Philadelphia; WBTV, Charlotte; WBTW, Florence; WMBR-TV, Jacksonville; KGUL-TV, Galveston-Houston; KSL-TV, Salt Lake City; and KOIN-TV, Portland, Oregon.

grams to all television stations which wish to purchase them.[1]

(2) *The CBS Television Network organization and staff.* Organizationally, the CBS Television Network comprises 47 major operating units, divided into five main groups: (1) Programming; (2) Sales; (3) Operations; (4) Operating Services, including Station Relations, Engineering and Research; and (5) Administrative Services.

The weekly cost to CBS Television of maintaining this organization and staff is about $700,000. In 1949 the full-time personnel devoted to the television network numbered only 427; in contrast, as of March 1, 1956, CBS Television employed on a full-time basis 2,412 people for its network and a total of 5,493 people, including per diem personnel, talent and supporting corporate personnel.[2]

Among the 47 operating units are the following:

The Program Department is the keystone of the network operation. Programs are a network's most important product. The Program Department has the primary responsibility for the basic creative and planning work which results in the conception, evaluation, development and production of the program schedule. It consists of 38 supervisory personnel and 91 addi-

[1]CBS Television Film Sales, Inc. offers its programs to all stations, regardless of network affiliation; network-owned stations and network affiliates get no preference. In fact, there have been instances when a CBS Owned station bid for a film series distributed by CBS Television Film Sales, and Film Sales sold the series to a competing station which made a better offer. During a recent week, 601 station half-hours were sold. CBS Owned stations purchased 9.2 per cent of the 601 station half-hours; primary CBS affiliates, 11.4 per cent; secondary affiliates, which are primary affiliates of other networks, 7.4 per cent; unaffiliated stations, 34.9 per cent; direct to advertising agencies and sponsors, 21.0 per cent; regional and national sales, 16.1 per cent.

[2]Included in the supporting corporate personnel are staff members in the News and Public Affairs Department (see pp. 22 and 23 of this memorandum) and in the Legal, Tax and Building Operations Departments, as well as in corporate management. It is estimated that this latter group spend about two-thirds of their time on television network matters.

tional employees, exclusive of the creative personnel assigned directly, and charged, to individual programs.

The Research Department, comprising 22 people, evaluates tastes; measures audiences, station circulation and set ownership; checks comparative media values; and evaluates and analyzes program content in order to determine public tastes and reactions. It functions in three separate operating areas—in programming, sales and station relations (affiliations). In the programming area, its objective is, to the greatest extent possible, to make television a two-way communication system by evaluating the viewers' over-all tastes and needs.[1] In assisting the Sales Department, it prepares circulation and audience data for presentation to advertisers and agencies. Through its circulation, set ownership and similar research, it also participates in the process of affiliation determinations (see Appendix C, pp. XIII and XVII to XXII of this memorandum) and negotiations of stations' network rates.

The Sales Department comprises 48 sales personnel and 23 sales service personnel. Its tasks are to sell network time periods (and, in appropriate cases, programs) to advertising agencies and advertisers; to assist in the determination of the advertisers' needs and relating those needs to the time periods and programs available; to provide continuous service of this nature to the agencies and their clients; and to clear time on stations and provide a station line-up in accordance with the advertiser's desires.

The Engineering Department, comprising 42 people, develops broadcasting equipment, maintains studio and transmission

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[1]Over $300,000 is spent annually for research of this nature, involving rating services and special audience analysis studies.

standards, provides technical consulting services to affiliates, and conducts engineering studies of station coverage to assist in the affiliation process (see Appendix C, pp. XII, XIII, and XVII to XXII of this memorandum) and to assist in negotiations with stations leading to the setting of network rates for the stations.

The Station Relations Department, comprising 12 people, is engaged in the vital and complex function of securing and maintaining the most efficient line-up of stations for the network. See pp. 59 to 82, and Appendix C of this memorandum.

The Promotion Department, comprising 37 people, promotes the CBS Television Division and its network programs to advertisers and the public, and provides program promotional materials for stations.

The Operations Department is the largest of the network departments; it comprises more than 2,400 people employed on a continuing basis, including both staff and per diem personnel. The function of this department is to make it physically possible to broadcast a network program. Among its functions are the provision of studios, cameras, and other technical equipment and the personnel required therefor, building and designing the scenery and sets, arranging, securing or building the props, providing facilities for rehearsals, making up the performers, obtaining or making the costumes and performing all the other tasks in the physical job of getting the show on the air.[1] This department is also responsible for supervising film production activities, for making and distributing television recordings of television programs (TVR's), for securing and scheduling use

[1]For an indication of the variety of skills and functions of the Operations Department in connection with a single program, see pp. 41 and 42 of this memorandum.

of telephone company circuits and for carrying on an active developmental program to improve production techniques.

Other Supporting Units. Other units whose functions are essential to network operation include Accounting, Legal, Building Operations, Office Services, Personnel, Information Services, Editing, Music Clearance, Business Affairs, and Labor Relations.

CBS News and Public Affairs. In order to fulfill its responsibility as a medium of mass communication devoted not only to entertaining but also to informing the people, CBS must maintain a News and Public Affairs Department. The current gross annual operating budget for the CBS News and Public Affairs Department is $7,000,000.

CBS News maintains four American news bureaus, five European bureaus and one Far Eastern bureau. It employs 600 contract and free lance correspondents at 263 locations throughout the world. In Washington, CBS News has a staff of 11 correspondents, in addition to three news executives, six persons functioning in connection with Public Affairs programming and a film unit comprising 13 persons. The CBS Television Network is now broadcasting 22 news broadcasts a week.[1]

For the week ending April 7, 1956, the Public Affairs Department produced eight programs totaling eight and one-half hours. The department comprises 103 full-time employees. In addition to the direct cost of programs totaling over $2,000,000 a year, the department cost more than $500,000 to maintain and operate last year. Public Affairs programs are produced by the network in order to maintain an over-all programming balance; few of them are sponsored. The programs of the Public Affairs

[1]For the personnel and man-hours involved in a single 15-minute network news program, see footnote, p. 42.

Department include "See It Now," "Let's Take a Trip," "Face the Nation," "Lamp unto My Feet," "Look Up and Live" and "The Search," as well as special programs such as the recent "Out of Darkness," an hour-and-a-half program devoted to mental illness[1]; and "Report Card," a special series of five programs devoted to schools and education.

The CBS Television Network believes that as a matter of policy it has an obligation and responsibility to devote the same degree of planning, care and skill to these Public Affairs programs as it does to the major sponsored entertainment programs. For a case history of "The Search," a typical CBS Public Affairs series, which took three and one-half years to prepare and cost more than $750,000, see Appendix B.

(3) *CBS Television Network physical facilities.* The CBS Television Network comprises not only people but facilities. For in order to supply high quality programs to its affiliates day in and day out, a television network must provide and maintain elaborate physical facilities. The CBS Television Network now has 29 broadcast studios—22 in New York, five in Hollywood, and two in Chicago. All but five in New York are equipped for the production of live programs. Those studios include elaborate, intricate and expensive equipment, including 148

[1]"Out of Darkness," broadcast by the CBS Television Network on March 18, 1956, was the first full-scale attempt to penetrate in depth into the private world of mental patients and mental hospitals and to bring the public up to date on the nature, causes and treatment of what has been termed the nation's number one health problem. It was produced with the help of The American Psychiatric Association and The American Association for Mental Health. This single one-and-one-half hour program pre-empted "Omnibus" (three of the four segments of which were sponsored) on March 18. "Out of Darkness" was unsponsored and involved out-of-pocket production costs in excess of $135,000 in addition to the revenues of $40,000 which were lost because of the pre-emption of "Omnibus." It should be noted that in all cases where special sustaining programs produced by the CBS News and Public Affairs Department pre-empt commercial programs, there are double costs to the network: (1) the cost of the program itself, and (2) the amounts lost by the network as a result of pre-emption of the commercially sponsored programs which the special program replaces.

live cameras and 35 film cameras, together with their assorted electronic control equipment, synchronizing generators, audio systems, lighting switchboards, 6,200 lighting fixtures, in connection with which are used substantially in excess of 20 miles of portable connecting cable, audio and video communication systems, including 792 microphones and 1,403 video amplifiers, 896 picture monitors, sound monitors, film recording and playback systems, 68 film projectors and 41 studio, telecine and master control rooms.

CBS has invested nearly $28 million in its television network program production facilities in New York and Hollywood alone. CBS spent more than $3 million in improving, equipping and finishing the New York color television studio and another $1 million on its Hollywood color studio. An additional $1 million has just been authorized for color in Hollywood. The cost merely of maintaining the New York and Hollywood facilities in 1955 was approximately $6,500,000, without including the cost of the departments which used the facilities.

It has become apparent recently that even this quantity of facilities is insufficient. CBS is now considering an investment of up to $25 million in additional plant facilities over the next few years.

This large reservoir of physical facilities is required in order to maintain a regular schedule of diversified programming.[1] Thus, for example, a one-hour dramatic program or musical variety show usually requires the use of a studio for rehearsal for three days. During the first day ten to 12 hours are re-

[1]See pp. 30 to 32 of this memorandum for a quantitative summary of the CBS Television Network weekly program schedule.

quired to erect the sets, the number of which varies from five to 15.[1] This is followed by four to six hours of lighting preparation, which includes hanging electrical equipment, focusing the lights in appropriate areas and planning the intensities of the various units to produce the necessary mood and effect. There follow eight to nine hours of intensive rehearsal with a cast and cameramen. The third day is usually devoted to five or six hours of rehearsal, including one or two dress rehearsals and finally the air show.[2]

Following the actual broadcast, as much as seven hours are required to remove the sets and prepare the studio for its next use by another program. Under normal operating procedure the new program is set up immediately following the removal of the sets and props which were used for the preceding program. Often the studios are in active operation 24 hours a day, seven days a week.

The continuous network schedule, however, actually permits economies which normally are not available in non-network production. The almost continuous use of the studios and other physical facilities makes for efficient operations and enables the enormous cost of maintenance and operation to be amortized over many programs, reducing to the lowest possible minimum the studio cost of each individual program.

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[1]The CBS Television library of stock scenery in New York City alone consists of 5,000 units, while the storage warehouse of properties in New York includes about 100,000 items.

[2]In addition to the actual studio work, the average variety show requires three to five weeks of active preparation, including the designing and making of costumes and the designing, fabrication and painting of scenery and sets before the rehearsal moves to the studio. The actors for the average one-hour dramatic show rehearse in a rehearsal hall for ten days to two weeks before going into the studio. The less complex half-hour programs usually rehearse five to seven days before going into the studio, while the daytime serials, interview shows and other daytime programs usually complete rehearsals in two to eight hours.

(4) *The CBS Television Network affiliates.* The CBS Television Network consists not only of people and physical facilities but, most important, it is an aggregate of stations affiliated with CBS Television. As noted, only four of these stations are owned by CBS. The remainder are wholly owned by others. In total, as of March 1, 1956, the CBS Television Network furnished programs to 233 stations[1] in the United States, 27 in Canada, and seven in Alaska, Hawaii, Mexico, Cuba and Puerto Rico. As of March 1, 1956, CBS had 151 primary affiliates, 38 secondary affiliates,[2] and 26 Extended Market Plan affiliates (see pp. 78 to 80). The CBS Television Network also supplies programs to 52 additional stations on a per-program or letter agreement basis (see footnote 2, p. 68; p. 138; and Appendix C, pp. XXXII and XXXIII). As of March 1, 1956, CBS Television affiliates reached 33,914,900 families in the United States or 98 per cent of all the families who own television sets. (The location of the 181 primary, secondary and EMP CBS Television affiliates in the United States is illustrated in Chart IV.)

(5) *AT&T interconnection facilities.* In addition to its own organization and facilities which a network must maintain, and in order to serve its affiliates with its program product, a television network must arrange for a means by which its affiliates throughout the country can be interconnected.[3] Only in this

[1]Not including satellites.

[2]The terms "primary affiliate" and "secondary affiliate" are convenient means of loose classification of affiliates and are not subject to precise definition. Generally speaking, the principal difference between a primary affiliate and a secondary affiliate is that the affiliation agreement with a primary affiliate provides for network option time while the affiliation agreement with a secondary affiliate does not. A typical primary affiliation agreement is set out as Appendix A.

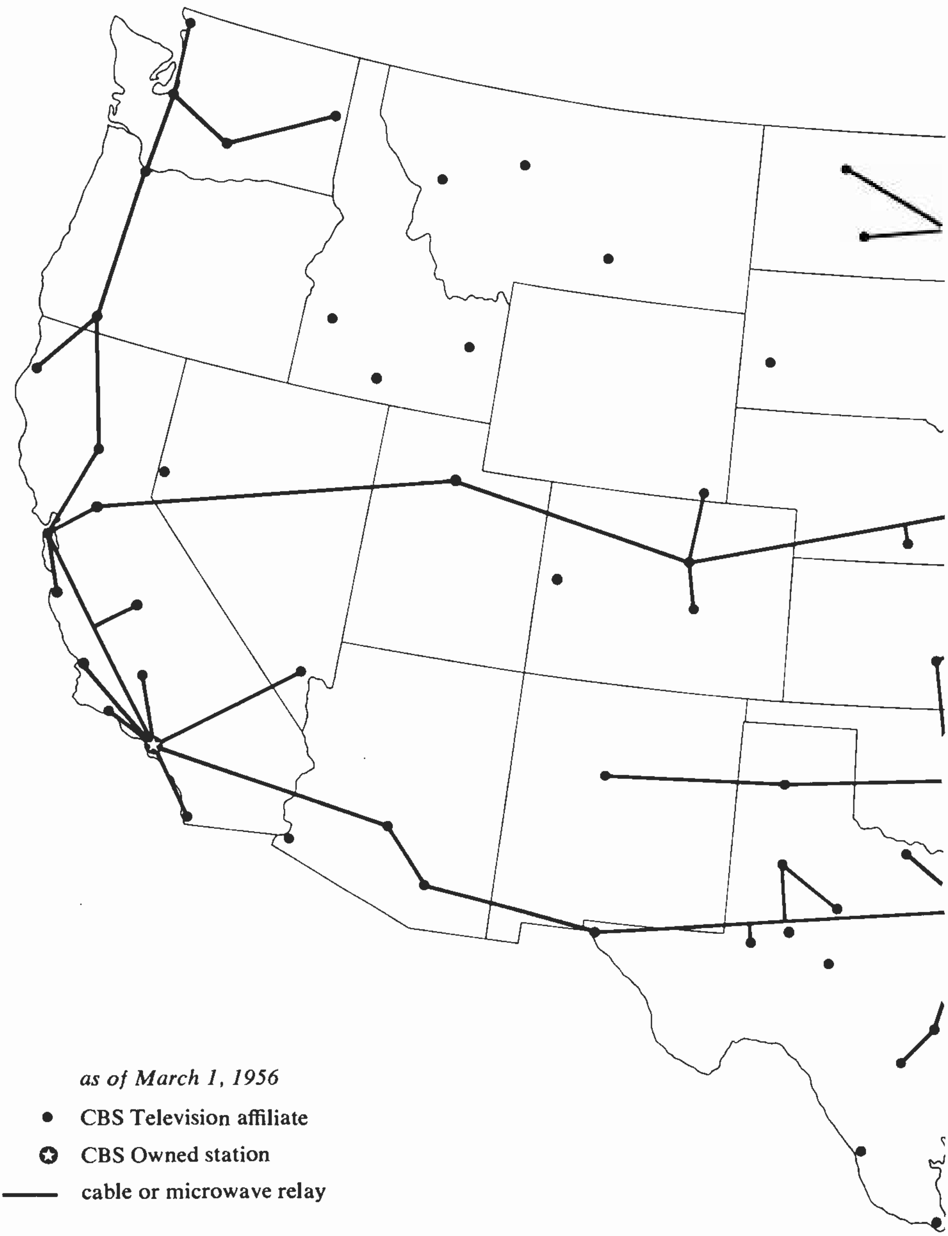
[3]Of 181 United States CBS Television affiliates, 163 are interconnected. See Chart IV. The 18 non-interconnected affiliates are dependent on television recordings which are supplied by the network.

way can a program be seen simultaneously by viewers on a nationwide basis. Interconnection is, of course, necessary for all live programs, whether they be entertainment programs or broadcasts of public events as they occur. Even with respect to film programs, interconnection is necessary in order to provide simultaneity and to make it possible for an advertiser to have his program and his advertising continuity broadcast through a single purchase from a single source and at a fixed point in the network program schedule.

At present most network stations are interconnected by American Telephone and Telegraph facilities, either in the form of coaxial cables or microwave relays. These facilities are used by the networks on a continuous basis and represent a major expense to the networks. CBS Television, alone, is currently paying at the rate of $13.5 million a year to the AT&T for the use of interconnecting facilities.

Only by the continuous use which networks make of AT&T interconnection facilities are even these large costs kept down or indeed are the facilities preserved on a regular basis to television. If interconnection facilities were not supported by the networks' regular and substantial use, and if instead they were used only on special occasions such as the World Series or a political convention, their costs on such an occasional use basis would vastly increase—possibly by as much as 30 or 40 times per program. In any event, it is likely that if these interconnection facilities were used only occasionally, at least those which go to the smaller markets outside the top 40 or 50 cities would not be used with sufficient frequency to warrant their being preserved by AT&T for television use at all. It is not unlikely,

CBS TELEVISION NETWORK – 181 U.S. AFFILIATES



as of March 1, 1956

- CBS Television affiliate
- CBS Owned station
- cable or microwave relay

REACHING TOTAL OF 33.9 MILLION TELEVISION FAMILIES

therefore, that were it not for the continuous use by the networks of these facilities, some of them, at least, would revert to other uses and be unavailable to television even for special occasions, so that many smaller markets would forever be deprived of live programs emanating from any area other than that in which the local station is located.

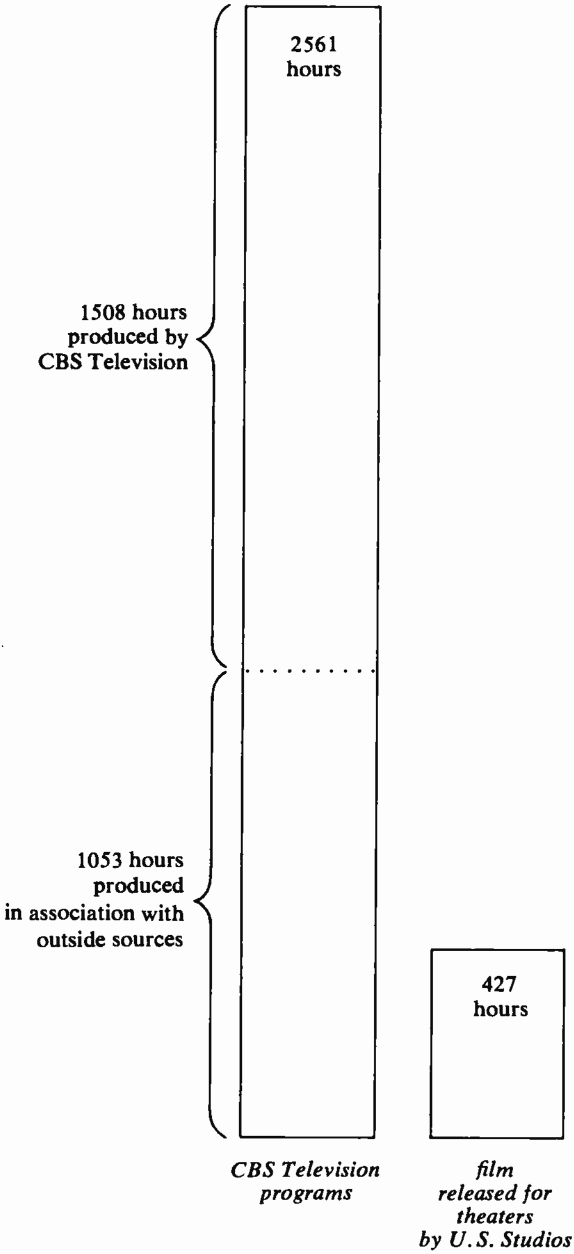
(6) *The CBS Television Network program schedule.* The end result of the CBS Television Network staff, physical facilities and aggregate of affiliates is the CBS Television Network program schedule. It is a truism that television is a voracious consumer of programs. In the legitimate theatre, a single production may be repeated for weeks, months and, if successful, years. In respect of motion pictures, the production of a single feature may extend for months or years, and an individual scene may be perfected by constant trial and error and reshooting; then the final product is shown repeatedly for days and weeks at a time in a single theatre.

Television does not enjoy these luxuries of lengthy production, flexible time schedule and multiple repetition of performance. A network must produce a full day's schedule day in and day out, and it cannot leave the screen blank even for a minute once a program is scheduled. Some idea of the dimensions of the task of a network can be gained from the fact that, for example during the week ending April 7, 1956, the CBS Television Network furnished to its affiliates 129 live programs,[1] varying in length from 15 minutes to three hours and covering an aggregate of 68¾ broadcast hours. It is estimated that during 1956, the CBS Television Network alone will produce and broadcast

[1]In computing the number of programs, each separate program of a program series such as five-times-a-week news programs and daytime serials was counted as an individual program.

CHART V

TOTAL ANNUAL PRODUCT



1,508 hours of programs, and CBS Television in association with outside sources[1] will produce and broadcast 1,053 hours of programs or a total of 2,561 hours of programs (without taking into account the programs broadcast by the network but produced by others). This compares with a total of 427 hours of running time for all United States feature film production released in 1955. Thus the product of the CBS Television Network alone, in terms of hours, will be more than three times that of the total product of feature films from Hollywood, and that of CBS Television and CBS Television in association with outside sources will be six times that of feature films from Hollywood. See Chart V and pp. 88 to 95 of this memorandum.

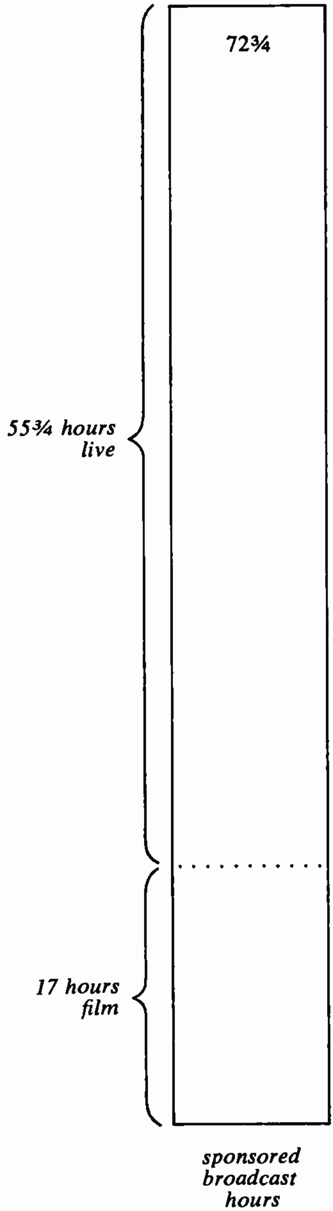
During the single week ending April 7, 1956, the CBS Television Network broadcast a total of 86¼ hours of sponsored and sustaining live and film programs. As Chart VI shows, of the 72¾ sponsored broadcast hours involved in that schedule, 55¾ were live, and 17 were filmed. A similar schedule during the two weeks ending March 10, 1956, resulted in an average of more than 800 million viewer hours per week spent watching CBS Television Network sponsored programs.

How this network program schedule is integrated into the program schedule of an average interconnected affiliate, and an analysis of the sources of such an affiliate's programs, are discussed on pp. 121 to 123 of this memorandum.

[1]Outside sources are defined for this purpose as organizations not owned or controlled by CBS Television which produce and sell programs or portions of programs to various elements in the industry including advertising agencies, networks and stations. CBS has no financial interest in any such organization except Desilu Productions, Inc., in which CBS, Inc., owns a minority interest.

CHART VI

CBS TELEVISION NETWORK
COMMERCIAL SCHEDULE



PART III: The Internal Economics of Networking—Revenues, Expenditures and Profits

INTRODUCTION. Part II of this memorandum has dealt with the dimensions of television today and has sought to describe, in general terms, the elements, functions, organization, staff, facilities and product of a network. Part III will deal with the internal economics of networking—the revenues, expenditures and profits. In order to provide greater specificity for the sake of clarity, this part will deal mainly with one program series in order to illustrate why and how the programming resources of a network are brought into play, how the program is developed and what are the revenues and expenditures involved in the program—where the money comes from and where it goes, not only in supporting the particular program but the whole of the process of networking.

It should be emphasized, however, that the one program series selected herein is only for illustrative purposes. Unlike tangible manufactured products for mass consumption, the product which a network offers to the public—the network programs—is not fungible. Each program differs to a greater or lesser degree from the other; each has its own history, presents its own problems and has different requirements in terms of conception, production and costs. For purposes of this memorandum the full-hour drama entitled "CLIMAX!," broadcast on Thursdays from 8:30 to 9:30 PM (E.S.T.) and sponsored by the Chrysler Corporation, has been chosen as illustrative of some of the functions of a network and some of its basic internal economics.

A. THE HISTORY OF CLIMAX! "CLIMAX!" currently is broadcast over 164 CBS Television affiliates, of which 139 are in the United States and the remainder in Canada. The broadcast of March 1, 1956, was watched by more than 26,000,000 people in the United States. That was approximately 45.9 per cent of all the people watching television at the time the program was broadcast. These figures are typical of the audience sizes which have been attained by "CLIMAX!" this season.

The program was designed to meet a specific problem of over-all network scheduling; by a gradual and persistent process it has solved the problem which it was designed to meet.

In the Fall of 1953 and Spring of 1954, the hour between 8:30 and 9:30 PM (E.S.T.) on Thursdays was occupied on the CBS Television Network by two half-hour sponsored programs. Those two programs were broadcast weekly on a line-up which averaged 80 stations, and had an average weekly audience of less than 11,000,000 viewers, or 29.3 per cent of the total audience watching television at that hour. Thus neither the public nor CBS Television affiliates were fully served, since during 8:30 to 9:30 PM, less than half the number of affiliates were supplied with the programs and less than half as many viewers were tuning to CBS Television in 1954 as are currently tuning to it. As a result the sponsors were dissatisfied and one of the sponsors had issued a notice of cancellation.

Although the situation had crystallized in this fashion by the Spring of 1954, actual detailed planning of the new program had begun late in 1953. The Program Department had felt that a half-hour time period, then commonly utilized for mystery dramas and melodramas, was insufficient for development of this type of program and hence after discussion, it was decided to adopt the concept of an hour program. In March 1954, although there was not yet a definite determination of what time period the program might ultimately fill, the actual preparation of "CLIMAX!" began. Involved in the preparation were the Research Department, the Program Development Department and the Production Department, each of which would necessarily play a part if the program were eventually to be broadcast in the Fall of 1954.

By April 1954, thirteen stories, representing an investment in excess of $40,000, had been acquired. By July 1954, seven or eight of these stories had been reduced to the form of a first draft of script—a process which cost an additional $15,000.

The program was sold to the Chrysler Corporation late in May 1954. The sale was possible only because the months of preparation had sufficiently crystallized its ultimate form to permit concrete presentation to the sponsor.

From May until the Fall of 1954, the creative work was accelerated and the Station Relations and Sales Service Departments were active in informing CBS Television affiliates of the program and arranging for time clearance.

On October 7, 1954, the first program of the "CLIMAX!" series was broadcast by the CBS Television Network. But despite all the planning, preparation and financial investment, the program, as it was actually broadcast, did not meet the network's expectations. Accordingly, almost immediately after the program first was broadcast, the creative team which had been assigned to the program by CBS Television was reorganized and supplemented. The Program Department continued to work on the program, sharpening its concept, changing its production team and developing it to the successful stage which it has since attained.[1] As noted above, "CLIMAX!" now has accomplished the objectives for which it was designed: serving more of the public—well over twice as many viewers as had tuned in during the same time period before "CLIMAX!" was broadcast; providing program service and revenues to over twice as many affiliates; and giving the advertiser a vehicle which accomplishes his purposes. See Chart VII.

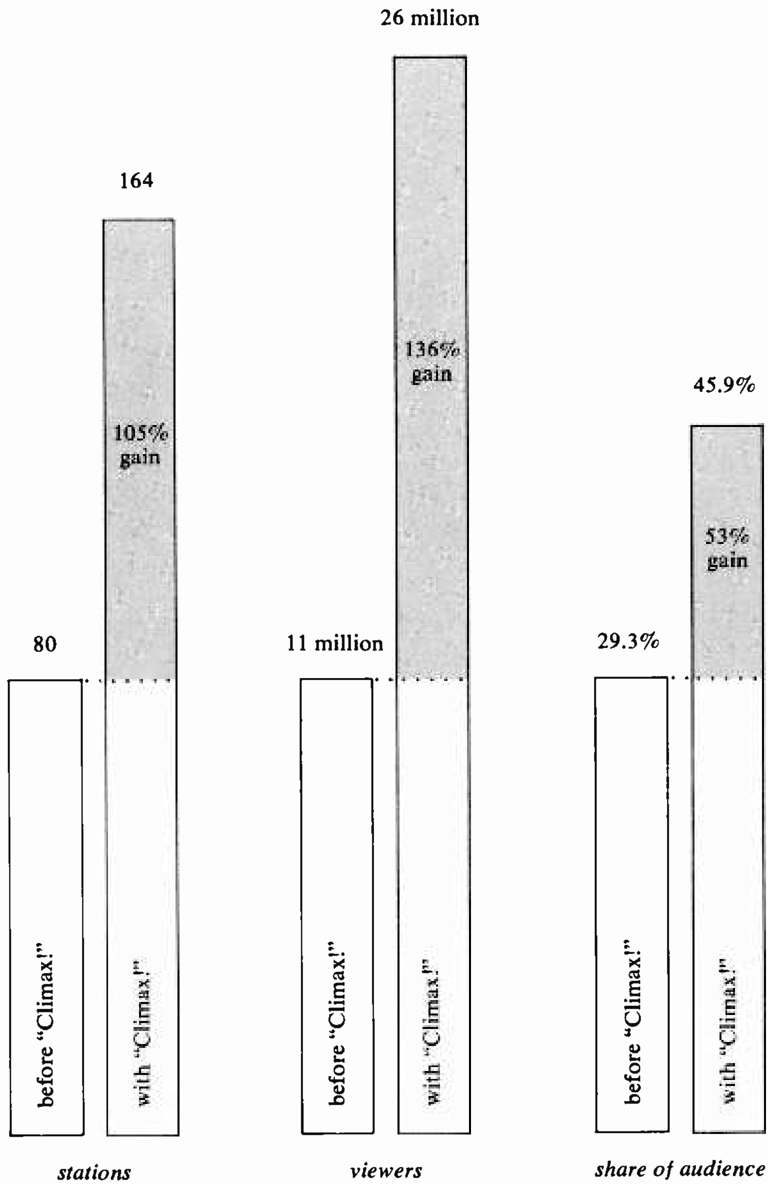
The foregoing brief history of the inception and ultimate evolution of "CLIMAX!" is representative of the effort and expense involved in program development. Some programs, even after investments in time and energy like those devoted to "CLIMAX!," never do evolve satisfactorily and are abandoned even before the first broadcast. Some are carried to the stage of pilot films, or to the point where several actual filmed programs of a series are produced, yet because they do not satisfy the network's standards, or a sponsor's, are abandoned. In some cases the planning and preparation have taken a far longer period—sometimes as much as two years between initial conception and ultimate first broadcast.

In almost all cases of nighttime programming, the time cycle of "CLIMAX!" between initiation and broadcast—some six to

[1]In addition, during the first four months the program was on the air, CBS Television spent over $115,000 on special newspaper advertising to promote the program.

CHART VII

EFFECT OF "CLIMAX!," 8:30 TO 9:30 PM THURSDAY ON CBS TELEVISION NETWORK



Before "Climax!": Oct. 1953-Apr. 1954 average With "Climax!": as of March 1, 1956 eight months—is a minimum. This, at least, is the period necessary between the drawing board and first broadcast in order that creative teams can be assigned to selecting, negotiating for, and preparing the material and devoting themselves continuously to the program's evolution.

This planning and preparation—even to the purchase of stories—goes forward without any certainty as to the time period the program might fill, or whether, indeed, any time at all can be found for it. For, in order to achieve the most effective schedule possible, a network's program department must engage in a constant process of forward planning for the next year, and the year after that. It must have a reservoir of programs so that, whenever the occasion demands (and failures of programs or changes in public taste often cannot be anticipated), a suitable program is ready.

Another aspect of the history of "CLIMAX!" also underscores the special character of network programming activities: the process of reorganization and evolution even after the first broadcast and in response to the actual experience gained from it. Since "CLIMAX!" was a live program,[1] and since it had been conceived, planned and produced by the network's own Program Department, it was possible to take prompt action to remedy the initial defects which became apparent after its early broadcasts. Because it was a network produced program, all the skills and program and production resources of the network could be brought to bear promptly and directly to continue the process of shaping and evolving it. And, as noted, it was by

[1]In the case of filmed programs, by the time the first film of a series is actually broadcast, normally a substantial number of the series has been completed and is "in the can." In such circumstances, reshaping in the light of actual experience and public reaction is exceedingly difficult and expensive.

this process that "CLIMAX!" was ultimately brought to its successful state.

B. THE ECONOMICS OF CLIMAX! Necessarily involved in any television programming are the advertiser dollars which must support it. The average gross weekly charges to the advertiser for "CLIMAX!" during January, February and March, 1956 total $137,007. This gross charge is composed of two elements: program charges of $43,287 and time charges of $93,720.

Time charges are applicable in the case of all programs — regardless of their source — broadcast by the network. They are the aggregate of the hourly rates, as published in the CBS Television Network Rate Card, of each of the 164 CBS Television Network stations[1] which are used by the Chrysler Corporation.

Program charges, however, are applicable only where the program is one created and produced or sold by the CBS Television Network. Where the program is produced and sold by outside producers, the program charge is made by the outside producer.

(1) *Program revenues and expenditures for "CLIMAX!"* As noted, the Chrysler Corporation is charged $43,287 weekly for the production of "CLIMAX!" Fifteen per cent of this amount, or $6,493, is paid by the network, in behalf of Chrysler, to Chrysler's advertising agency as the customary agency commission. After this deduction of $6,493, there remains to the CBS Television Network $36,794 to apply against the costs which

[1]The station's rate for a network program is set by agreement between the station and the network. While formerly, CBS Television affiliation contracts gave the right to the network unilaterally to reduce a station's network rate during the term of the affiliation agreements (a right which was in fact never exercised), current affiliation agreements now preclude the network's reducing the rate except in the event of a *general* re-evaluation and reduction, and even then, if there is a reduction, the station may terminate the agreement. See Appendix A, Schedule A, VI.

the network incurs for the program. Those costs fall into two general categories: (1) the costs of creating the program each week, known as "above-the-line costs," and (2) program production and (studio and technical) facilities costs, known as "below-the-line costs."

The direct above-the-line creative costs for "CLIMAX!" average $26,065 weekly which is paid out in the form of salaries to 59 people who may be categorized as creative talent. Those 59 people, who prepare, rehearse and present each program, devote an average of 2,454 hours to each week's program, which may be broken down as follows:

	personnel	*man-hours*
Producer	1	60
Director	1	100
Program Staff	5	216
Story Editor and Staff	10	98
Script	1	?[1]
Writers (script adaptation)	3	240
Music Scoring	5	36
Music Record Library	3	4
Cast	30	1,700
	59	2,454 *plus "?"*

The direct below-the-line costs for production and facilities average a total of $19,451 a week, including salaries to 263 additional people who spend an average of 2,105 man-hours providing the physical elements necessary for each program. The number of personnel and the man-hours which they devote to each program break down as follows:

[1]The original script or story may be in the form of a book, or a play, or a magazine story, or a script specially prepared for television. The number of hours, days, or even years which went into the preparation of the original story cannot, of course, be normally estimated.

	personnel	man-hours
Production Conference	15	24
Cost Control	8	26
Network Operations & Scheduling	4	6
Scenery Design	6	111
Scenery Construction and Painting	39	631
Costume Design	1	40
Wardrobe Handling	7	78
Props	14	110
Trucking	6	18
Stagehands	74	480
Special Effects	2	16
Technicians		
Supervisors	3	2
Cameramen, Boom Operators, Dolly Operators, Audio & Video Control	24	192
Maintenance	4	8
Audio Engineer	1	8
Scheduling and Administration	5	5
Music Recording Equipment	3	48
Sound Effects	2	10
Lighting Supervision	1	20
Makeup	7	42
Graphic Arts	3	15
Stage Managers	2	64
Ushers	3	24
Building Maintenance	12	86
Telecine	5	12
Film Production	7	25
Master Control	5	4
	263	2,105

Thus it will be seen that, each week, a total of 322 people, devoting more than 4,559 man-hours, work directly in the creation of each "CLIMAX!" program.[1]

[1]A typical CBS Television half-hour dramatic program is the product of 1,374 man-hours, involving 154 people exclusive of the services of such Departments as Sales, Advertising, Press Information and Traffic. Even for such an apparently simple program series as "Douglas Edwards with the News," in which normally only one person appears on camera, a total of 829 people is involved (14 program staff, 37 administrative staff, 147 newsfilm staff, 16 studio staff, and 615 foreign and domestic camera correspondents)—exclusive of the facilities and services of the Operations, Engineering, Reference and other Departments of CBS Television. Similarly, the coverage of the 1952 political conventions involved over a year of planning and preparation, and, for the 118 hours and 11 minutes of actual convention broadcasting, 41,750 man-hours were required.

It will be noted from the foregoing that although the Chrysler Corporation pays $43,287 per week for program charges for "CLIMAX!," the actual amounts expended by CBS Television directly for the program total $52,009—$8,722 in excess of the amount paid by the sponsor. See Chart VIII.

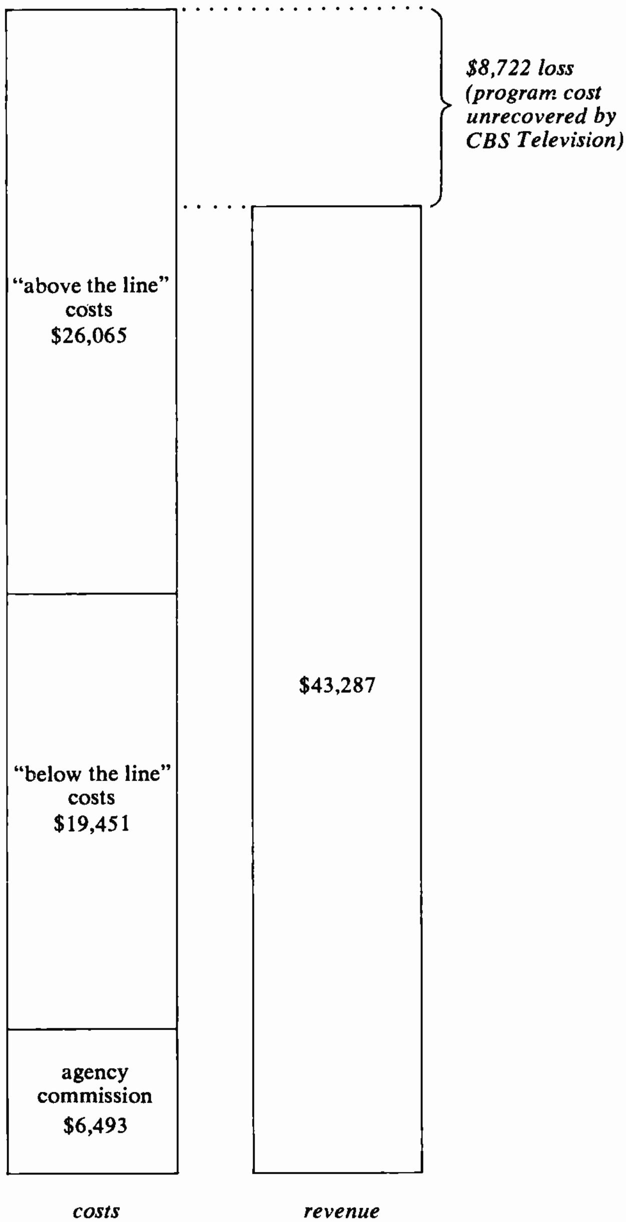
It is in this sense that "CLIMAX!" is not typical; the amount by which the program costs exceed program payments by the sponsor are abnormally large. CBS Television does attempt to attain full reimbursement for its program expenses. But some loss to CBS Television in programming is not unusual; the loss is the price which the network pays in order to develop and maintain a strong over-all program schedule for the public, for the affiliates and for the advertisers.

In 1955, the loss *for commercially sponsored programs alone* was in excess of $7.1 million without any allocation of general overhead such as selling and administrative expense. In addition, CBS Television spent over $10.5 million for sustaining entertainment and public affairs programs for which it received no revenues. It is estimated by CBS accountants that an additional $4.5 million in overhead expenses is attributable to program production. In total, sustaining programs and the loss on the sale of commercial programs cost more than $22 million in 1955.

(2) *Time revenues and expenditures for "CLIMAX!"* The gross time charges, comprising the total of the hourly rates of the CBS Television affiliates carrying "CLIMAX!," has been shown to be $93,720 each week. In order, however, to encourage (1) the advertiser's use of the maximum number of stations and (2) week-to-week continuity in advertiser sponsorship by making it more economic for advertisers to support major program-

CHART VIII

DISTRIBUTION OF GROSS PROGRAM REVENUE FROM "CLIMAX!"



ming throughout the year, the CBS Television Network provides for discounts designed for those purposes. In the case of "CLIMAX!" these discounts total $23,175. Thus, *net* time charges to Chrysler are reduced to $70,545.

From this latter amount, in turn, the advertising agency commission of 15 per cent is deducted—totaling, in the case of "CLIMAX!," $10,582—the customary commission which is paid by the network to Chrysler's advertising agency.[1]

After deducting the discounts and the 15 per cent agency commission, therefore, there remains to the CBS Television Network $59,963 as revenue accruing from the time charges for the 164 stations over which "CLIMAX!" is broadcast. But the network incurs another major category of expenses directly attributable to the program—the costs of physically bringing the program to each of the affiliates which carries it. These costs of distribution include a share of the network's payments to AT&T, estimated to be $6,056, which represents the approximate cost for use of AT&T transmission lines allocated to the program. The network also pays approximately $1,259 each week for television recordings (TVR's) for stations which wish to carry the program on a delayed basis or which are not interconnected by regular AT&T facilities.[2]

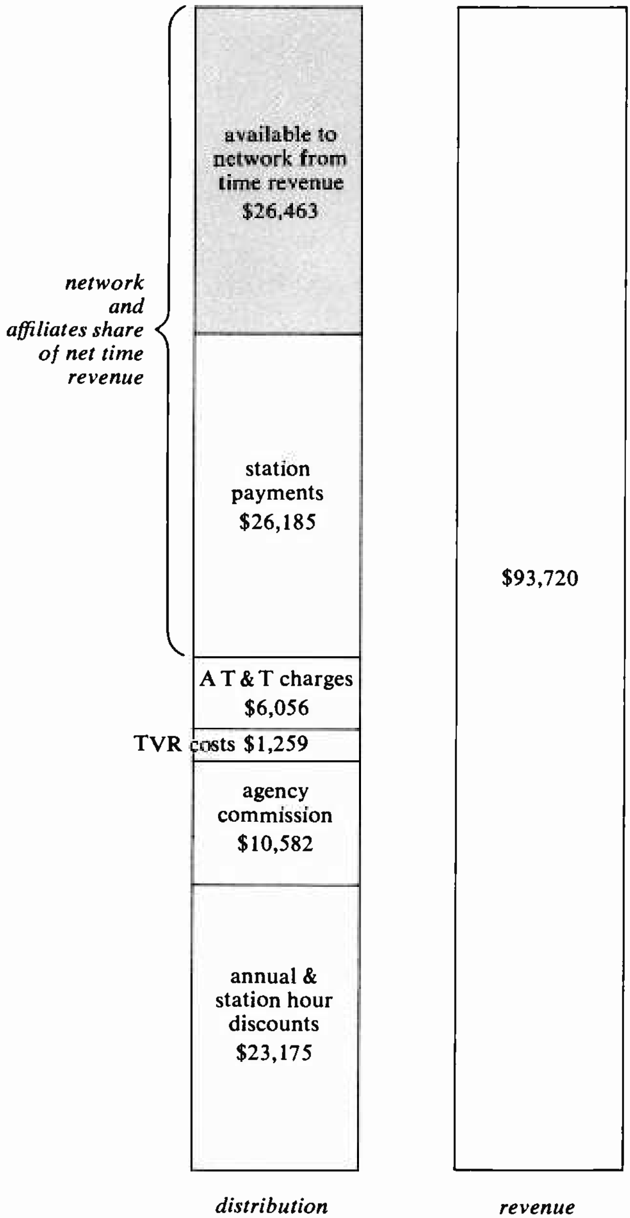
Thus of the total gross time charges of $93,720 for "CLIMAX!," there remain after these several deductions and expenditures $52,648. See Chart IX.

[1]The advertising agency performs a great many services to its client, the sponsor, in connection with the program. These services include actual preparation and payment for the commercials, research, merchandising, public relations and many other important functions. It is the understanding of CBS that although advertising agencies receive 15 per cent, as noted in the text, their net after expenditures for all the services approximates only one and one-half per cent or two per cent.

[2]In the case of "CLIMAX!," 15 interconnected stations carry the program on a delayed basis and an additional 20 stations are not interconnected.

CHART IX

DISTRIBUTION OF GROSS TIME REVENUE
FROM "CLIMAX!"



(3) *Division of time charge revenues with affiliates.* This $52,648 amount is further substantially reduced by the network payment to the affiliates for the station broadcast hours which they devote to "CLIMAX!" The payments to those stations each week total $26,185.[1]

It is of first importance to note that the affiliation contracts normally provide for payment to the stations of a percentage of the *gross* time charges to the advertiser.[2] As has been shown, this gross amount is not in fact received by the network; rather it is reduced by several direct major deductions and expenditures totaling $41,072 or about 43.8 per cent of the total. Hence, as is illustrated by Chart IX, the total of $26,185 paid by the network to the stations for their broadcast time for "CLIMAX!," is almost equal to the $26,463[3] which is retained by the CBS Television Network after all the deductions, payments and charges which have been described. Before taking into account the $8,722 deficit incurred by the network in the production of the program, there is an almost exact equality in the amounts shared between network and stations.

In evaluating the division of revenues between stations and the network the functions of each must be examined.

(4) *Station functions in connection with network programs.* For the $26,185 which is paid by the network to the CBS Television affiliates for their broadcast of "CLIMAX!," the station provides the use of its transmitter and the most valued commodity which the station has to offer—its time. In providing

[1]Exclusive of $940 deducted for BMI and ASCAP payments.

[2]CBS Owned stations are paid in exactly the same manner and on the same basis as the typical primary affiliate.

[3]Exclusive of $620 deducted for BMI and ASCAP payments.

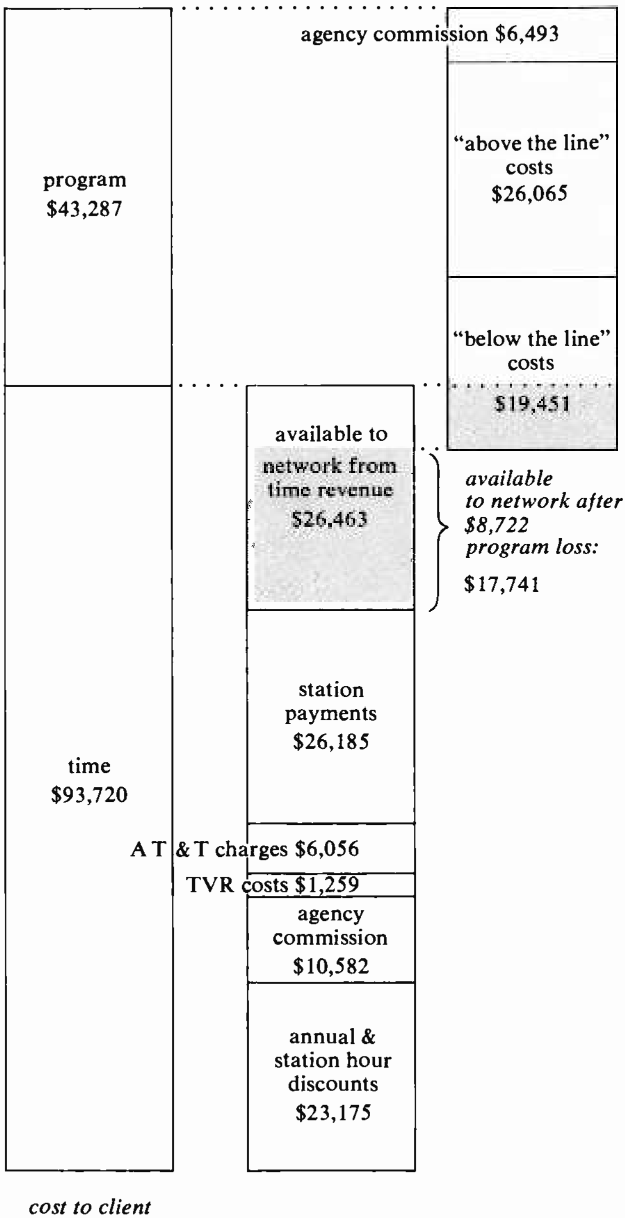
its transmitter and time, the station must, of course, attribute to that hour a proportionate share of its investment and of the costs of its over-all operations. Since "CLIMAX!" is produced for the station, sold to the advertiser by the network,[1] carried to the station by AT&T or by television recordings prepared and paid for by the network, the actual out-of-pocket expenses of the station attributable to its programming are normally minimal.[2] And, in turn, the personnel of the station are thus freed to create local programming, to sell the station's own (or outside produced) non-network programs to national spot and local advertisers and to do all the things necessary for successful local operation. As a result of the network program, as has been shown on pp. 13 to 17 of this memorandum, the stations benefit triply: (i) the share of the revenues, (ii) the saving of costs which would be incurred if the station were required to program that period itself, and (iii) the increased circulation which enables the station to charge substantial rates and to attract national spot and local advertising revenues directly to it.

(5) *Network services maintained out of advertiser revenues.* As has been shown, the net residue to the CBS Television Network accruing from the gross charges of $137,007 to Chrysler for the 8:30 to 9:30 PM (E.S.T.) period on Thursdays, is only $17,741. See Chart X. This residue varies from program to program and in a number of cases is not subject to so large a reduc-

[1]In some instances, a network advertiser may order an additional station at least partially through the sales efforts of the station itself, whose representative may go directly to the advertiser's agency to persuade it to add the station to the line-up. These activities, supplementary to the network's own efforts to sell the station, do involve special expenses to the station attributable to the network program.

[2]Although AT&T costs are normally assumed by the network, there are cases in which stations assume incremental expense.

DISTRIBUTION OF GROSS TIME AND PROGRAM REVENUE
FROM "CLIMAX!"



tion for loss in respect of direct program charges. Nevertheless, except for the program deficit, this amount of residue and its relationship to the gross charges approximates the magnitude of net revenues to the network for nighttime hours.

It is out of this (and similar) net residue that the CBS Television Network must pay for the network staff and facilities,[1] and for all the functions and services described on pp. 12 to 17, and 19 to 32 which it must render. Out of this residue, the network must maintain its organization and its over-all programming schedule, including all its sustaining and public service programs (see pp. 22 and 23 of this memorandum).

C. REVENUES AND PROFITS. The preceding pages of this memorandum have summarized the organization and physical facilities which a network must maintain, as well as some of the services and functions which the network performs. All of these, as has been noted, must be supported out of the net revenues from sale of time to advertisers.[2]

The network organization is large and complex. It must be maintained in order to provide the highest quality programs possible, integrated into a balanced over-all weekly schedule of entertainment and information. Such a schedule requires an organization of the best creative personnel obtainable—executive and talent, writers and performers. Also there are enormous risks which must be taken through entering into the long

[1]As was noted on pp. 41 to 43 of this memorandum, only some staff and facilities expenses are paid for out of the program charges. The unreimbursed portion of these expenses must be paid for out of the residue of the time charges. Still another unreimbursed expense arises when non-sponsored (sustaining) programs are broadcast. The residue of time charges is the only source for covering staff, facilities and other expenses attributable to sustaining programs.

[2]Revenues from program production charges are excluded, but as noted on p. 43, total program charges, even if limited to sponsored programs, result in a net over-all loss which must also be met from time revenues.

term contracts and expensive commitments necessary to attract creative skills.

Not all risks crystallize in success, as they did in the case of "CLIMAX!" Some of the projects in which tens of thousands or hundreds of thousands of dollars are invested have to be abandoned; programs in which the network has made large investments in energy and dollars sometimes have failed even to get on the air.[1]

Inherent in the complexity of the network business, in the enormous costs of maintaining an organization and an over-all program schedule, and in a network's multiple obligations to the public, to its affiliates and to its advertiser-customers, is the phenomenon which marks the economic nature of the business of networking: The phenomenon of the delicate balance and the violent swing.

Unlike most businesses, a decline in network business involves a double liability to a network. If a shoe factory's sales are reduced, the factory can reduce production and thus reduce costs. Its chief loss, when sales are reduced, is loss of revenue, which is normally offset in some substantial degree by reduced operating costs. But in networking there is usually no such offsetting factor.

For when a network loses time sales, it not only loses the revenues; in addition, its costs are vastly *increased* as it continues its network service. Its program service to its affiliates cannot, in general, expand and contract in direct proportion to advertisers' time purchases but must continue at the same pace

[1] In 1955, CBS Television spent a total of one million dollars on the development of programs and program ideas which never saw the light of day.

regardless of whether time and program revenues are forthcoming. Thus, even though a time sale is lost, a network must, as a rule, maintain its program service to its affiliates—maintain it at a high qualitative level—if an over-all effective network program schedule on behalf of its affiliates and other advertisers is to be continued.[1]

Hence the network, when it loses a time sale, not only loses the revenue but incurs the costs involved in broadcasting the unsponsored program which must take its place.

Thus it is that failure to sell one hour between 7:30 and 10:30 PM each night for a year (whether because of refusal of stations to clear time or for any other reason) would result in an enormous swing in a network's profit and loss figures. The net revenues (net time charges less station payments) that would be lost from the failure to sell one nighttime hour each broadcasting day throughout 1955 would have been $13 million. In addition, the expenses to provide sustaining programs of comparable quality for the period would have been increased by some $13 million to $15 million. The possible swing, therefore, for one Class A hour each day for one year is in excess of $26 million.

Despite the risks and the complexity of the business and despite the inherent hazards, television networking has, in general, been profitable. According to public FCC figures[2] for the year 1954 (the latest figures available), the profit before taxes of the four then existing networks as a percentage of broadcast

[1]For the importance to an advertiser of an over-all effective program schedule, see pp. 83 to 85 of this memorandum.

[2]"Broadcast Revenues, Expenses and Income (Before Income Tax) of Radio and Television Broadcast Services 1954."

revenue[1] was 2.3 per cent.[2] These profit percentages for the networks are in sharp contrast to those for stations. As shown in Chart XI, 377 independently owned stations included in the FCC figures show a profit, before taxes, of 18.8 per cent of sales. It is to be noted that these 377 stations include *all* independently owned stations[3]—including non-affiliated stations, new stations and UHF stations. If only independently owned pre-freeze stations are taken into account, FCC figures show that the percentage of profits before taxes to revenues for such stations would approach 34 per cent.

This relationship between the respective profits of stations on the one hand, and networks on the other, is confirmed by other figures which were released by the FCC for the year 1954. These figures show that the average net return, before Federal income taxes, on total revenues (after commissions) of three stations operating in Philadelphia was 33 per cent; of three stations operating in Detroit, 46 per cent; of three stations operating in Milwaukee, 43 per cent; of two stations operating in Boston, 52 per cent; and of four stations operating in St. Louis, 46 per cent.

Still further confirmation of the relative profits of stations and networks is drawn from data concerning the 1954 revenues and income of two station operators not engaged in network-

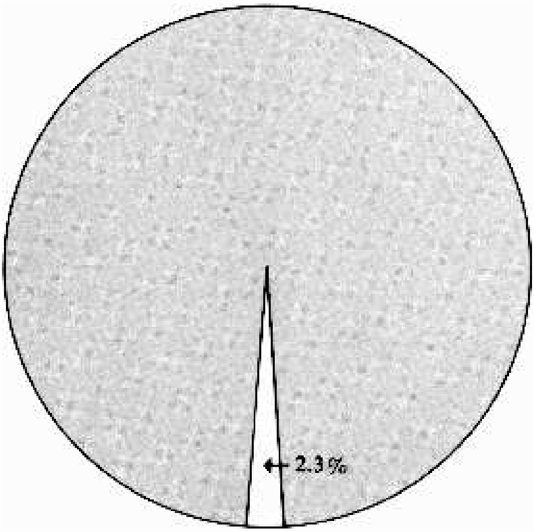
[1]Broadcast revenue is defined as net revenue after deductions for (1) discounts, (2) agency commissions, and (3) station payments, plus the incidental broadcast revenues from sale of programs and charges for production costs.

[2]This percentage for network profits is depressed since it would appear that DuMont and American Broadcasting Company both lost money in 1954. It is estimated that if these two networks were excluded for the year, the percentage of profits *before* taxes would be about nine per cent. In the same year, the profits *after* taxes of the CBS Television Network, were 4.6 per cent of net sales.

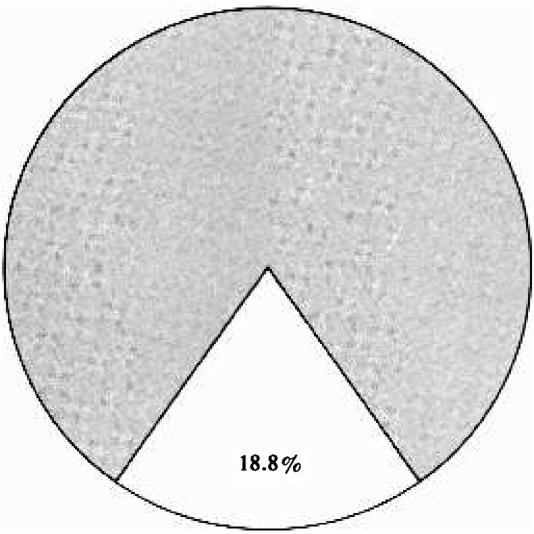
[3]Excluding only 17 stations with less than $25,000 in time sales.

CHART XI

1954 NETWORK AND STATION PROFIT
AS PER CENT OF BROADCAST REVENUE, FROM FCC
PUBLISHED RELEASE OF DECEMBER 2, 1955



four networks



377 stations

ing.[1] The operators are Storer Broadcasting Company, a licensee of seven television and seven radio stations, and Gross Telecasting, Inc., a licensee of one television and one radio station, at Lansing, Michigan. These data are:

	total TV revenues	*total AM revenues*	*income before taxes*	*return*
Storer	$13,391,027	$4,345,504	$7,105,103	40%
Gross	1,973,031	268,558	1,320,464	60%

It is estimated by CBS that in 1954 the total net profits of the seven largest CBS Television affiliates (exclusive of the stations owned by CBS) *exceeded the net profit of the CBS Television Network*. In 1955, when the CBS Television Network profits were greater, it is estimated that nevertheless the total net profits of between 12 to 14 of its largest affiliates exceeded the total net profits of the network.

[1]These data were made public in 1955 in connection with offerings by the two companies of their securities.

PART IV: The External Economics of Network Television as an Advertising Medium

INTRODUCTION. In the foregoing sections, this memorandum has dealt with the dimensions of television and has described the CBS Television Network and the functions and services which it performs for the public, for its affiliated stations and for advertisers (Part II). In Part III, the network's operations and internal economics—in terms of revenues, expenditures and profits—in the focus of a particular program have been analysed.

In this Part IV, the memorandum will examine a different facet of network economics: the economics arising out of the relationships between network broadcasting and the advertisers. This part will deal with the two major factors that must be taken into account competitively in creating a nationwide television network which satisfies the requirements of national advertisers: first, in order to perform a complete and satisfactory service to its affiliates, to the public and to the advertiser, a network must carefully devise the most efficient possible nationwide combination of stations at the lowest possible cost to the advertiser. Second, it is equally imperative as a matter of network economics that the network provide to that efficient aggregate of stations an *effective over-all schedule* of programs in order that the advertiser can be furnished the circulation which he seeks at the times in the broadcast schedule when he seeks it.

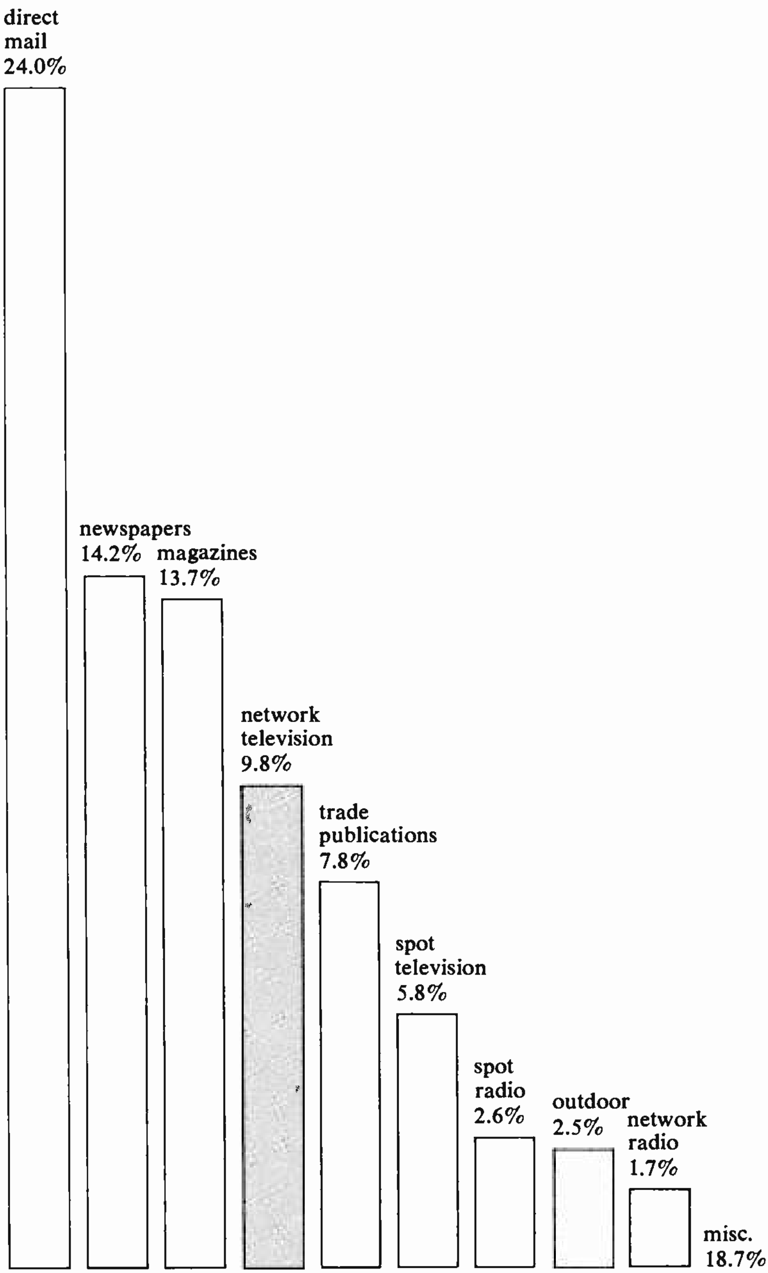
A. NETWORK TELEVISION'S COMPETITIVE POSITION AS A NATIONAL ADVERTISING MEDIUM: THE FACTOR OF COST PER THOUSAND AND ITS RELATION TO CIRCULATION. Since advertising support is the life blood of the American system of broadcasting, it is a condition precedent to providing programs for the public as well as providing programs and revenue for affiliated stations that a television network produce sound economic values for advertisers.

(1) *Identity and scope of competing media.* The economic values must be sound not only on an absolute basis in order to attract the most possible advertisers, but they must be sound on a relative basis because network television is in direct competition with other national media. The CBS Television Network must compete for national advertisers' dollars not only with the other television networks, but with national spot television advertising and with newspapers, magazines, radio, direct mail, trade publications, outdoor advertising and such miscellaneous forms of advertising as car cards and match boxes. And, as is shown in Chart XII, the *entire* broadcasting share of national advertisers' budget—the share accruing to (1) network television, (2) network radio, (3) national spot television,[1] and (4) national spot radio—amounts to less than 20 per cent of the total national advertising expenditures. Thus less than one out of every five dollars spent by national advertisers is spent on the broadcasting media.

[1]It may be noted, however, than in an important sense, national spot television advertising is complementary to, and built on, network television: A strong network schedule increases circulation and attracts spot revenues. See pp. 14 to 16 of this memorandum.

CHART XII

NATIONAL ADVERTISING EXPENDITURES
BY MEDIA, 1955



It is the factor of competition with other national advertising media which is a major touchstone of network economics. The competition between media is intense and direct. For example, an organization of newspapers recently announced its intention to launch a "frontal assault" on television to attempt to disprove that it is an effective and economical advertising medium.[1] Such competition is an added reason why there must be a constant and persistent effort by television networks to keep absolute, as well as relative, costs at a minimum. It is no secret that some advertisers have left network television for other media in the past few years because of cost considerations.

Of course, neither stations nor the public can be served without the revenues from national advertisers. Hence any factor which adversely affects the economic value of television for the advertiser almost inevitably results in less money for the medium. And this, in turn, normally means more restricted programming in terms of both quantity and quality.

Necessarily, therefore, in organizing its network of stations and in creating its programming structure, a network must strive to provide a medium which has the maximum possible economic value for advertisers.

(2) *Basic factors influencing advertisers' choice of media; the factor of cost per thousand.* When an advertiser decides between spending his money for a program to be broadcast on the CBS Television Network, or for a television program on another network, or for another medium altogether, probably the most important factor which influences his decision is which

[1] *The New York Times,* January 25, 1956.

medium (or program) will produce the greatest sales per dollar spent. Or putting it another way, the advertiser's question is which medium costs least per unit of sales produced. This depends on three factors: the cost[1] of the medium, the number of homes reached by the medium, and the "impact" of the medium (i.e. the effectiveness of the medium in producing sales in the homes reached). In order to determine whether the cost is justified, the advertiser must relate the cost to the number of homes reached by the program and to the "impact" of the program.

Before a program goes on the air, there is no way an advertiser can be certain of how many homes the program will reach. However, the number of homes the program will reach obviously depends to a large extent on the *potential* audience of the program—the number of television families living in the areas served by the CBS Television affiliates which the advertiser orders. The number of such families served by each of those affiliates is commonly referred to as the station's "circulation." A station's time rate, divided by its circulation (in terms of thousands of families), gives its cost per thousand circulation—a figure which is television's counterpart of a newspaper's or magazine's cost per thousand circulation and is used generally in the advertising field to compare the circulation costs of different advertising media.

After an advertiser's program has been produced and broadcast, he is able to estimate cost per thousand in terms of homes which actually tune to his program.

[1]The cost of a network television program to an advertiser consists, as has been shown in Part III, of (1) the aggregate of the time rates charged by each affiliate ordered by the advertiser and cleared by the network, less discounts, and (2) the program charges.

The usual method of estimating homes actually reached by a program (as contrasted to circulation of the stations carrying the program) is by conducting national sample surveys. Since these surveys are much too expensive for an individual or company to perform solely for its own information, the surveys are made by organizations known as "rating services" and the results are made available to multiple subscribers.

Measuring "impact" or sales produced per home reached is much less precise than measuring the number of homes reached by a program. Sometimes it is intuitively evaluated by the advertiser. However, just as the format of a magazine and the position and attractiveness of the advertisement carrying the sponsor's message determine impact in a magazine or newspaper, so also do the nature of the television network of stations, the particular program he sponsors, the attractiveness of the commercial he presents and the quality of the programs adjacent to his determine the impact of the sponsor's television program. Homes reached by the program plus the impact of the program when related to the cost of the program will generally determine whether an advertiser will use television or another medium.

Since cost per thousand circulation for a television program (or any medium) is so important in determining cost per sale produced by the program, it is for most advertisers a major factor[1] in determining whether to use the program as an advertising medium.

One of the precepts of advertising economics is that (1) *high*

[1]In some cases an advertiser may be interested in advertising for prestige purposes or to deliver a message to a special audience. In such cases, cost per thousand (or even cost per sale) becomes less important.

circulation with (2) *high* dollar rates yields (3) *low* cost per thousand, while (1) *low* circulation with (2) *low* dollar rates yields (3) *higher* cost per thousand. This phenomenon stems from the fact that the rate of a broadcasting station, a newspaper or a magazine does not increase directly with the circulation increase, but instead tapers off in a less sharply ascending curve. This is a matter of economic necessity: There are basic costs (plant, equipment, operations and the like) which a station, newspaper or magazine must incur, no matter how small its circulation; hence, the rate of media in small markets must be relatively high in order to cover these basic costs. Costs do not rise proportionately, however, to increased circulation; hence, added circulation comes in at a lower proportionate cost. Accordingly, a broadcasting station or a newspaper with 1/50th of the circulation of a New York City station or newspaper will have a rate greater than two per cent of the New York rate. Therefore, the cost per thousand of the medium with the smaller circulation is higher.

The factor of high circulation/low cost per thousand is illustrated by the actual rates and costs per thousand shown in Charts XIII, XIV and XV. As Chart XIII shows, the *New York Daily News* has a circulation of 2,136,928 and its rate per line is \$3.47; in contrast, the circulation of the *Watertown Times* (Watertown, New York) is 42,042 and its rate per line is only 22¢. Yet the cost per thousand of the *News* for a thousand line ad is only \$1.62, while the cost per thousand of the *Watertown Times* is \$5.23—almost three-and-one-half times as high.

Chart XIV illustrates how the same factor of low cost per thousand with high circulation operates where multiple small

RELATIONSHIP OF NEWSPAPER CIRCULATION AND RATES TO COST PER THOUSAND (I)

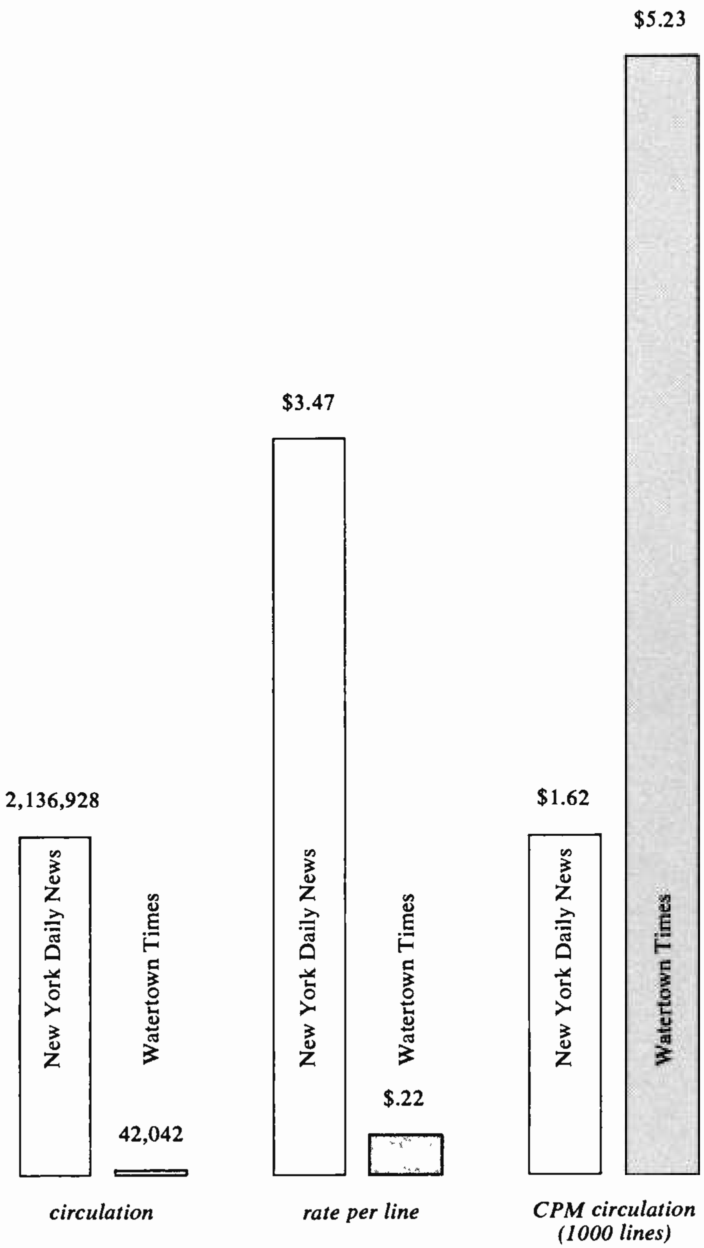
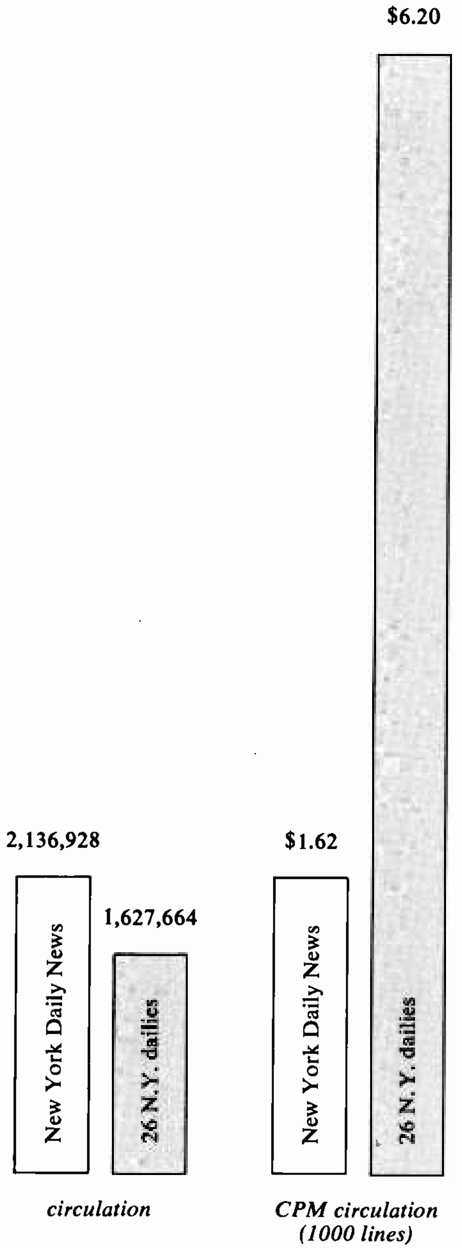


CHART XIV

RELATIONSHIP OF NEWSPAPER CIRCULATION AND RATES TO COST PER THOUSAND (II)



units of circulation are aggregated to achieve a large circulation. It is possible in New York City for an advertiser to reach a circulation of about 1.6 million people in two ways. First, the advertiser can place his advertising solely in the *New York Daily News* yielding, as has been shown, a circulation of over two million at a cost per thousand for a thousand line ad of $1.62. Alternatively, the advertiser can select 26 different New York dailies with a circulation of about 1.6 million.[1] The cost per thousand of these 26 New York dailies, even though the circulation still falls almost one-half million below the circulation of the *New York Daily News,* would be $6.20—almost four times the cost per thousand of the *News.*

Nor is this phenomenon peculiar to print media. Chart XV shows how it similarly operates in respect of television. A Philadelphia television station with a circulation of 1,630,000 families and a Class A rate of $3,100 per hour yields a cost per thousand of $1.90. In contrast, the 36 smallest CBS Television affiliates[2] with an aggregate circulation almost the same as the circulation of the Philadelphia station have a *total* rate of $7,175 and, thus, yield a cost per thousand of $4.39—almost two-and-one-half times the cost per thousand of the Philadelphia station, although the circulation is virtually the same.

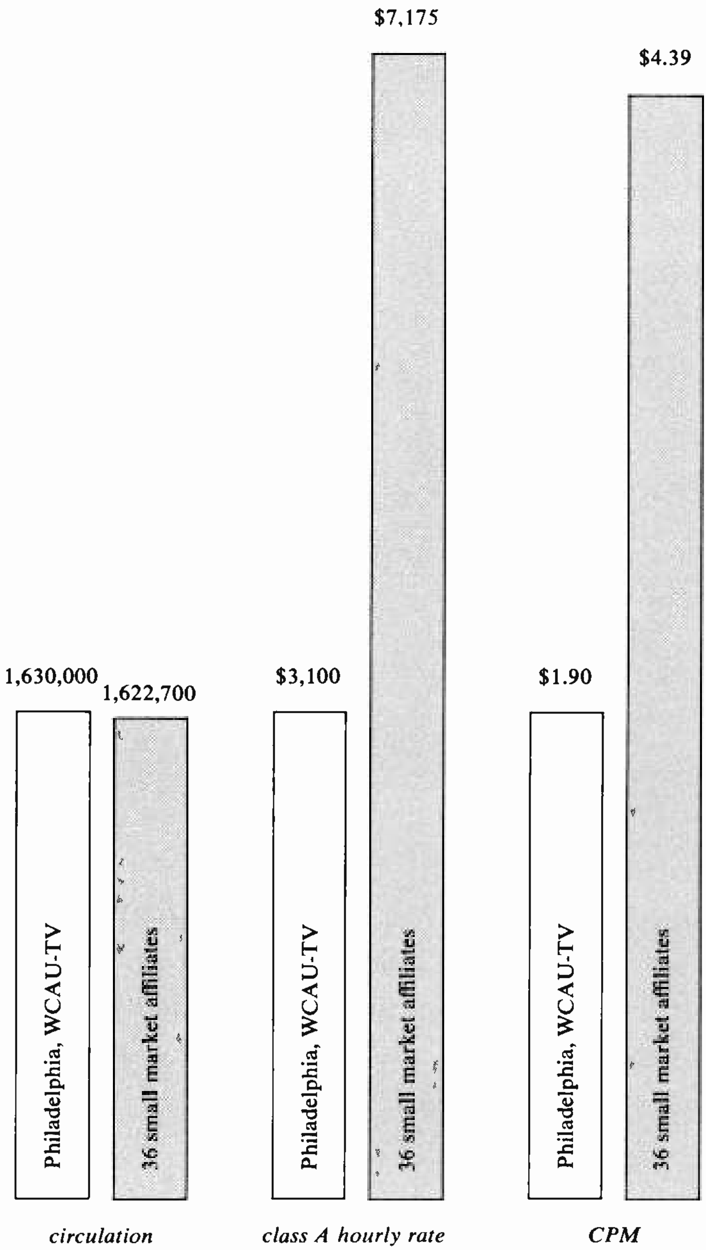
B. THE ADVERTISER ECONOMICS OF AFFILIATIONS. The immediately preceding discussion concerning the factor of cost per thousand and its effects bears directly upon the question of a network's affiliation determinations. For, in order to attract advertisers to network television, and to maintain network tele-

[1]To minimize duplication, standard daily newspapers have been excluded from the group of 26 and, instead, such dailies as *Il Progresso, The Wall Street Journal, The Staats-Zeitung* and nine Westchester dailies have been included among the 26.

[2]Exclusive of Extended Market Plan affiliates. See pp. 78 to 80 of this memorandum.

CHART XV

RELATIONSHIP OF TELEVISION CIRCULATION AND RATES TO COST PER THOUSAND



vision's competitive position with other national media, the objective of maximum circulation at the lowest possible cost per thousand must be a primary consideration in devising the structure of a network of affiliates.

A second factor, closely related to the cost per thousand factor, is "duplication," which, in broadcasting, means the overlapping of signals in the same area by different affiliates. Affiliates normally must be selected by a network so that there is the minimum possible duplication.[1] (For a full description of the criteria and procedures followed by CBS Television in its affiliation determinations, see Appendix C, of this memorandum.)

The problem of duplication is accentuated in the field of network broadcasting. In printed media, an advertisement in two morning papers in the same city or in *LIFE* and *The Saturday Evening Post* might well involve substantial readership duplication, as many of the same readers read both papers or both magazines. But this duplication would not necessarily be wasteful because the reader can read the papers or magazines successively and, hence added values may be gained from the multiple impressions on the duplicated reader. In contrast, there is an element of exclusivity in respect of the television viewer: While watching one program from one station, the viewer obviously cannot watch the same program from another station. And having watched a program on one station, he cannot later turn to the other station to see the program which it had been

[1]The major exception to this rule of minimum duplication involves neighboring major markets such as Washington, D.C. and Baltimore, and Providence and Boston. Even though these two pairs of cities involve very substantial duplication, experience has shown that as a matter of advertiser preference, each must normally be covered from within. See Appendix C, pp. XV, XX and XXI, XXIV and XXXII. The importance of the market and advertisers' beliefs with reference to the need for local support of his product in such larger cities sometimes outweigh cost consideration relating to duplication. The exceptions are rare.

broadcasting at the time he was watching the first station. In this sense, there is no factor of successive multiple impressions in broadcasting which would offset duplication.[1]

For these reasons, an advertiser will not ordinarily pay twice for the same unit of circulation because the audience will not be proportionately enlarged and each viewer can only look once at any given time. As a matter of advertiser economics, therefore, a network's task in forming its network of affiliates is something like putting together a jigsaw puzzle: It must choose its affiliates insofar as possible in a pattern so that each contributes the maximum additional *unduplicated* service. It was because of duplication that, for example, CBS Television found it necessary to refuse to affiliate with KOVR, a VHF station operating in Stockton, California. As is shown in Chart XVI, KOVR's location is such that the CBS Television affiliates in San Francisco, Sacramento, Fresno and Chico virtually duplicate the circulation of KOVR. Because KOVR could add no new circulation to the CBS Television Network, and because of the nature of the market of Stockton itself, a regular affiliation was determined to be clearly uneconomic.[2]

[1]Moreover, the audience for a single program broadcast in the same area simultaneously over two stations would not normally assure twice as large an audience as if it were broadcast over only one station; rather the tendency would be merely to divide the normal audience for the program between the two stations.

[2]It should be noted, however, that lack of affiliation does not necessarily exclude a station from network programs. It has long been the practice of the CBS Television Network to make a sponsored program available, at the sponsor's request, to a non-affiliate in a community where the regular CBS Television affiliate has not cleared time for the program. For example, in Washington, D. C., WTOP-TV, a CBS Television primary affiliate, has not cleared for the sponsored network programs during the period 4 to 5 PM. These programs, accordingly, are carried on WTTG in Washington, which is not affiliated with CBS Television. In addition, CBS Television has recently adopted a plan of making its commercial programs available to non-affiliates in cities different from those in which a CBS Television affiliate is located, if (1) the sponsor requests that the program be carried on the non-affiliate and (2) the non-affiliate (a) accepts a rate based upon the incremental circulation that it contributes to the CBS Television Network and (b) pays the actual out-of-pocket costs, if any, of getting the program to it. Under that policy, during the week ending April 7, 1956, 12 non-affiliated stations carried a total of 240 hours of sponsored CBS Television Network programs.

CHART XVI

KOVR, STOCKTON, CALIFORNIA: AREA OF DUPLICATION WITH CBS TELEVISION STATIONS

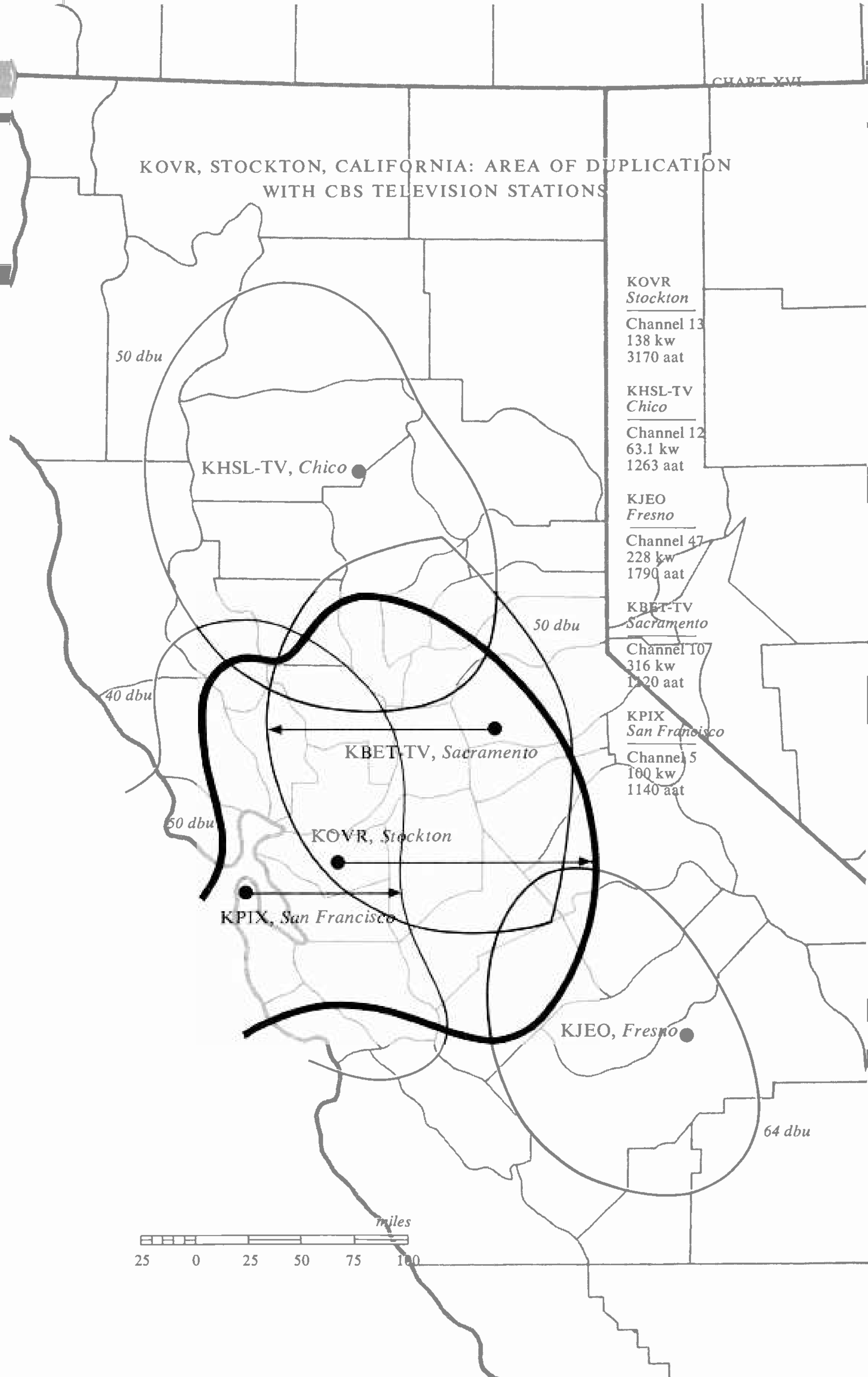
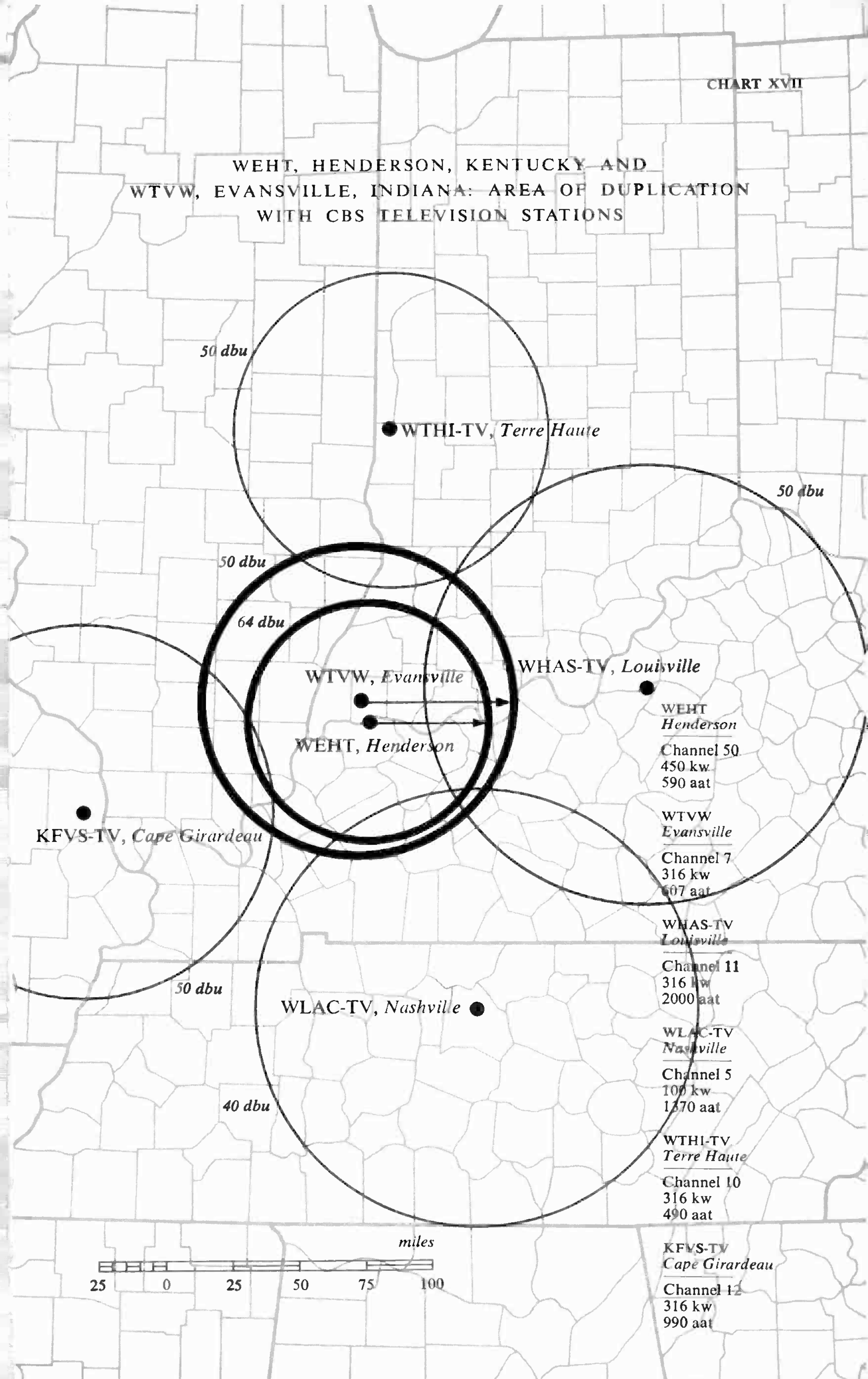


Chart XVII illustrates the economics of affiliating in order to fill in gaps in coverage. For purposes of illustration, the question of affiliating with WEHT, a UHF station in Henderson, Kentucky, or WTVW, a VHF station in Evansville, Indiana, is used. As shown in the chart, the CBS Television Network has existing affiliates in Louisville and Nashville, as well as in Terre Haute, Indiana, and Cape Girardeau, Missouri. The coverage of these affiliates, however, includes only part of the areas covered by the Henderson-Evansville stations. In the remainder of the areas covered by the Henderson-Evansville stations, no CBS Television signal would be available in the absence of a Henderson-Evansville affiliate. As shown on Chart XVII, if CBS Television were to affiliate with WTVW, the VHF station, 14.1 per cent (or 35,200 homes) of that station's coverage would be duplicated by the CBS Television Louisville affiliate; 9.2 per cent (22,800 homes) would be duplicated by the Nashville affiliate; 11.7 per cent (29,200 homes) would be duplicated by the Terre Haute affiliate; 4.5 per cent (11,100 homes) would be duplicated by the Cape Girardeau affiliate and an additional 2.0 per cent (5,100 homes) would be duplicated by the combined coverage of the Louisville and Nashville affiliates. Thus, only 58.5 per cent (145,600 homes) of WTVW's coverage would be unduplicated.

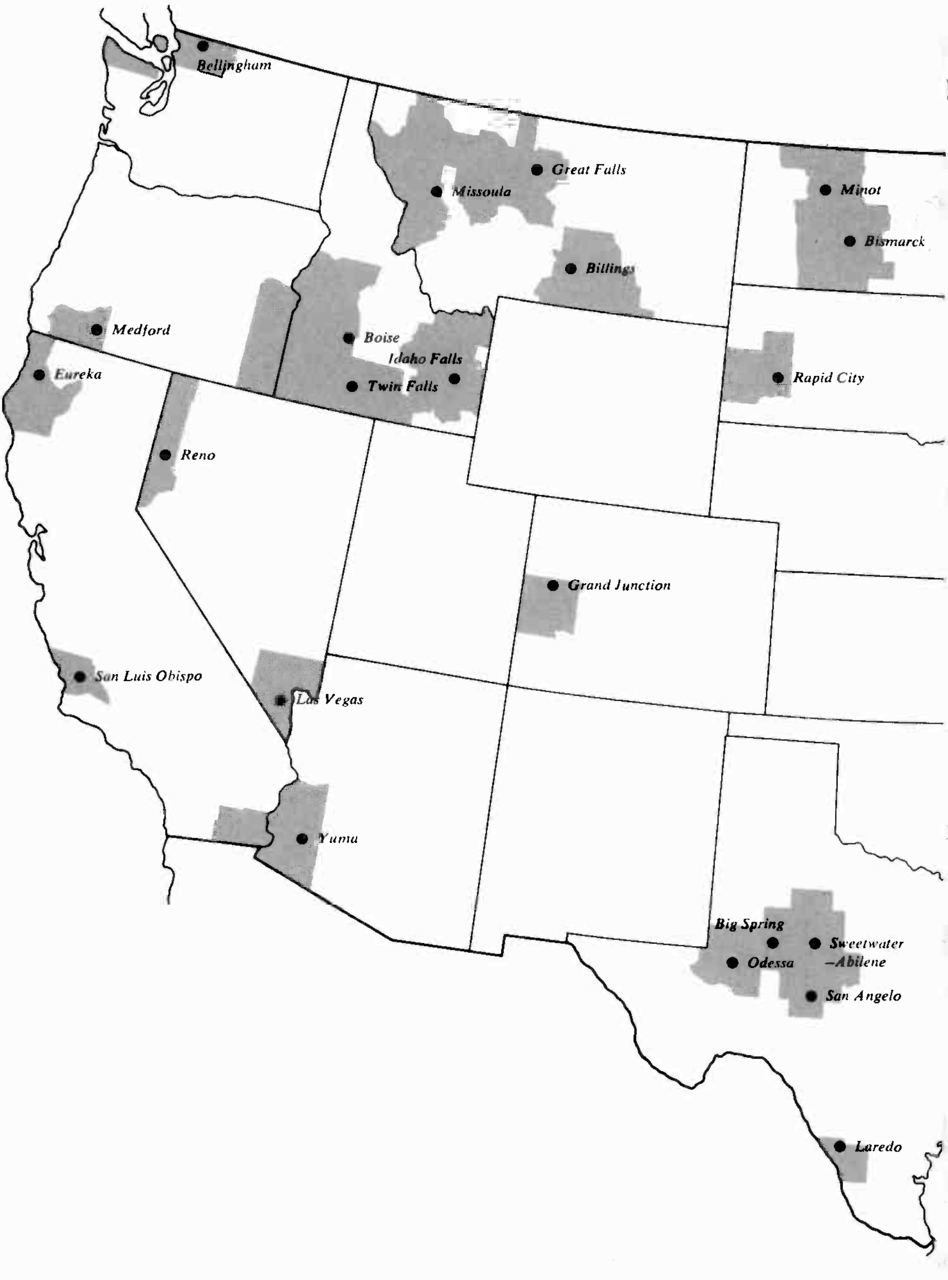
In contrast, as shown on Chart XVII, WEHT, the UHF station, minimizes this duplication. Falling within the WEHT coverage area are 22,900 homes (14.5 per cent of the WEHT coverage area) already covered by the Louisville affiliate and 11,100 (7.1 per cent of the WEHT coverage area) covered by the Nashville affiliate. But, in the case of WEHT, there are

CHART XVII

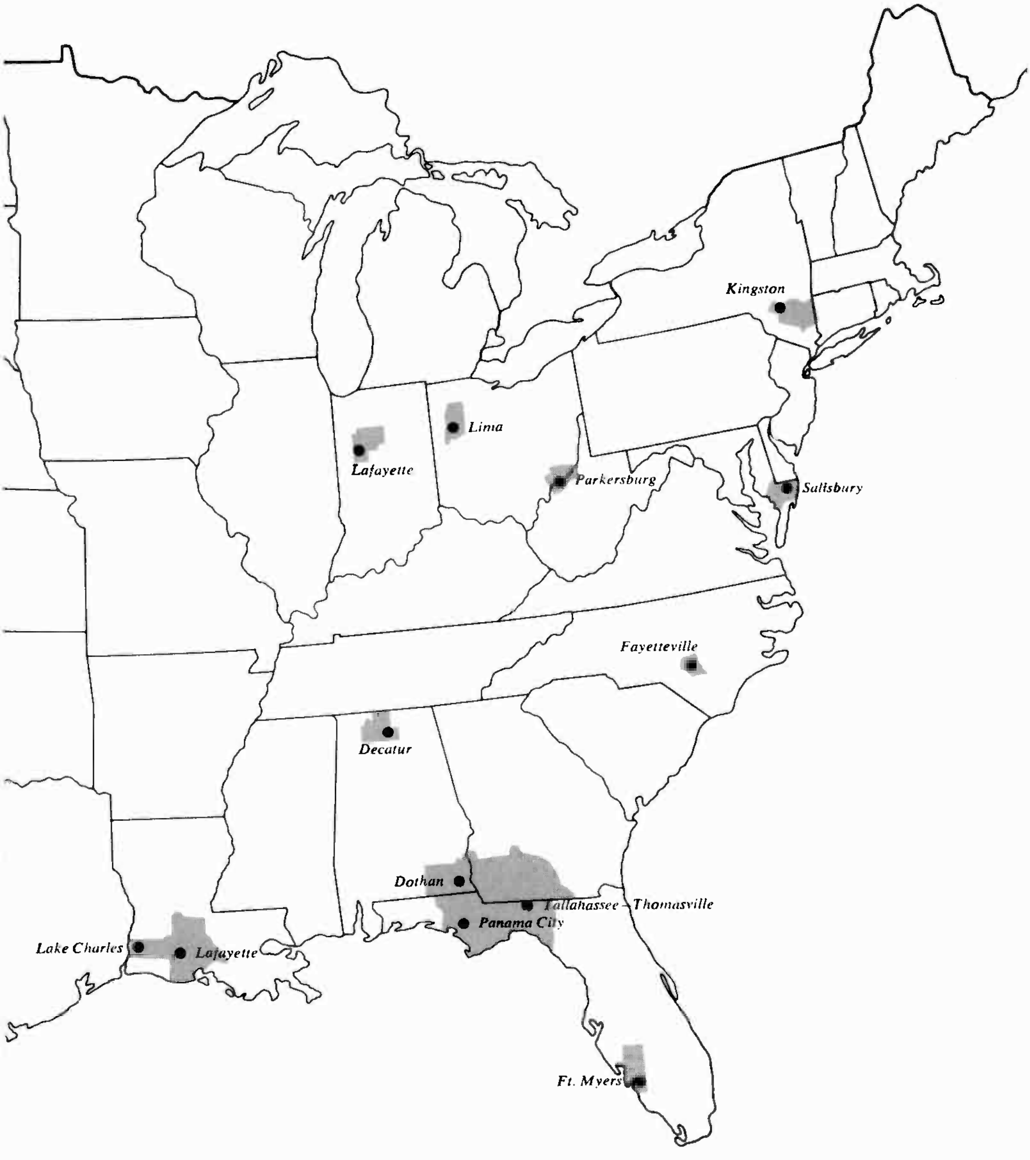
WEHT, HENDERSON, KENTUCKY AND WTVW, EVANSVILLE, INDIANA: AREA OF DUPLICATION WITH CBS TELEVISION STATIONS



CBS TELEVISION NETWORK SERVICE TO 36 STATIONS



·EACH COVERING LESS THAN 40,000 TELEVISION FAMILIES



123,500 unduplicated homes, or 78.4 per cent of the WEHT coverage area in contrast with only 58.5 per cent unduplicated by WTVW. Since the cost per thousand of the unduplicated circulation of WEHT was, therefore, lower than the cost per thousand of the unduplicated circulation for WTVW, CBS Television affiliated with WEHT, the UHF station, in order more efficiently to fill in the gap in coverage.

As noted, the second major reason for affiliating with stations in smaller markets is to extend service into areas which would not otherwise be served by CBS Television Network programs. Pursuant to that policy, the CBS Television Network has affiliated with 36 television stations, each of which covers less than 40,000 television families. See Chart XVIII. The smallest of these is KHAD-TV, Laredo, Texas with a March 1, 1956 circulation of only 3,700 television homes.

By adhering to the basic principles underlying advertiser economics, the CBS Television Network has, in fact, succeeded in providing nationwide service, reaching all but two per cent of the television homes and at the same time keeping cost per thousand at a reasonable level. See Chart XIX. The general tendency over the years has been in the direction of lower cost per thousand despite the fact that the total rates of time for all stations has increased and total circulation has also increased.[1]

It is important to note that an affiliation is not, in any event,

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[1]Subsequent to the lifting of the freeze there have been two conflicting factors in operation affecting cost per thousand. Tending toward a lower cost per thousand on the one hand has been the growth of set ownership in individual markets. As noted above, as circulation increases, since rates do not increase proportionately, the result is a lower cost per thousand. Operating counter to this factor, however, has been the factor that many new stations are located in the smallest markets and, hence, entail a higher cost per thousand. Prior to the end of the freeze only the first factor was at work, which accounts for the sharp decline of cost per thousand through 1953. After 1953, both factors were at work simultaneously and tended to equalize each other and, hence, there was a leveling off of cost per thousand.

COST PER THOUSAND CIRCULATION,
CBS TELEVISION NETWORK

a guaranty of success.[1] Except for affiliates in the Basic Required Group (see pp. 127 to 130), the advertiser may pick any (or none) of the CBS Television affiliates. Before an affiliation can ripen into sponsored programming, there remains the problem of persuading the advertiser to order the station. As Chart XX shows, during December 1955, for example, 41 CBS Television affiliates carried 12 or less hours of CBS Television Network commercial programs each week; 21 carried from 13 to 24 hours; 38 carried from 25 to 36 hours; 22 carried from 37 to 48 hours; and 52 carried from 49 to 60 hours.[2]

Not only the affiliate, but also the network suffers when an advertiser fails to order the affiliate. The network's revenues derive from the sale of time of the affiliates and its revenues increase as more stations are ordered. Conversely, the network receives no revenues for an affiliate which is not ordered. Nevertheless, the network provides the affiliate with non-sponsored programs; it normally pays for the AT&T lines to the affiliate as well as the other expenses of serving the affiliate.[3] There are cases where the advertisers order an affiliate so seldom that an actual loss to the network, attributable to the station, is involved. During 1955, for example, the actual costs attributable to 48 of the stations with which the network did business exceeded the revenues attributable to those stations by more than $640,000. Nevertheless, many of these stations are

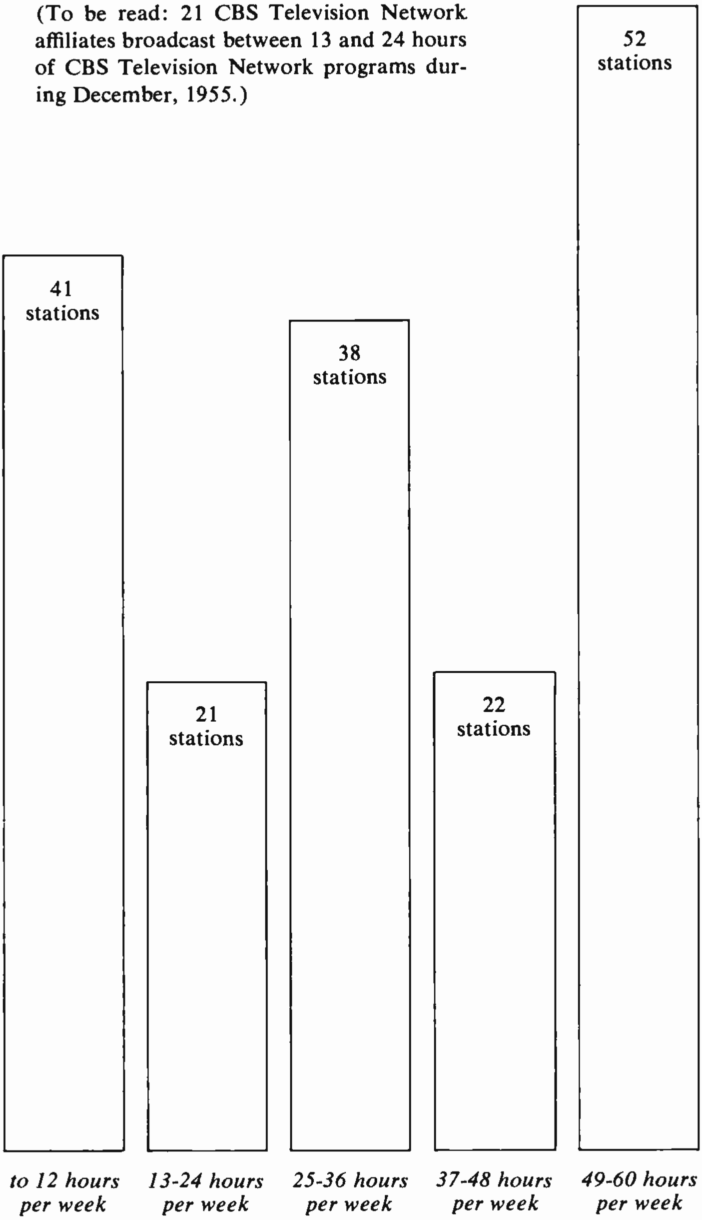
[1]See testimony of Frank Stanton, President, Columbia Broadcasting System, Inc., before Senate Subcommittee No. 2 on Communications, Committee on Interstate and Foreign Commerce, June 18, 1954.

[2]Conversely, stations not affiliated with any network may well prosper. For example, KTVW-TV, a VHF station operating without a network affiliation in the four-station Tacoma-Seattle market, had billings in excess of $50,000 a month in June 1955, and was operating profitably. Similarly, the net television sales of KTTV in Los Angeles totaled $7,473,759 in 1955, an increase of almost 33 per cent over the prior year, while its net income rose 76 per cent to $396,886.

[3]For a description of these expenses, see footnote 2, p. 82 of this memorandum.

DISTRIBUTION OF CBS TELEVISION AFFILIATES
BY HOURS OF SPONSORED NETWORK PROGRAMS

(To be read: 21 CBS Television Network affiliates broadcast between 13 and 24 hours of CBS Television Network programs during December, 1955.)



retained by the network in the hope that advertisers can be persuaded to order them and that, as they carry more network programs, their circulation will increase and the stations will ultimately be able to pay their way.

It is, accordingly, of primary importance both to the network and to the affiliates that advertisers be persuaded as vigorously as possible to order the maximum number of stations. The CBS Television Network has met with some success on this score. The average number of stations carrying network daytime programs has increased over the last year from 72 to 83, while the average number of stations carrying nighttime network programs has increased from 87 to 121.

In addition, the CBS Television Network has attempted, within the framework of basic advertising economics, to extend network program service to that segment of the public which is served by smaller affiliates. The two plans which have been developed—the Extended Market Plan and the Extended Program Service Plan—illustrate some of the potentialities, as well as the limitations, of increasing service to stations and the public without violating the basic economics of television networking.

(1) *The Extended Market Plan (EMP).* After a year of planning, the CBS Television Network instituted its EMP in December 1954. It was devised to meet the problems which were involved in encouraging advertisers to use the stations in the smaller markets. Because, as noted, there are actual out-of-pocket operating expenses for AT&T lines and for the other functions which a network must perform in servicing stations,[1] a minimum volume of orders for a station is neces-

[1]See footnote 2, p. 82.

sary to avoid network losses attributable to the station. Based on experience, CBS Television had found that stations with a gross hourly nighttime rate of less than $150 usually result in a net operating loss for the network, since the network's share of any lesser rate normally does not permit service to such an affiliate at a profit to the network. Hence the minimum network rate for any station had been fixed at that figure. As a result of this rule, markets served by stations which had lower rates were not provided with CBS Television Network service or, alternatively, if the station did maintain a rate of $150 where its circulation did not warrant it, advertiser orders for such stations were sparse. In either event, the public served by such stations in smaller markets was deprived of network programs, and the stations received neither programming nor revenues—both of particular importance to the smaller stations.

The EMP cut through this dilemma by abandoning the rule of the $150 minimum rate. By agreement with the stations, lower rates—in some cases as low as $50—related to their actual circulations were established. To induce the advertiser to use the stations in sufficient volume to cover the network's out-of-pocket expenses, and to provide the stations with revenues and programs, a special network sales unit was assigned to work exclusively on obtaining orders for EMP stations. In addition, the network provided special discounts, in addition to the regular discounts, to an advertiser ordering EMP stations.[1] It is to be noted that those discounts do not reduce the revenues to

[1]Advertisers using EMP stations are allowed an extra discount of five per cent for ordering five to nine such stations, seven and one-half per cent for ordering ten to 14 stations, ten per cent for ordering 15 to 19 stations and 15 per cent for orders of 20 or more stations. Thus, the total discounts for EMP can be as high as 36.25 per cent.

the station. Since the station's percentage is based on gross rate before reduction for discounts (see p. 47), the entire cost of the discounts is borne by the network.

As a result, from the date when the EMP was instituted to March 1, 1956, the number of regular CBS Television advertisers using the plan had increased from 30 to 47, and the number of EMP stations on the air in the United States had increased from 13 to 25[1] (seven of which are UHF stations). In approximately one year, television receiver ownership in the markets covered by these stations had increased from 143,000 to 464,800. Because of the increase in circulation, 12 EMP stations were able to increase their network rates by an average of 49 per cent. Yet in spite of those rate increases, the cost per thousand dropped from $5.52 to $4.00 and the average network payment to each EMP station is about $860 a month.[2] And, of course, the additional network programs thus made available to these stations also attracted additional revenues from national spot and local spot advertisers (see pp. 14 to 16).

(2) *The Extended Program Service Plan (EPS).* This plan devised by the CBS Television Network and instituted in April 1955, was designed to extend program service to the smaller markets. It represents an attempt to encourage the distribution of sponsored programs to affiliates which are not ordered by advertisers. In accordance with that plan CBS Television offers commercial programs to many of its regular affiliates which are not ordered by advertisers. Although the stations receiving EPS programs cannot carry the commercial messages and are not

[1]An additional EMP station is in Alaska.

[2]For the week ending April 7, 1956, the gross time billing for all programs carried on Extended Market Plan stations was $19,029.15.

permitted to insert substitute commercials into the programs, they are able to sell spot announcements both before and after the programs. CBS Television thus provides those stations with the drawing power of network programs and the corresponding assurance of selling adjacencies locally or to national spot advertisers. Additionally, the stations do not have to program locally to fill the time. The public, of course, benefits from the plan by the increased availability of high-quality programs. The plan has been partially successful: In March 1956, 40 CBS Television Network affiliates received one or more of 21 network commercial programs totaling 383 station quarter-hours per week.

Its limited success is illustrative of the necessity of adapting affiliation practices and program service to advertiser economics. In order for a program to qualify for inclusion under EPS, permission must be obtained from a number of different sources, each of which has a legitimate interest in the program. Thus, for example, it is necessary to obtain permission from the advertiser who is paying for the program. It is hardly to his interest to permit the program, with commercials deleted, to be carried on a station whose circulation significantly duplicates the circulation for which the advertiser pays. To require the advertiser to permit the program to be carried without commercials on a duplicating station would be to require him to compete with himself, thus giving some portion of the viewers a choice of seeing the program—for which he pays—without his commercials or with his commercials. Understandably, some advertisers have been reluctant to permit inclusion of their programs on a station which duplicates the coverage of a station for which he pays.

Similarly, the rights of the program producer and talent, as well as the syndication rights, if any, must be taken into account. Where a filmed program is involved, for example, the owner of the program may be reluctant to permit it to be carried in unordered markets free and thus diminish the possibility of future sale to stations in those markets.[1]

However, even if clearances are obtained from the advertiser, producer and talent, sometimes a station does not avail itself of a program furnished under EPS, because the station has already sold the time to a local or national spot advertiser. In March 1956, 27 stations did not accept 526 quarter-hours of programs a week made available to them under EPS.

Despite these limitations, EMP and EPS indicate what can be accomplished within the framework of the whole complex of economic relationships and interests involved in broadcasting; these plans also delimit the areas in which progress can be made within that framework.[2]

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[1]Where all the program rights, however, reside in CBS Television or the syndication rights belong to CBS Television Film Sales, Inc., consent for inclusion of the program in EPS is granted.

[2]Considerations such as those described in the text establish the basic difficulties of accepting the suggestion, which has from time to time been advanced, that in order to provide stations with network programming on the broadest possible basis, networks should affiliate with them and make them available to advertisers free, as a bonus. While providing affiliates to advertisers on a free basis would indeed solve the problem of cost per thousand to the advertiser, it must be noted that network revenues come from the network's share of the advertiser's payment for the station. If the rate for a station is zero, the network's revenue when the station carries a network commercial program is also zero. Yet, servicing the station is in the aggregate costly to the network. CBS Television Network studies have shown that the network direct out-of-pocket expenses of servicing stations in smaller markets approximate $90 a week without assigning to the station any portion of the indirect selling, programming and administrative costs involved. To that must also be added the network's payment of AT&T charges. Those charges can be illustrated by taking the case of a small station 100 miles from the nearest service point. It may be assumed, as is customary, that the station does not qualify for full time use of the cable and that it is used only two hours a week. Even on so limited a basis, the cost which must be borne by the network is $230 a week for the intercity relays, plus an additional $170 a week for the minimum connection charge and local loop. Of course, for a "free" affiliate, the AT&T costs would be vastly increased since the lines would be in almost constant use. It is readily apparent, therefore, that the concept of free stations is not, in general, economically feasible. The EPS, which is an attempt to avoid those difficulties, is sounder—both in theory and in practice.

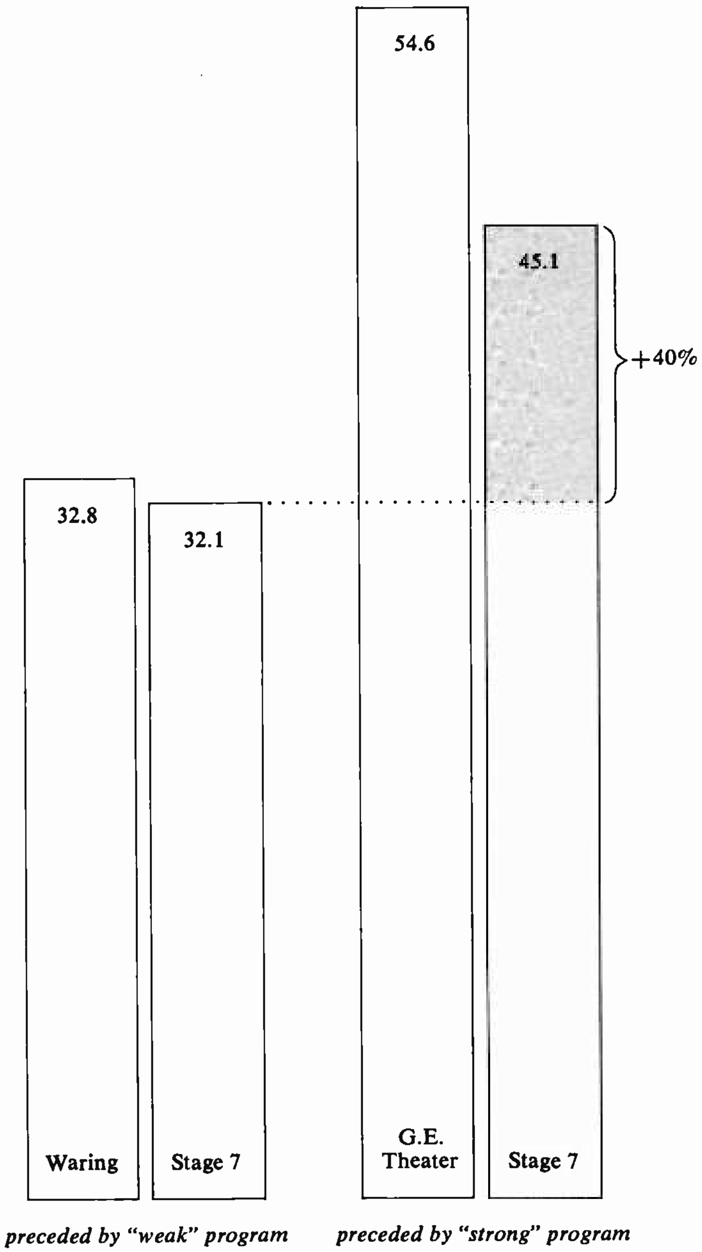
C. ADVERTISER ECONOMICS OF A SOUND PROGRAM SCHEDULE. In the preceding portions of this Part IV, the memorandum has dealt with the exacting problem of devising an efficient network of stations so that network television can be a sound economic value to advertisers and competitive with other media. In addition to providing an efficient aggregate of network stations, it is necessary, in order to furnish the advertiser with maximum network values, to provide an effective composition of the over-all weekly network schedule. It is the network's special obligation, both to the public and to advertisers, to provide: (1) a suitable number of popular programs well balanced as to type between information and entertainment both for purposes of variety and in order to serve the public interest, and (2) assuming that strong and balanced programs are provided, a schedule in which these programs are placed in such reference to each other as to maximize their over-all appeal.

Those objectives are important not only to the stations and to the public; they are also important to advertisers. Both the over-all schedule and the program which precedes and which follows the time period which an advertiser has under consideration are important to him, for he knows that audiences are built up and retained through an appropriate flow in sequence of programming.

The phenomenon of audience flow has been presented negatively before this Committee. Audience flow does not mean, however, that a poor program has a larger audience than it deserves because it follows a popular program. Rather, it means that a program is not *deprived* of the audience it deserves

CHART XXI

SHARE OF AUDIENCE FOR "STAGE 7"



by following a poor program. People will not watch a poor program no matter how much they like the program that preceded it. However, when two or more good programs are presented at the same hour over different stations in the same area, a large part of the audience of one station may never know that a good program is on the other station if their attention has already been attracted to the first station by a preceding program on that station, which they enjoyed watching. The importance of program sequence is illustrated by Chart XXI which shows the effects upon the program "Stage 7" when the program which preceded it was changed from one which received only fair audience acceptance to one which received wide audience acceptance. "Stage 7" had only 32.1 per cent of the audience when it was preceded by "The Fred Waring Show" with a 32.8 per cent share of audience. When "The Fred Waring Show" was replaced with "General Electric Theater" which attracted 54.6 per cent of the audience, the audience for "Stage 7" increased to 45.1 per cent, a 40 per cent increase.

The phenomenon of audience flow may also be illustrated by the effect of reversing the order of two adjacent programs, as in the case of "Navy Log" and "The Phil Silvers Show." When "Navy Log" was presented first, between 8:00 and 8:30 PM on Tuesdays, it attracted 28.1 per cent of the audience, and "The Phil Silvers Show" which was broadcast between 8:30 and 9:00 PM on Tuesdays, attracted 26.2 per cent of the audience. When the order of the two programs was reversed, "The Phil Silvers Show" attracted 40.4 per cent of the audience, an increase of 44 per cent, and "Navy Log" attracted 31.3 per cent of the audience, an 11 per cent increase.

PART V: The Charges Against the Networks and Proposals for Change

The preceding parts of this memorandum have sought to describe the dimensions of television, and the nature, functions and economics of television networking. It is in that entire context that the several charges which have been leveled at the networks and the several proposals which have been advanced will be examined seriatim.

A. THE CHARGE THAT THE NETWORKS RECEIVE A DISPROPORTIONATE AMOUNT OF TELEVISION NETWORK REVENUES. The facts described (Part III) concerning the economics of networking and the distribution of revenues between stations and the network readily establish that networks do not receive a disproportionate amount of television revenues. In fact, as has been shown, the station profits in terms of percentage of return on total broadcasting revenues (i.e., sales) far exceed network profits in percentage of return, despite the sharply contrasting functions of networks and stations[1] and the relative risks which each takes. In order for a network to perform its functions at all, it must maintain a large organization and ex-

[1]See pp. 47 to 50 for a description of the contrast between the functions of a network and the functions of a station in respect of network programs. See also p. 47 for an analysis of the division of network revenues between affiliated stations and the network.

tensive facilities. Necessarily, therefore, the very nature of a network's functions is such that its revenues are large; but for the same reason, its expenses are also proportionately large.

In the circumstances, a comparison of the total revenues of the stations and the total revenues of the network would appear to be wholly irrelevant. If the inquiry is a proper one at all, it must take into account the contrasting functions; and the basis of comparison must be the relative percentage of profits in their relation to revenues. On that basis, there is clearly no disproportion in favor of the network.

Not only are the functions and services of a network, and hence its expenses, vastly different from those of stations, but so are the risks inherently different.

In network operations, there are double risks and double liabilities (pp. 50 to 52). The loss of a sponsor for a program period entails not only the loss of revenues but an additional heavy burden of uncompensated expense in providing a program service to the stations on a sustaining basis. The stations' operations do not normally entail a like risk. While it is true that a station loses its share of the revenues when a network program loses its sponsorship, the station still has the opportunity of selling the time period to a national spot or local advertiser. And failing that, it receives the network sustaining program at no cost to it for programming that period. In contrast, the network must bear the full expense of the sustaining program.

Thus, the facts seem clearly to establish that the charge that networks receive a disproportionate amount of television broadcasting revenues stems from a pervasive misunderstanding of the basic facts of network functions and economics.

B. THE CHARGE THAT NETWORKS INSIST ON THE USE OF NETWORK PRODUCED PROGRAMS. The charge that the CBS Television Network discourages, or discriminates against, non-network produced programs by making valuable time periods available only to network produced programs is mistaken. CBS Television follows no such policy; there is no such discouragement or discrimination.[1]

No evidence of a program tie-in has been adduced before this Committee and none can be for there is none. Indeed, the facts refute the charge: as is shown on Chart XXII, during the week ending April 7, 1956, 72¾ hours of sponsored programs were broadcast by the CBS Television Network. A total of 36½ of those hours, or 50.2 per cent, were occupied by programs created and produced entirely by 38 outside producers with whom CBS Television has no direct connection, and an addi-

[1]There is one category of programs which CBS Television insists be produced under its own supervision and control: As a matter of policy, and in order to maintain direct responsibility in the public interest, the CBS Television and Radio Networks have always maintained the production, supervision and control over all its news and public affairs programs. This policy is based on the belief that only in this way can the network fulfill its responsibilities of maintaining its standards of objectivity and over-all balance among significant viewpoints on public issues.

In addition, there are two types of programs which may be said to be tied, to a greater or lesser degree, by CBS Television to particular time periods: (1) multiple sponsorship programs; and (2) "anchor" programs. Multiple sponsorship programs are represented by "Good Morning with Will Rogers, Jr.," "Captain Kangaroo" and "Arthur Godfrey Time." The nature of these programs and the sales patterns involved are such that after one or more sponsors have agreed to purchase a participation or sponsor one of the several segments, the time obviously cannot be sold to another sponsor for a different program. In this sense, so long as the programs remain in their time period, one of the sponsors or a potential sponsor cannot, as a practical matter, substitute a different program during the time period.

"Anchor" programs include the following: On Sundays, "The Jack Benny Show." and "The Ed Sullivan Show"; on Mondays, "Arthur Godfrey's Talent Scouts," "I Love Lucy" and "Studio One"; on Tuesdays, "The Phil Silvers Show," "The Red Skelton Show" and "The $64,000 Question"; on Thursdays, "Climax!"; on Fridays, "The Line-Up," and on Saturdays, "The Jackie Gleason Show." These programs are the anchors for the night's schedule; they become anchor programs through proven popularity. Normally, since the schedule is built around them, the CBS Television Network would be reluctant to sell the time periods which they occupy for programs of a different nature. If, however, their strength and popularity should decrease, or if some other programs of clear merit were proposed, the list of anchor programs might well change. It may be noted in any event that a program qualifies as an anchor program on its merits and irrespective of its source: four of the 11 programs listed in this footnote as anchor programs are not CBS Television-produced.

tional 19¾ hours, or 27.1 per cent, were occupied by programs produced by eight companies or individuals in association with CBS Television. That total of 72¾ hours was comprised of 74 different programs or program series, only 17 of which were wholly produced by the network. Of the remaining 57 programs or program series, 47 were wholly produced by outside producers and ten were produced by outside producers in association with CBS Television.[1]

An analysis of programs on the CBS Television Network produced by outside sources in whole or in part over the last three years reveals a significant increase in the number of hours of programs produced solely by outside sources and by outside sources in association with CBS Television, while, despite an increase in the total hours of network programming, the hours of programs produced by CBS Television alone has decreased:

	sponsored broadcast hours per week			
	April 1954		*April 1956*	
	hours	*per cent*	*hours*	*per cent*
Produced by outside sources	27¼	46.6	36½	50.2
Produced by outside sources and CBS Television	8½	14.5	19¾	27.1
Produced by CBS Television	22¾	38.9	16½	22.7
Total	58½	100.0	72¾	100.0

However, a comparison of the numbers and hours of programs produced by CBS Television and outside sources does not alone reveal the full story of the opportunity of outside producers to have their programs broadcast over the network. An analysis of the amounts paid by advertisers for commercial programs

[1]In addition, there were 13 sustaining programs and program series occupying 13½ hours. Of those sustaining programs, CBS Television produced 11 which occupied 12½ hours. Of the 28 programs produced by CBS Television alone, 11 were news and public affairs programs which, under CBS Television policy, must be produced under its supervision and control. See p. 88, footnote 1.

broadcast on the CBS Television Network during 1955 reveals, as is shown in Chart XXII, advertisers paid out almost twice as much for programs produced wholly by outside producers as they did for programs produced by CBS Television and programs produced by CBS Television in association with independent producers. It is estimated that during an average week advertisers paid $1,170,000 for programs produced wholly by outside sources, $520,000 for programs produced by CBS Television alone and $130,000 for programs produced by CBS Television in association with independent producers. For the year 1955, it is estimated that $61,000,000 was paid for programs produced wholly by outside sources, $27,000,000 for programs produced by CBS Television alone and $7,000,000 for programs produced by outside producers in association with CBS Television.[1]

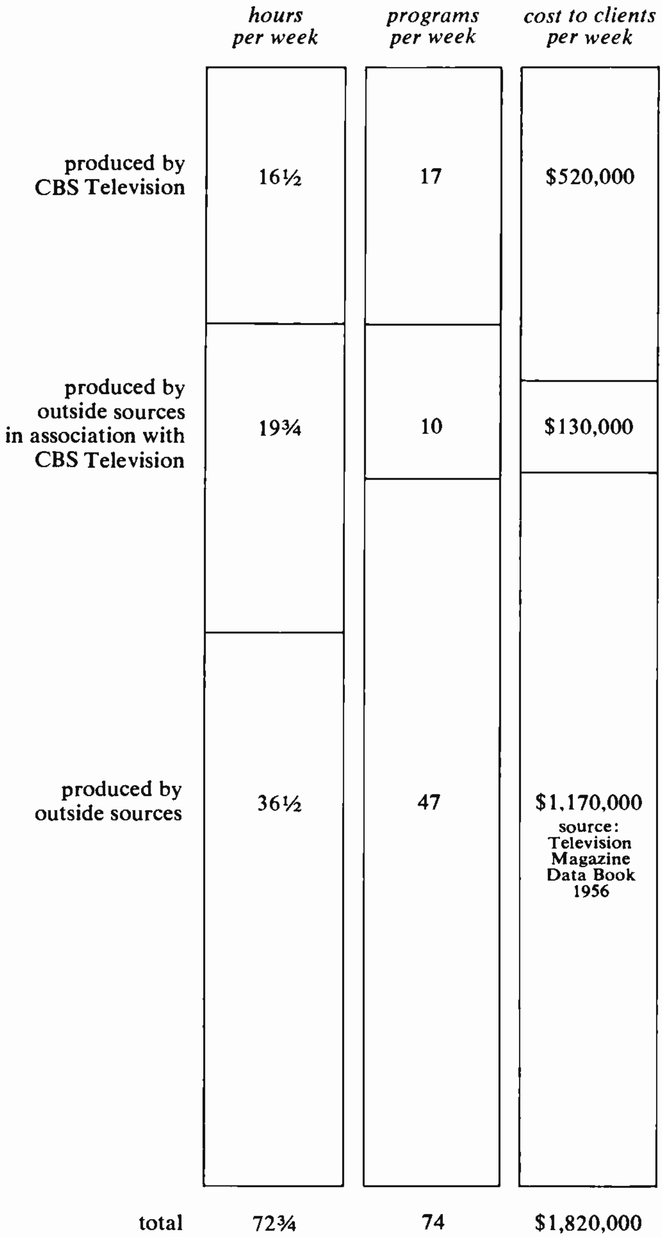
An examination of the sources of programs broadcast on the CBS Television Network during Class A commercial time[2] over the past three years reveals that, proportionately, independent producers of programs have an even greater and increasing outlet on the CBS Television Network at night:

	Class A sponsored broadcast hours per week			
	April 1954		*April 1956*	
	hours	*per cent*	*hours*	*per cent*
Produced by outside sources	9½	38.0	16	57.7
Produced by outside sources and CBS Television	2½	10.0	2½	9.0
Produced by CBS Television	13	52.0	9¼	33.3
Total	25	100.0	27¾	100.0

[1]The amounts for CBS Television productions and CBS Television productions in association with outsiders were arrived at by taking four sample weeks (in the months of February, May, August and November 1955) and converting them to an annual basis. Cost of outside produced programs was based on estimates appearing in *Television Magazine Data Book—1956*. All amounts include agency commissions.

[2]6 PM to 11 PM, Monday through Saturday, and 5 PM to 11 PM on Sunday.

PRODUCTION SOURCES, CBS TELEVISION COMMERCIAL PROGRAMS



Further evidence of the fact that there is no policy or practice on the part of CBS Television to discriminate in favor of programs it produces over those produced by outside sources is the history of changes in network programs since 1951. There have been 171 program replacements since 1951—106 nighttime programs and 65 daytime programs. Of the 65 daytime programs which were replaced, 23 were outside produced. In replacing these programs exactly the same number of outside produced programs was used. Of the 106 nighttime programs replaced since 1951, 52 of those programs *replaced* were produced by outside sources, but 62 of the *replacing* programs were produced by outside sources. In other words, there has been a net *gain* of ten outside produced programs and a net loss of ten CBS Television produced programs in the network's nighttime schedule as a result of program replacements. Surely this does not lend support to the charge that CBS Television is systematically replacing outside produced programs with CBS Television produced programs.

Demonstrably, therefore, the CBS Television Network does not exclude independent program packages from its program schedule. Indeed, any such policy of exclusion and discrimination would be suicidal because it would weaken, if not destroy, the asset on which a network stands or falls—the quality of its programming. Precisely for that reason, the policy of the CBS Television Network has always been, and will continue to be, to schedule the right program in the right place regardless of its source. Pursuant to that policy, the CBS Television Network has replaced programs produced by it with programs produced outside, and has given precedence to outside programs over network-produced programs, in which it has invested heavily in money and manpower.[1]

Not only do the facts show that CBS Television does not insist on advertisers using CBS Television produced programs in order to buy time on the network, but the charge becomes frivolous when one considers that CBS Television lost $7.1 million on commercially sponsored programs alone in 1955, without any allocation of general overhead expenses. It can be easily understood that incurring such a loss is not the voluntary choice of a domineering businessman engaged in restrictive practices. Rather it is the natural result of trying to serve the public, the affiliates and the advertisers in the best manner possible even though such a result eats heavily into over-all profits.

In the final analysis, it would seem that the charge that the CBS Television Network insists on using its own programs by making prime time available only if the advertiser uses a CBS Television produced program is in reality an attack designed to prevent networks from engaging at all in creating and producing programs.

If a network is to fulfill its responsibility to its affiliates and to the public, it must, however, engage in program production. Only in this way can there be assurance of day-in, day-out, and week-in, week-out high quality programs. The network cannot perform its functions in this area if it must stand and wait for programs from outsiders who do not have the same continuous relationship which the network has to the broadcasting indus-

[1]Recent examples of CBS Television produced programs which were replaced by programs produced by outside sources include: "Honestly Celeste," "Jane Froman Show," "Life with Father," "Meet Millie," "My Favorite Husband," "My Friend Irma" and "The Johnny Carson Show." In addition, a number of CBS Television produced programs were rejected by the sponsor in favor of "Name that Tune," an outside package. All of these programs involved time periods between 7:30 and 10:30 PM (E.S.T.).

try, to stations and to the viewing public. It must play some greater role in programming than merely reviewing whatever outsiders should happen to offer—and even then having only a veto power limited by the fact that not enough quality product may be available. Indeed, those basic facts have long since been emphasized by the Federal Communications Commission itself which, in "Public Service Responsibility of Broadcast Licensees" March 1946, p. 13, criticized networks for *not* engaging in program creation and production and hence failing to exercise their programming responsibilities. The FCC stated: "Experience has shown that in general advertisers prefer to sponsor programs of news and entertainment. There are exceptions; but they do not alter the fact that if decisions today were left solely or predominantly to advertisers, news and entertainment would occupy substantially all of the time. The concept of a well-rounded structure can obviously not be maintained if the decision is left wholly or preponderantly in the hands of advertisers in search of a market, each concerned with his particular half hour, rather than in the hands of stations and networks responsible under the statute for over-all program balance in the public interest.

"A device by which some networks and stations are seeking to prevent program imbalance is the 'package' program, selected, written, casted and produced by the network or station itself, and sold to the advertiser as a ready-built package, with the time specified by the station or network. In order to get a particular period of time, the advertiser must take the package program which occupies that period. This practice, still far from general, appears to be a step in the direction of returning control of programs to those licensed to operate in the public interest . . ."[1]

Thus, it will be seen that this charge is directed at the networks' performing precisely the function which the FCC has criticized the networks for failing to exercise and which it contended they ought to exercise in the public interest.

C. THE CHARGE THAT THE NETWORKS HAVE A MONOPOLY. The charge that the networks, or CBS and NBC, constitute monopolies is reckless and insubstantial. Its legal aspects are discussed in full in the legal memorandum submitted to this Committee simultaneously herewith. This memorandum deals with the factual aspects of the charge.

The facts establish that no monopoly exists in any ordinary meaning of the word. As has been shown (pp. 57 to 59), many other national advertising media are in competition with network television. Network television has only a 9.8 per cent share of the national advertising dollar. The CBS Television Division —the Network and the four CBS Owned stations—receive only 3.2 per cent of the national advertising dollar and about 20 per cent of the television advertising dollar.

Even if the total business of only television networks is taken into account, no monopoly exists. It is obviously true that *all* the television networks do *all* the network business. But it is a travesty of common sense so to define monopolies. Few facts in the television industry are clearer than the intense competition

[1]See to the same effect *The New York Times*, Sunday, April 8, 1956, Section 2, p. 13: "If network control is materially crippled the advertising world for all practical purposes will be taking over TV; frankly, this could easily constitute a far greater danger than the shortcomings of the status quo. A sponsor normally is interested only in his own show, not with the general balance of a programming structure. He intuitively leans to the more popular type of show and does not generally think in terms of television's over-all well-being. . . . The plain fact is that many of the principal cultural advances in television – the ninety-minute plays, the documentaries and the coverage of such happenings as the Army-McCarthy hearings – have stemmed from the incentive of the networks, often against the opposition of advertisers and individual stations."

which exists between and among the networks. Each is engaged in trying to take audience, programs, talent, advertisers and affiliates from the other. Indeed, the networks are frequently criticized for being overcompetitive by placing attractive programs opposite each other so as to make the viewer's choice difficult. But this intense competition has benefited the public in terms of the programs and services they have received.[1]

The facts establish that no network has a monopoly of the television network business. The gross billings of the CBS Television Network during 1955 totaled 46.5 per cent of the total network billings; of NBC 40.2 per cent; and of ABC 12.6 per cent. The CBS Television Network share of television network billings falls far short of monopoly.

Indeed, the entire history of the growth of networks and of national advertising expenditures in network television is wholly inconsistent with the normal indicia of monopoly—i.e., a smaller and smaller share to those behind the leader. In the television network field, perhaps the outstanding phenomenon of recent years has been the growth of ABC. Like CBS and NBC, ABC started from scratch in 1948, but it soon fell behind because of lack of capital to invest in the necessary amount of facilities, organization, talent and programs. In 1953, ABC merged with the United Paramount Theatres and as a result new capital was available. It has made substantial investments in facilities, programs and talent commitments since 1953 and its billings rose from $21 million in 1953 to $34 million in 1954 and to $51 million in 1955, while according to trade reports its current billings for 1956 are at the rate of $76 million a year.

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[1]The factor of "exclusive" viewing, noted on pp. 67 and 68, intensifies the competition among networks. Since a viewer can look at only one program at a time and normally several are broadcast simultaneously, the competition necessarily must be intense.

Growth such as this requires the flat rejection of the charge of a network monopoly and squeezing out the smaller network competitors.

The growth of the television networks reflects nothing more than the results of intense and vigorous competition. During the first quarter of 1949—the infancy of television networks—the gross billings of NBC were about $1 million, of CBS Television $431,000, of ABC $51,000 and of DuMont $200,000. The billings of NBC, alone, exceeded the combined total billings of the other three networks. For the third quarter of 1950, the gross billings of NBC were $4.3 million, of CBS Television $1.6 million and ABC $0.9 million.[1] Thereafter, the gross billings of NBC and CBS Television rose rapidly, although CBS Television did not pass NBC and attain the lead which it still has today until the first quarter of 1954.[2]

Those increases were the result of planning, of courageous investment in creative programming and physical facilities and of intensive selling efforts. As has been noted, CBS, alone, invested $53.1 million in television networking before 1953 when it first made profits in its network operations.

It is true that the very nature of the network business, with its requirements of enormous effort and investment, makes the establishment of new networks difficult. But it is not impossible.[3]

[1]DuMont's gross billings were not reported.

[2]CBS Television led NBC in the third quarter of 1953 but dropped behind during the fourth quarter of 1953.

[3]It is probable that as a matter of economics there is a finite limit on the potential number of networks. That is in part because of the relatively limited number of stations, but the limit also arises from the factor of exclusive viewing as previously noted. Inevitably there must come a point where, if a substantially increased number of networks of equal strength and equal programming attractiveness are assumed, the audience will be so fragmentized that the actual circulation for each network will fall below the point at which the advertisers will find it economical to support it. It is not, of course, contended that that point has been reached.

Under FCC regulations, no station is, or may be, closed to other networks even where the station may be a primary affiliate which grants option time to the network with which it is affiliated. The FCC regulations provide that option time is not effective against programs of competing networks and all three networks have programs which are carried by primary affiliates of the others.

The touchstone is strong programming. For example, ABC's "Disneyland" has crossed network affiliation lines; even when the program was first broadcast, 60 CBS Television affiliates, including ten primary affiliates, carried the program. On February 11, 1956, 79 CBS Television affiliates carried "Disneyland," including 65 CBS Television primary affiliates.

An additional network, therefore, is not restricted to new stations which are unable to obtain a primary affiliation with one of the existing networks. If a new network's programming is strong, it will have a market even among stations primarily affiliated with another network, and if its over-all programming schedule should prove to be consistently better and more attractive than the programming of the existing networks, there is no question but that stations would readily change their affiliation in order to obtain the best schedule.

In sum, the charge of monopoly falls before the actual facts. If construed only as an attack on size, it may be factually correct but it is otherwise insignificant. As this memorandum has established, the very nature of the functions of a nationwide network necessitates substantial investments and commitments, extensive facilities and a large staff. This necessarily entails a unit of considerable size. So long as networks continue to perform network functions, there can be no such thing as a small nationwide network. Mere size, however, certainly where so shaped by the inherent requirements of the business, is no justification for penalty or elimination. For, as stated by the radio-television editor of *The New York Times* (Sunday, April 8, 1956, Section 2, p. 13): "It should not be entirely forgotten ... that their 'bigness' also has been responsible for much of the best in TV."[1]

D. THE CHARGE THAT NETWORKS CHANNEL A DISPROPORTIONATE SHARE OF TELEVISION REVENUES INTO STATIONS IN LARGE MARKETS AND IGNORE STATIONS IN SMALL MARKETS. Related to the charge of monopoly is the charge[2] that networks tend to channel a disproportionate share of television revenues to stations in larger markets and to ignore small markets. That charge is inaccurate; the facts, indeed, are to the contrary, for networks are of particular importance and assistance to the stations in the smaller markets.

In support of this charge, it is contended[3] that all the television stations located in 12 cities whose population rank ranges from first to thirty-second, received 50.9 per cent of the net income (before Federal taxes) of the entire industry during

[1]*The New York Times* article also stated: "If the price of economic independence for all TV stations is the sort of half-hour films that now dominate the programming efforts of non-network outlets, it would seem a fair guess that a good many viewers would scream for a return of 'bigness' in the TV business."

Similarly, in an article in the *New York Post*, April 11, 1956 (p. 76), the radio-television editor of that newspaper stated: "No one will dispute that the networks are big ... but without them we would never see most of the best programs broadcast. If the drive had not come through the networks, you would never have seen a 'Peter Pan' or a 'Richard III,' almost none of the big 90-minute shows, no 'See It Now,' no 'Adventure' or NBC Opera Theater. Whatever their faults, the network men have a sense of public responsibility. Many sponsors feel responsible only to their stockholders.... No, the fact is that at least until now the network influence with all its failings has been decidedly a good one for the viewer. We could not possibly have gotten most of the good things now on TV without it."

[2]See Progress Report Prepared for the Committee on Interstate and Foreign Commerce by Robert F. Jones, Special Counsel.

[3]Jones Progress Report, p. 17.

1953. This fact hardly establishes the accuracy of the charge, because those stations served, as of November 1, 1953, 51.7 per cent of all the television families in the United States. Hence, the proportion of income which was cited bears an almost exact relationship to the proportion of the circulation which those stations represent.

The more significant fact that is cited is that only 31.8 per cent of the *revenues* received by the entire television broadcasting industry went to the television stations in those 12 markets. That means that stations which served more than one-half of all the television families in the United States received less than one-third of all the television revenues.

Normally it would be expected that a disproportionately large share of national advertising expenditures would be devoted to major markets. For there are strong natural economic forces working to the advantage of stations in the larger markets, since as has been shown (pp. 61 to 65), their rates are higher, but their cost per thousand are lower than those of stations in smaller markets. It is networks, in fact, which tend to counteract the normal disproportionate flow of revenues to large markets and to divert a share, which would otherwise not be available, to stations in the smaller markets. Standing alone, because of their relatively small circulation and higher cost per thousand, the stations in the smaller markets tend to be ignored by the advertiser. For the administrative cost which an advertiser must incur to place a program or an advertisement directly on a small station on a station-by-station spot basis is generally just as large as the administrative cost involved for a larger station. Similarly, for every additional station bought on an individual basis by the spot advertiser, additional program costs are usually incurred since independent program suppliers often sell programs on a per-station basis. Networking offsets these disadvantages of the smaller stations. A network advertiser can add the smaller stations as a by-product through a single network order, with no additional program or administrative costs.

Thus, not only does the operation of television networks provide, in normal course, benefits to smaller stations which they would not otherwise enjoy,[1] but in addition the CBS Television Network has taken affirmative steps to adapt its sales and distribution policies to accentuate those normal trends on behalf of small stations. The Extended Market Plan and the Extended Program Service Plan (pp. 78 to 82) were explicitly designed for those purposes.

In addition to these plans, the CBS Television Network discount structure also provides positive stimulus encouraging advertisers to order small market stations. Its discounts depend on the number of stations ordered, and the per cent of discount increases as the number of stations ordered increases. This means that when an advertiser orders a large number of stations (including small market stations) he receives a larger discount on the more expensive, large market stations than he would if he did not order the small market stations.[2]

Hence, psychologically and economically there are factors in

[1]See pp. 27 and 30, of this memorandum, for a discussion of the adverse effects on stations in smaller markets which would occur if it were not for networks' continuous use of AT&T facilities. As noted there, without networks to sustain the use of intercity facilities, the costs on an occasional basis would probably be so prohibitive that small market stations would be cut off from live programs—including the broadcast coverage of great national events which are now available to them.

[2]It is even possible for an advertiser to add a few small stations to a line-up and to pay less for the larger line-up than he did for the smaller.

networking which work towards advertisers' inclusion of small stations, while on an individual station-by-station basis, the smaller stations might be excluded.

This has in fact been confirmed in practice by the pattern of purchases by national advertisers: As a general rule, a national advertiser, even though he may have nationwide distribution, purchases fewer stations on a national spot basis than he does on a network basis. A vivid example is provided by Philip Morris, which sponsored "I Love Lucy" on the CBS Television Network with a line-up of 152 stations. When it cancelled its sponsorship of the program and embarked upon a national spot advertising campaign, it ordered only the 50 top markets.

The facts establish, therefore, that networks tend to *prevent,* rather than accentuate, a disproportionate flow of revenues to the larger markets.

E. THE PROPOSAL TO PROHIBIT OPTION TIME.[1] Proposals have been advanced before this Committee to eliminate network option time. This memorandum addresses itself to the nature, functions and importance of option time and analyses the premises on which the attack on option time is based. The question of whether option time violates the antitrust laws is discussed in a separate legal memorandum submitted herewith.

(1) *The nature, functions and importance of option time.* Since there has been misunderstanding of the reach and operation of option time, its precise nature should be set out at the threshhold. The standard option time clause in CBS Television Net-

[1]The remaining portions of this memorandum are addressed to certain proposals on which thus far the chief attention of this Committee has been focused. Other suggestions have been, or subsequent to preparation of this memorandum, may be, brought forward. CBS necessarily has not addressed itself to all possible proposals and hence suggests to the Committee that, if additional issues arise more sharply, CBS be permitted to submit supplemental memoranda dealing with those issues if the situation warrants.

work affiliation agreements[1] provides (see Appendix A, p. II):

"(a) Station, as an independent contractor, will accept and broadcast all network sponsored programs offered and furnished to it by CBS Television during 'network option time' (as hereinafter defined); provided, however, that Station shall be under no obligation to accept or broadcast any such network sponsored program (i) on less than 56 days' notice, or (ii) for broadcasting during a period in which Station is obligated by contract to broadcast a program of another network. Station may, of course, at its election, accept and broadcast network sponsored programs which CBS Television may offer within hours other than network option time.

"(b) As used herein, the term 'network option time' shall mean the following hours:

"(i) if Station is in the Eastern or Central Time Zone, Daily, including Sunday, 10:00 A.M. to 1:00 P.M., 2:00 P.M. to 5:00 P.M. and 7:30 P.M. to 10:30 P.M. (expressed in New York time current on the date of broadcast);

"(ii) if Station is in the Mountain or Pacific Time Zone, Daily, including Sunday, 10:00 A.M. to 1:00 P.M., 2:00 P.M. to 5:00 P.M. and 7:30 P.M. to 10:30 P.M. (expressed in local time of Station current on the date of broadcast).

"Nothing herein shall be construed (i) with respect to network programs offered pursuant hereto, to prevent or hinder Station from rejecting or refusing network programs which Station reasonably believes to be unsatisfactory or unsuitable, or (ii) with respect to network programs so offered or already con-

[1]As of February 10, 1956, the clause was included in contracts with 143 CBS Television affiliates. Seven other contracts had slight variations in the hours specified because of local problems.

tracted for, (A) to prevent Station from rejecting or refusing any program which, in its opinion, is contrary to the public interest, or (B) from substituting a program of outstanding local or national importance. CBS Television may, also, substitute for one or more of the programs offered hereunder other programs, sponsored or sustaining, of outstanding local or national importance, without any obligation to make any payment on account thereof (other than for the substitute program, if the substitute program is sponsored). In the event of any such rejection, refusal or substitution by either party, it will notify the other by private wire or telegram thereof as soon as practicable."

Thus it will be seen that option time is limited. It applies only to *sponsored* network programs during the hours specified. It is inapplicable as against programs of any other network. It may not be exercised on less than 56 days' notice. Further, CBS Television has construed the option time provisions to be inapplicable to any program which occupies a period straddling option time and non-option time. Thus, for example, the periods between 10 and 11 PM (E.S.T.) on Mondays and Wednesdays, which are now occupied by hour-long programs, and the period once every four Saturdays occupied between 9:30 and 11 PM (E.S.T.) by an hour-and-a-half program, are not in any part subject to network option time. In fact, therefore, contrary to contentions that have been advanced to this Committee, option time, under the construction followed by CBS Television, is *contracted* rather than expanded when a single program in part covers option time and in part covers non-option time.

Option time, in addition, is sharply limited so as to permit broad discretion by the station. As the option clause provides, a station has the right to reject any network programs in option time in order to substitute other programs "of outstanding local or national importance." But a station's rights are much broader. It may also reject or refuse any network programs offered which the station "reasonably believes to be unsatisfactory or unsuitable" or, even though the program has already been contracted for by the station, which the station believes "is contrary to the public interest." Those provisions have been construed by CBS Television to permit wide discretion to the station to reject network programs which the station believes will not serve the local audience as fully as a non-network program which the station proposes to broadcast.[1]

The precise limits of the respective rights of the CBS Television Network and its affiliates under these provisions of the option time clauses have never been fully delineated, because in practice there has been no necessity for it. Rather, acceptance by stations of network programs has been based on the cooperation which is inherent in the basic partnership relation which exists between the network and its affiliates. There has been no rigid invocation of its option rights by the network, and affiliates' schedules are studded with non-network programs in option time (pp. 120 and 121 of this memorandum).

[1]As provided in the FCC rules, and as embodied in CBS Television Network affiliation agreements, the affiliate's right to reject a network program during option time would seem to be greater when the network program is first offered to the affiliate; the right appears to be more restricted after the station has actually agreed to accept the network program. Even after acceptance by the station, however, the station has considerable latitude since its own "opinion" that the program "is contrary to the public interest" suffices to support rejection. In any event, it should be noted that if a station feels that it has not received enough information in advance concerning the nature of the program to be offered, a station can preserve its broader right to reject, even after the program has begun; for if the station believes that it cannot evaluate, on the basis of advance information supplied, whether a network program offered is "unsatisfactory or unsuitable," it can condition its acceptance upon being satisfied after broadcasting the first programs of a series that it is satisfactory and suitable for continued broadcast.

An illustration of the operation of the network-station relationship in respect of option time is afforded by a recent example on station WTOP-TV, a CBS Television primary affiliate in Washington, D. C. and one of the four VHF stations in that city. The events were recently described by the radio-television editor of the *Washington Daily News*[1] as follows:

"The congressmen, currently up to their eyebrows in puzzlement as they try to unravel the mysteries of the TV industry at the current hearings on the Hill, should study how come WTOP—9 is taking 'Name that Tune' away from WTTG—5. It would be as instructive as taking the back off a watch to see what makes it go.

"The lawmakers would see:

"That the networks and their member stations are NOT ruthless monopolists trying to squeeze out independent stations.

"On the other hand, when a station suffers a business setback, it will take advantage of its network membership to mend its affairs even tho at the expense of an independent in the same city.

"IT'S CBS SHOW

" 'Name that Tune,' the quiz program offering a top prize of $25,000, is produced by CBS to which WTOP is affiliated. The show has been carried on WTTG this season because WTOP didn't want it.

"WTOP had 'Amos 'N' Andy' with a local sponsor and wanted to keep it on. However, it arranged for WTTG to take 'Name that Tune,' which was on at the same 7:30 p.m. Tuesday time.

[1]March 29, 1956.

"Thus the network station not only didn't try to keep a network show from a rival; rather it helped it get it.

"But the sponsor of 'Amos 'N' Andy' gave notice that it was dropping the syndicated film program. With spot thus due to be vacated, WTOP notified CBS that it needed network service, thus exercising its prior right to 'Name that Tune.'

"SHIFTS APRIL 10

"CBS gave the usual month's notice to WTTG, and 'Name that Tune' starts April 10 on WTOP.

"That the networks' hold on members can be weak is shown by the fact that 'Name that Tune' is on what is called 'network time,' meaning those hours when members are supposed to carry the network's show.

"The soap opera serials, 'Brighter Day,' 'Secret Storm' and 'On Your Account' from 4 p.m. to 5 p.m. are CBS shows and on network time. But they are shown by WTTG. WTOP prefers its own Pick Temple show.

"NATURAL PROCESS

"Its ability to take 'Name that Tune' when it needs it shows that WTOP is in a better competitive position than WTTG. That's because CBS has prospered in a competitive business, while only fragments are left of the Dumont network which owns WTTG.

"But there have been no deep-dyed plots, no bribery of government officials as has been hinted in the Hill hearings."

Thus in operation, CBS Television Network option time is not a one-way street; rather, in practice, it is utilized and adjusted for the benefit of both network and its affiliates.

While option time is thus in fact administered flexibly, either it or some equivalent tool is the keystone of network operations. Without such a tool, networks cannot operate. Without some reasonable assurance of general clearance by stations, the effectiveness of the over-all, day-in, day-out, week-in and week-out network schedule would be eroded.

It would take the defection of only a few key stations in major markets to deprive a network television advertiser of so substantial a part of his circulation that the program would not continue and thus would be lost not only to the network but, far more important, to the vast majority of stations which need and want the program. It is the public, then, and the stations in the smaller markets which would suffer most acutely, if any major pattern of non-clearance developed.[1]

It cannot be stated with certainty that any such fatal erosion would occur overnight; indeed, that is improbable. But equally, there can be no certainty that over a period of time, such erosion would not occur. If it did, the blow to networking, with all that networking means in the way of major programs and the programs which must be carried live, would be fatal.

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[1]The station clearance history of "The $64,000 Question" serves to illustrate the importance to the public, to affiliates and to the advertiser of station clearance.

In order to make sponsorship of this program economically possible it had to be carried by a number of stations sufficiently large to insure a wide audience. The program might never have gone on the air if enough stations in important key markets had not agreed to accept it.

On June 7, 1955, the CBS Television Sales Service Department had been able to secure time on 104 stations—enough to justify introduction of the program by the sponsor. After it became available to the public, and because there were enough clearances to justify its introduction, the program proved so popular that the number of stations carrying the program increased each month. On July 5, 139 stations carried it; on August 2, 145; on September 6, 147; on October 4, 158; on November 1, 161; and on December 6, 163.

Thus, the public, the stations and the advertiser benefited. In November 1954, before the Tuesday 10 to 10:30 PM (E.S.T.) period on the CBS Television Network was occupied by "The $64,000 Question," 43.3 per cent of U.S. television receivers were not in use. In November 1955, after "The $64,000 Question" had occupied 10 to 10:30 PM (E.S.T.) for a few months, the sets not in use had been reduced by 18.4 per cent to 35.3 per cent.

Were it not for the clearance results which were forthcoming, it is possible that a handful of stations in key markets could have deprived the public of a program which it enjoys and could also have deprived more than 150 stations of the program itself, and the revenues accruing to them from the program.

Particularly in a period, if it ever should occur, of a declining market, without option time or some equivalent there would be a real threat of destruction which would be difficult to contain. It is wholly possible that an entire schedule could be eroded by a pattern of non-clearance that would checkerboard across the schedule. It is hardly likely that key stations would pick the same programs and the same time periods for non-clearance. What would be more likely to occur is that some key stations would refuse to clear during one half-hour, another group of key stations might pick another half-hour and another still a different half-hour. If the stations were in enough large markets, each network time period would then become unsalable to national advertisers. Obviously, no network could afford to program, with a quality schedule, so many time periods on a sustaining basis; as has been shown previously, the costs of high quality programming on a sustaining basis for one nighttime hour, seven days a week, would be between $13 million and $15 million. The alternative would be to curtail network service and thus throw the burden of programming and large costs on the scores of smaller stations which had *not* refused to clear.

These dangers are accentuated during a period of a softening of network business. Moreover, once a time period became sustaining because of the loss of an advertiser, it would be difficult for the network to recapture the period, because in many instances key stations might well have sold it to national spot and or local advertisers.[1] The station's contracts for those pro-

[1]It is one of the phenomena of the broadcasting business, illustrated by the recent history of radio, that in periods of decline, network business is hit first and hardest. A national advertiser's diminished budget is normally first withdrawn from the network and devoted instead to a more limited number of stations in key markets.

grams would have varying termination dates; hence, without option time, re-entry of the network would have to await the last termination of the last group of stations. But that date may be so late other stations meanwhile will not have waited, and cannot be expected to wait, and in turn will have entered into new contracts. By then the network advertiser is likely to be lost.

Essentially, therefore, option time is not a rigid right, explicitly exercised in particular cases by the network. Rather it is a limited protection against erosion, which can be used if it ever becomes necessary. It is a safeguard and a shield against destruction of networking,[1] rather than a sword.

It is of first importance in considering option time and its justification to recognize that it is the result of negotiations between stations and the network. It is not an abdication by stations of their responsibility; rather it is a voluntary recognition by them that the network is a reliable source of a substantial portion of an over-all effective weekly schedule with appropriate balance of the various elements which are necessary to successful broadcasting in the public interest. Since, by affiliating with a station, a network in effect agrees to use its best efforts to sell the station's time and make programs available to it, it naturally follows that the station will agree to make time available when the network does sell its time.

Option time is not, as has been suggested in the memorandum prepared for this Committee by its Special Counsel[2], "given" by

[1]Compare the comments in *The New York Times* (see Sunday, April 8, 1956, Section 2, p. 13): "There is, however, another most important side to the 'option time' controversy. Unless a network can count on access to a fixed number of hours it is hard to see how a chain could long survive. And without the combined economic strength of many advertising markets joined together it simply would not be feasible to finance many of the network's major fine productions and other public service features."

[2]Memorandum prepared for the Senate Committee on Interstate and Foreign Commerce by Harry M. Plotkin, Special Counsel, p. 34.

the Government. It is, rather, not forbidden by the Government and hence arrived at voluntarily by stations and network.

It has been claimed that networks should not be able to have option time since independent program producers do not have it. But it is fallacious to equate networks with independent film syndicators, for as has been shown, they do not perform the same functions. Film syndicators offer particular types of programs on a limited basis. The functions of a network are in sharp contrast with those of film syndicators.

A network offers a full and balanced schedule of both live and film programs and of both entertainment and non-entertainment nature.[1]

A network, to survive, must offer this kind of rounded overall schedule and, as has been described, it must, in order to perform its functions for the public, the stations and the advertiser, provide an effective composition of the weekly programming schedule.

It must be able to give a network advertiser some assurance of reasonably complete nationwide coverage on the basis of a single order.

It must, because of the importance to advertisers of program sequence (see pp. 83 to 85 of this memorandum), be able to provide him with assurance, in general, of where the program he sponsors will be broadcast in relation to programs which precede it, and follow it, and to programs with which it will compete.

[1]For the contrast between the programming of film syndicates, on the one hand, and networks, on the other, see the recent articles in *The New York Times* and the *New York Post,* cited at footnote 1, p. 99 of this memorandum.

A network must maintain an organization to experiment, create and produce; it must amortize the cost of major programs over many markets; it must schedule them for maximum circulation.

It must, in order to attract the ablest writers, producers and performers, make long-term commitments, and it must plan a reservoir of programs for the future in order to assure the maintenance of a high quality, continuous schedule.

A network must deliver simultaneity for national news and public affairs programs, for sports events, for entertainment programs in which the live and spontaneous element is essential, and for flexibility in scheduling simultaneous advertising messages.

A network creates, promotes and sells a national advertising medium.

Film syndicators and national spot advertisers may, in a limited way, perform some of these functions. But none must perform all, and none does so.

It is these basic differences between network television advertising and other television advertising, and between individual program suppliers and networks, which require the rejection of the attempt to equate the needs of the two groups for option time. If and when non-network programming sources provide an over-all qualitative programming service containing all the necessary variety of elements, then there still will be no need for Government intervention. For the stations are free now to deny option time to networks and to grant it to any other program source or sources which provide assurance of fulfilling their over-all needs. Stations will surely exercise that right at such time as other sources provide a more attractive over-all product.

In sum, without the ultimate safeguard of some device such as option time, at the worst networking with all its benefits could ultimately be fatally injured, and at the best the medium of television would be made less attractive and less economic so that the flow of advertiser dollars would be diverted to competing media, with the consequent weakening of television broadcasting, all of which—including broadcasting of syndicated film—is dependent upon these dollars.

(2) *The unsound premises on which option time is attacked.* The very nature of networking, and national advertising which uses networks, therefore, requires option time or some similar device which can provide reasonable assurance of the simultaneous availability not of a few scattered and isolated stations, but of a *network* of stations. It has been urged, however, that regardless of its importance to networking, it has restrictive consequences on other segments of the industry which require its elimination. Specifically, the premises upon which the proposal for elimination of option time is based are: (a) that option time has restricted the growth of non-network program sources; (b) that option time has unduly restricted the time available for non-network programs; and (c) that option time has restricted the ability of non-network advertisers to use television. None of these premises is sound.

(a) *The quantity and growth of non-network program sources.* A basic premise which underlies the proposal to forbid option time is that its effect has been to diminish the supply of television programs from non-network sources; it is alleged thereby to affect television stations adversely by limiting the supply of programs. The premise is inaccurate. The supply of non-network programs is large and increasing and its use by television stations, both network affiliates and non-affiliates, has been extensive.

Programs produced by non-network sources fall into two general categories: (1) syndicated film destined for national spot or local use on individual stations,[1] and (2) live or film programs for broadcast over the networks.[2]

There are a very large number of independent program producers, both large and small. Some are subsidiaries or affiliates of major Hollywood motion picture producers. Some are producers who have expanded into television from the radio syndication business. Some are talent agencies which in their productions utilize the talent they represent. Some are organizations which have come into being in recent years and devote themselves solely to production for television.

The vast majority of programs produced independently for use on individual stations are on film. These syndicated films are usually light situation comedies, mysteries, Westerns and other adventure programs.

While there has been no over-all survey of its total components and product, it is clear from published sources that the film syndication business is large, with a great many program suppliers. The business and its product have grown rapidly over the last few years.

[1]Such syndicated film may be either feature film initially prepared for theatre release or film produced especially for television.

[2]Another type of non-network program is the locally produced live program, produced by local stations or by independent producers.

Thus the *Television Factbook* for 1948 listed 192 independent programs, sources and services known to be acting as suppliers to television at that time. In the 1956 *Factbook,* 810 sources were listed, of which apparently almost 500 were newcomers since 1953. According to the *Television Magazine Data Book,* the number of syndicated films and film series produced especially for television and available for distribution increased from 85 in 1952, to 259 in 1955, and to more than 400 in 1956. The films listed in 1956 would provide 6,900 hours of programming, exclusive of the new installments of continuing syndicated programs which are being added to daily or weekly.

According to the January 23, 1956 issue of *Sponsor* magazine, film distribution in 1955 grossed $80 million and is expected to gross $100 million in 1956. Many syndicated film distributors reported increases of 50 per cent or more in revenues for 1955 over 1954.

According to the December 1955 issue of *Television Age,* the production budget of Screen Gems, Inc., one of the leading producers of syndicated film for television, rose from $100,000 in 1951 to $10 million in 1955. Its gross sales rose from $6 million in its 1954 fiscal year to $11 million in its 1955 fiscal year[1]; and it expects to gross $15 million in 1956.[2]

Guild Films Company, Inc., another producer of television films, almost doubled its sales and tripled its earnings in 1954, and, without network distribution, was able to place its programs on as many as 178 television stations in the United States, including many primary and basic required network affiliates.

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[1]*Broadcasting-Telecasting Magazine,* December 12, 1955.

[2]*Sponsor,* January 23, 1956.

Its programs were sponsored by almost 400 companies.[1]

National Telefilm Associates, Inc., a distributor of syndicated feature film for television, increased its sales from $350,000 for the *year* ending July 31, 1954, to $870,000 for the *eight months* ending March 31, 1955, and to $1.5 million for the *six months* ending January 31, 1956. Its programs were broadcast by 313 stations during the 16-months period ending April 30, 1955.[2] Forty of its films were recently being broadcast in 96 different markets.[3]

The production plans for only three independent syndicated film producers call for expenditures of at least $31 million in 1956, according to *Television Age* for February 1956. The producers and their reported budgets are: TPA, $10 million; Screen Gems, $12 million; and Hal Roach, $9 to $13 million.

A cursory examination of trade publications received during the seven days April 11 to April 17 included announcements of 11 new film series which were being put on the market by independent producers and distributors. There were from 13 to 39 programs in each of those series. The most striking information came from the April 7, 1956, issue of *The Billboard,* which listed 173 *new* film series planned or in production for national sponsorship next Fall. At the head of the list appeared the following sentence: "The list does not pretend to be complete but does contain a large majority of shows being created for next season."

Another index of the upsurge of independent film producers

[1]Prospectus, September 28, 1954; Annual Report for 1954.

[2]Prospectus, June 7, 1955; Annual and Semi-Annual Reports for 1955 and 1956.

[3]*The Billboard,* January 21, 1956.

is the reported rise in the employment and earnings of writers in Hollywood who work exclusively for non-network film producers. According to the Western Branch of the Writers Guild of America,[1] the highest number of writers employed in Hollywood television production (exclusive of networks) in 1955 was 79; and in February 1956, the number had increased to 276. The gross earnings of the Hollywood television writers (again excluding those employed by the networks) for the ten months ending January 31, 1955, were $1.4 million; and during the succeeding ten months the writers received $4.5 million.

If, despite this evidence to the contrary, there is any present uncertainty on the part of syndicated film producers and distributors concerning the future salability of their products, it must be attributed to the overhang in the market of the vast film inventories of the major motion picture studios in Hollywood, which only now are being made available for television use.[2]

M-G-M is reported to be negotiating for the sale of its entire film library valued at $110 million. RKO last year sold its library for $15.2 million and the films are now being offered for television broadcast. Warner Brothers has just sold its feature film library for $21 million. Columbia Pictures has released to television 104 feature films, 22 Westerns and 151 cartoons. Paramount has sold 1,600 short subjects and 34 feature films. Republic Pictures has released 350 feature films. Universal

[1]*The New York Times* for April 5, 1956.

[2]Dwight Martin, Vice President of General Teleradio, the company that purchased the RKO feature film library, stated in a speech before the National Television Film Council on November 17, 1955, that there were then available for television approximately 3,362 feature films and 1,287 Westerns. He declared that there were twice as many features then available as past practice indicated stations would use. As noted in the text hereof, many additional feature films have been made available since that time.

Pictures has released 97 feature films and short subjects. Warner Brothers has released 191 short subjects. There are still large backlogs at Allied Artists, Columbia Pictures, Walt Disney, Paramount, Twentieth Century-Fox, United Artists and Universal Pictures.[1]

Indeed, when the Department of Justice recently decided not to appeal the judgment of the Federal Court in *United States vs. Twentieth Century-Fox Film Corp., et al.,* it was stated that "the Attorney General pointed out that in recent weeks, five of the companies named as defendants in the action—RKO, Columbia, Warner Bros., Universal and Republic have licensed or sold over 1,800 features and Westerns to television. In addition there have been reports that the remaining defendants are currently engaged in negotiating for release to television of an approximately equal number of features."[2]

It is clear, therefore, that there is a large and increasing number of non-network sources of supply and a large quantity of non-network programming available.

(b) *The time available for non-network programs.* A second premise on which the demand for the elimination of option time is based is that, apart from the matter of the number of non-network program sources, option time is somehow contracting the market available to these sources of non-network produced programs by permitting the pre-emption of all (or all desirable) station time during which their programs might be given exposure.

It is certainly true that whenever a station is broadcasting a

[1]*Variety,* March 28, 1956.

[2]Department of Justice release, March 6, 1956.

network-distributed program, it is prevented from carrying at the same time a program distributed by a non-network program source. It is clear, however, that despite any allegation to the contrary, non-network produced programs are given ample and desirable time for exposure.

This is perhaps most clearly demonstrated by the tremendous growth in the number of independent producers, and in the great increase in the number of television programs they are producing. (See pp. 113 to 118 of this memorandum.) To suggest that the current prosperity of non-network television producers exists in the face of an inability of their programs to appear (or to appear at desirable times) flies in the face of reason.

First, there is available virtually the full broadcast day of stations without option time agreements with any network. Among these stations are 36 stations without any network affiliation of any kind. The markets these 36 stations serve account for 43.2 per cent of the television homes in the United States. Although it is true that some, or perhaps all, of these stations carry some network programs, it cannot reasonably be maintained that option time agreements are preventing the exposure of non-network programs on these stations during any important segment of the broadcast day.

But, it may be argued, the great majority of television stations in the United States have affiliation agreements with networks, and it is probable that most of these agreements contain option time provisions. This is certainly true. However, even in the case of an affiliate whose network affiliation contract contains an option time provision, such option time applies to, at most, only nine hours of the broadcast day.

In addition, the network option applies only when the network broadcasts a sponsored program. None of the networks broadcasts sponsored programs during all nine hours of network option time (in fact, ABC does not now broadcast network programs before three o'clock in the afternoon, E.S.T.). Therefore, the network option applies to substantially less than the full nine hours provided in the standard CBS Television option clause. Furthermore, on many stations additional time is available even during the sponsored portions of the nine hours of network option time because the station is not always ordered by the network advertiser.[1] Also open to non-network programs, obviously, are all periods outside of option time.

Specific evidence of the fact that time is available, that it is desirable time, and that it is being utilized by the non-network advertiser is contained in the following excerpt from an address by Oliver Treyz, President, Television Bureau of Advertising:[2] "'Man Behind the Badge,' sponsored by Ohio Oil and ordered in 11 stations was cleared on ten of these in the supposedly difficult Class 'A' time. 'Great Gildersleeve,' for Lucky Lager Beer, was ordered in 26 stations and achieved 100 per cent Class 'A' clearance—26 Class 'A' clearances in 26 markets. 'Steve Donovan,' for Langendorf Bakeries, ordered into 13 stations, cleared in Class 'A' time in 11 of them. 'Racket Squad,' for Heilman Brewing Company, ordered in nine markets, 100 per cent Class 'A' clearance—nine markets cleared in Class 'A'

[1]The average number of stations carrying CBS Television Network programs during the daytime is 83, and the average number at night is 121. 150 CBS Television affiliation agreements provided for network option time on February 10, 1956.

[2]Speech delivered April 18, 1956, in Chicago at the annual convention of the National Association of Radio and Television Broadcasters.

time. 'The Turning Point,' a new program for General Electric, ordered into 68 markets and 66 markets with Class 'A' clearance. 'Dr. Hudson's Secret Journal' for Bowman Biscuit Company—12 markets ordered, Class 'A' clearances in all 12. 'Socony Mobil Theatre,' for Socony Mobil-Oil, primarily a central division order, 56 markets ordered, 56 markets cleared in Class 'A' time. . . .This is a clear-cut demonstration that there are excellent availabilities in time and that these times can be claimed and can be staked out as franchises for syndicated film programs."

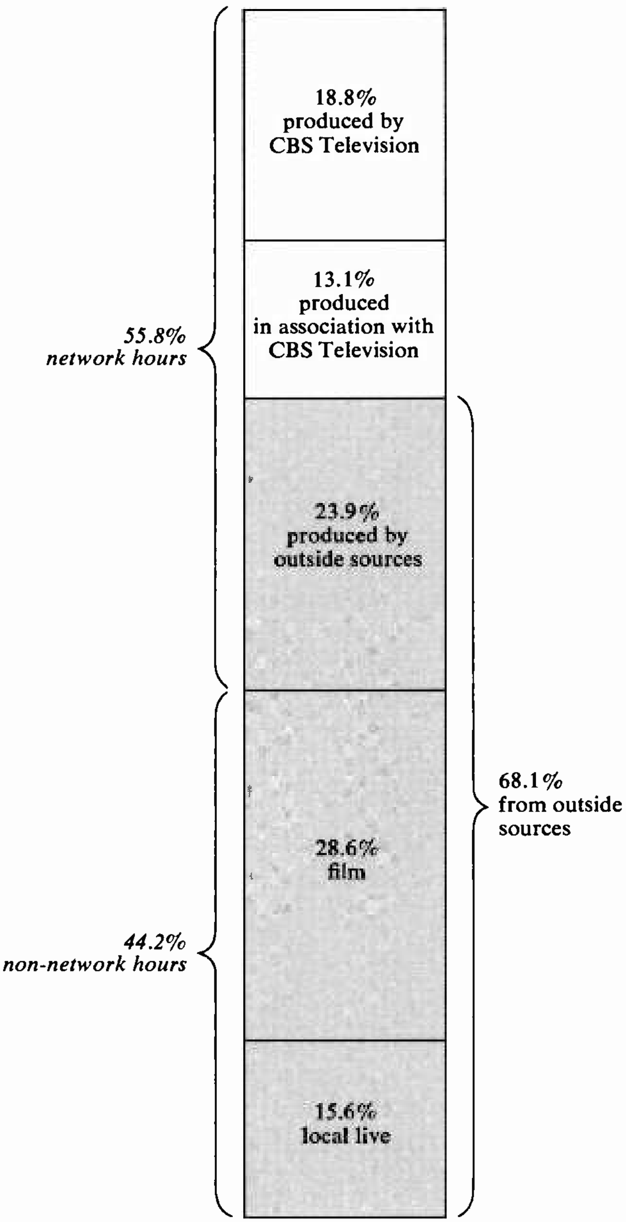
In summary, then, it appears that there is a substantial amount of time available for the broadcast of shows not distributed by the network. And indeed, the evidence bears out this appearance. Statistics which bear on this point are provided by a recent survey[1] based on the reports of 132 television stations, which showed that, during the week ending March 16, 1956, the average interconnected network affiliate was on the air a total of 102 hours and 45 minutes. Of this total, 29 hours and 22 minutes (28.6 per cent) were devoted to film programs not originated by the network, 16 hours (15.6 per cent) were devoted to local live programs and 57 hours and 23 minutes (55.8 per cent) were devoted to network originated programs. See Chart XXIII. Since only 57.1 per cent of the CBS Television Network commercial and sustaining[2] schedule is devoted to programs wholly produced by CBS Television or by CBS Tele-

[1]*Broadcasting-Telecasting Magazine,* April 2, 1956, pp. 78 to 80.

[2]For purposes of this computation it has been assumed that the average interconnected affiliate carried the same proportion of the CBS Television Network sustaining program schedule as it did of the CBS Television Network commercial schedule. As noted on pp. 88 and 89, only 49.8 per cent of the CBS Television Network commercial schedule is comprised of programs wholly produced by the network or by the network in association with outside producers.

CHART XXIII

PROGRAM SOURCES OF AVERAGE INTERCONNECTED AFFILIATE, SUSTAINING AND COMMERCIAL SCHEDULE



vision in association with independent producers, it will thus be seen that in fact by far the largest percentage (68.1 per cent) of the average interconnected network affiliate's time is actually devoted to programs produced directly or indirectly by outside sources, and the smallest percentage of the station's time (31.9 per cent) is devoted to CBS Television Network produced programs, 18.8 per cent produced by CBS Television alone and 13.1 per cent produced by CBS Television in association with outsiders.

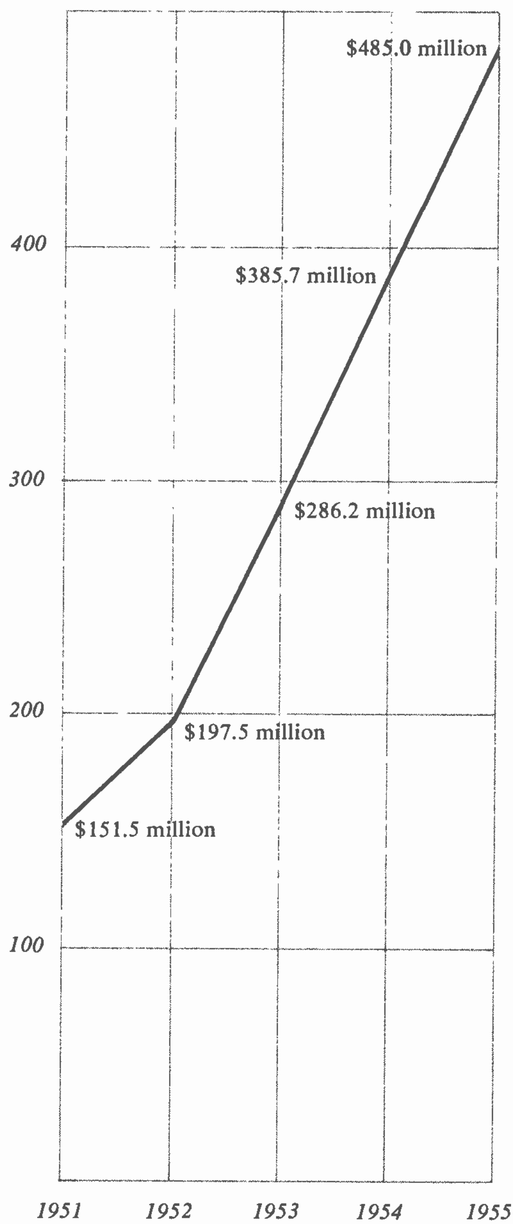
In considering the magnitude of use of non-network produced programs, the *Broadcasting-Telecasting* figures for non-network stations should also be taken into account. Non-network stations averaged about 85 hours of programming a week, of which 63 hours and 32 minutes, or 74.6 per cent, were devoted to non-network film (32 hours and 39 minutes, or 38.3 per cent, to film specially made for television and 30 hours and 54 minutes, or 36.3 per cent, to feature films).

A large part of the broadcast day, therefore, is available to non-network produced programs both on network affiliated and unaffiliated stations during and outside option time.

(c) *The growth and size of non-network television advertising.* The third premise on which the demand for elimination of option time is based is that, apart from the matter of quantity of network program sources, and the time available for non-network programs, option time is somehow restricting the growth of non-network television advertising. The evidence to the contrary is overwhelming. As indicated on Chart XXIV, there has been a steady and substantial increase, over the past five years,

CHART XXIV

TOTAL U.S. NATIONAL SPOT AND LOCAL TELEVISION ADVERTISING EXPENDITURES



in the volume of television expenditures by national spot and local advertisers: from $151.5 million in 1951[1] to $485 million in 1955.[2]

In 1955, the aggregate of money spent on national spot and local television advertising was only $55 million less than the corresponding network figure.[3] As in the case of radio, the margin between television network advertising volume and national spot advertising volume is steadily decreasing. Although nearly twice as much money was expended on network television advertising as was spent on national spot television advertising in 1955, the ratio between the two modes of national television advertising has materially decreased since 1949. In 1949, total expenditures for spot television advertising totaled 31 per cent of total expenditures for network television advertising; in 1955, this ratio had risen to 51 per cent. *Printers' Ink,* a publication accepted in the industry as a reliable source for advertising volume and other statistics, shows network—$520 million, national spot—$265 million, local spot—$220 million. Those figures were based upon estimated time costs adjusted upward to include program production costs. The amount of the adjustment for network was much greater than that for spot, because the costs of production of network programs are generally much greater than for spot programs. When based upon time charges alone, the ratio is substantially reduced—national spot volume for 1954 was 73 per cent of network volume based on official FCC figures.

[1] *Printers' Ink,* October 21, 1955, p. 69.
[2] *Printers' Ink,* February 10, 1956, p. 24.
[3] For the dependence of national spot and local advertising on strong network programming, see pp. 14 to 16.

A recent survey by the Television Bureau of Advertising shows that the gap between gross time charges for time purchased through the networks and gross time charges for time purchased on a national spot basis is rapidly closing. During the period October through December 1955, gross national spot television time sales to 3,017 advertisers equaled $103,872,000, while gross network television time sales during the same period totaled $116,336,797. National spot time sales, therefore, have increased to 89 per cent of network time sales.

It appears, therefore, that contrary to assertions which have been made concerning restrictions which have impeded the rate of growth of non-network television advertising, this growth has exceeded that of network advertising and there is every indication that the amount spent by non-network advertisers will soon exceed that spent by network advertisers.

(3) *Summary*. Option time, in sum, is a necessary device based on, and arising out of, the very nature of networking and network advertising. Its benefits to networking are not offset by detriment to other segments of the industry. Non-network sources of programming are numerous and plentiful—and have been expanding rapidly. There is more than ample opportunity on stations and on networks for exposure of the product of these non-network sources, and indeed, they enjoy such wide exposure. And option time has had no contracting effect on non-network television advertising. On the contrary, the record is clear that such advertising has grown rapidly, and in recent years, at a higher rate than network advertising.

In the circumstances, the attack against option time must fail on the basis of the actual facts.

F. THE PROPOSAL TO ELIMINATE "MUST-BUYS."[1] CBS Television, in accordance with a long standing practice in the broadcasting industry[2] which has never before been seriously questioned, had, as of March 1956, a list of 52 affiliates which it designates as "basic required" stations. Those stations cover substantially all the major markets in the United States and 81.8 per cent of American television homes. With a few exceptions arising out of special circumstances and the special needs of network advertisers,[3] the effect of the basic required list is to require advertisers who wish to use the network to order these stations as a minimum.[4]

The basic required stations, taken as a group, constitute the indivisible product that CBS Television creates, assembles and sells. *They are the basic network.* Combined, they provide a medium which in fundamental respects is different from the limited medium provided by each individual station. It is a national advertising medium, as distinguished from a local medium. Its function is to provide nationwide circulation in the tele-

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[1]To the extent that the "basic required" practice is attacked as a violation of the antitrust laws, see the discussion in the legal memorandum submitted simultaneously herewith.

[2]Contrary to suggestions which have been made to this Committee, each of the networks has some form of must-buy or minimum purchase. As stated in Rate Card Number 6, effective March 1, 1956, ABC imposes the following requirement: "Advertisers are required to purchase a minimum cleared gross for station time equivalent to $50,000 per Class A hour. Advertisers are required to order as part of the applicable minimum the five ABC owned stations in New York, Chicago, Detroit, Los Angeles and San Francisco and any other ABC owned stations added during the effectiveness of this rate card."

[3]For the week ending April 7, 1956, one advertiser ordered less than 52 affiliates for its program. In the case of four other programs, more than 52 affiliates were ordered, but the orders did not include some of the basic required stations.

[4]Except in the case of one station, there is no agreement between the CBS Television Network and the stations involved by which they are designated as "basic required." In the case of the one exception, the designation was specified in the affiliation agreement at the insistence of the station. With this exception, CBS Television is free to, and does, alter the list at will. A station will be a basic required station if its unduplicated coverage area includes a minimum of 175,000 families. Stations having a service area containing somewhat less than the minimum number of families and stations having a service area containing more than the minimum number of families may be included in, or excluded from, the basic required group by reason of considerations other than population. Some of these considerations are conversion rate in case the station is a UHF station, income, retail sales, and buying power of the area served and importance of the principal city served.

vision field, just as *LIFE* and *The Saturday Evening Post* serve the entire nation in the publication field.

The size and characteristics of the network medium are determined by CBS Television, based upon the interrelated requirements of its customers (advertisers), its affiliates and its own internal economics. In practice, national advertisers who want network coverage almost universally order far in excess of the basic required stations. In April of this year, the average number of stations which broadcast CBS Television Network commercial programs during daytime hours was 83, and during nighttime hours was 121.

The minimum dimensions of the network having been outlined by advertiser demand, CBS Television has fashioned its product and geared its operations to meet that demand. The basic required list was not adopted to suppress competition in any way, nor does it do so. Its basic purpose and function are merely to define and delineate the product that the network has for sale.

It is interesting to note that the advertisers—the only group to whom the basic required practice directly applies—have never raised a question about the practice. The answer is simple. Those who need nationwide coverage use network advertising, and their normal wants include coverage in all the major markets represented by the basic required stations. Those who need something less than nationwide coverage turn naturally to spot advertising, or share the network facilities on a regional basis with other advertisers.

Advertisers thus have a great freedom of choice in the market. They have three different nationwide networks from which to choose. If they prefer not to use a network, they can choose any line-up of stations that they want on a spot basis, including network affiliates in the basic group. Or they can, as many do, mix network advertising with spot advertising. Or they can choose non-television media, as some do. An advertiser should not be permitted, however, to choose a particular network and at the same time reject a substantial part of it, thereby making the rejected part unusable as a network for that period.

In the publishing field, it would not occur to anyone that an advertiser who buys space in *LIFE* or *The Saturday Evening Post* should be able to say that he does not want the advertisement to appear in those copies of the magazines which are distributed in Los Angeles, or Louisville, or Seattle, or some other specific city. Theoretically it is possible to regard each copy as a separate publication which an advertiser could be free to order or not; but for business reasons the publisher determines that its product is a single nationwide publication, and no one questions its right to sell its advertising space on that basis. There is no reason for viewing a network in a different light.

Once a network has determined the character and dimensions of its basic product (the basic required group) and geared its operations to satisfying the demand for that product, there are compelling economic reasons for prohibiting fragmentation of the product. The network, as stated, makes heavy commitments for AT&T interconnection service among its affiliates, on a minimum basis of eight hours per day. The cost of maintaining the interconnection service simply could not be supported by orders for only a few major stations. If an advertiser were to place an order, for example, limited to New York, Chicago and Los Angeles, the costs for interconnection facilities, alone, would be unbearably excessive. There must be stations along the line to provide sufficient revenues to defray the cost.

The other extensive network services that are described in Parts II, III and IV of this memorandum also require the broad financial support of sales of the combined time of the major network affiliates. Those services cannot be supported by sales of only a small fraction of a network.

In summary, the policy of the basic required group is no more than a conformance to the normal demand of national network advertisers, and it is no different from any other minimum order policy which a supplier adopts where the nature of his product, the requirements of his customers and the economics of distribution justify it.

G. THE PROPOSAL TO PROHIBIT NETWORK OWNERSHIP OF STATIONS. It has from time to time been suggested that networks should be prohibited from owning stations. Insofar as this suggestion is predicated on the belief that such a divorcement is compelled by, or even consistent with, judicial decisions under the antitrust laws in motion picture cases, it is demonstrated to be erroneous in the legal memorandum submitted simultaneously herewith.

In any event, the proposal to prohibit networks from owning stations is arbitrary. Also, because of their importance to networking as well as the record of performance of network-owned stations in their communities, the prohibition would clearly be contrary to the public interest.

Network ownership of stations is essential as a matter of economics. In previous portions of this memorandum (pp. 52 to 55) it has been shown that the station profits as the percentage of revenues are far larger than network profits. This fact is indeed confirmed by CBS' own experience as is demonstrated by the following table:

		per cent of gross sales attributable to:		*per cent of broadcast profits before taxes attributable to:*	
	year	*network*	*owned stations*	*network*	*owned stations*
Television	1955	85	15	58	42
	1954	85	15	51	49
	1953	84	16	34	66
	1952	88	12	0	100
Radio	1955	69	31	22	78
	1954	75	25	45	55
	1953	76	24	44	56
	1952	75	25	31	69
	1951	77	23	43	57
	1950	77	23	46	54

It should be noted in connection with the foregoing table that in 1952, and for the first month of 1953, CBS owned only two television stations, and from February 1953 until February 1955, it owned only three television stations. Since February 1955, it has owned only four television stations, of which one, WXIX, Milwaukee, is a UHF station.

Not only is station ownership, in general, more profitable than network ownership, but equally important, station revenues are far more stable. As has been shown (pp. 50 to 55), the margins of network profit in relation to sales are narrow and the swings are violent. Because networks are particularly vulnerable in periods of decline (see table on this page showing the relationship of CBS Radio Network profits to the profits of CBS

Owned radio stations), and because of this phenomenon of the violent swing, station ownership provides an essential bulwark supporting network operations. Because of the economic peculiarities inherent in the network business, it is the stable source of revenues provided by its owned stations which permits the network to maintain the organization and take the necessary risks involved in major investments in facilities and long-term talent commitments. Indeed, it would seem clear that without these assurances of stable revenues from its ownership of stations, networks would be forced substantially to curtail their investments and commitments and to shrink their sustaining, informational and similar programming to which the revenues of owned stations contribute so heavily.

It has been suggested that the force of the economic justification for network ownership of stations is fatally weakened by the success of CBS Television in the face of the fact that, unlike NBC and ABC, it has not owned its full quota of stations. But this is hardly assurance for the future; on the contrary, past history indicates that it is a weak reed upon which to rely. For the past few years hardly represent a typical period in the life cycle of television. It has been a period of explosive growth and of shortage of stations. There has not yet been a period of normal conditions, nor a period of any degree of recession. Hence none of the stresses against which station ownership is such powerful insurance have in fact obtained. And, in any event, as the table on p. 131 shows, the CBS Owned television stations have contributed a significant portion of CBS Television profits.

The FCC itself has confirmed the desirability of network ownership of stations because of the economic factors involved. Thus, in the ABC-Paramount merger case, the Commission recognized the speculative character of network operations and attributed the difficulties of ABC to its lack of financial resources "to take the risks involved in making long-term contracts with outstanding talent" (8 R. R. p. 599). It noted (p. 614): "Officials of all three networks involved in this proceeding, ABC, CBS and DuMont, are in agreement concerning the economic and operational importance of network ownership of television stations. The revenues of owned stations support networking operations, which are not per se significantly profitable."[1]

While the economics of networking provide the primary reason for the essentiality of networks' ownership of stations, there are other important reasons. Thus, network owned stations are far more likely to accept sustaining programs produced by the News and Public Affairs Department, and it is because of that reasonable assurance of substantial exposure for such programs that it is possible to plan and produce these at all.

So, too, ownership of stations provides an important lifeline for the infusion of new personnel into the network. The stations which CBS owns have furnished the CBS Television Network with a reservoir of personnel who are thoroughly familiar

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[1]See also the Commission's Report and Order in Docket No. 10822, 11 R. R. 1519, 1523, in which the Commission noted: "The ownership of broadcast stations in major markets by the networks . . . is an important element of network broadcasting."

See also address of Commissioner Bartley, January 1955, at the University of Georgia, in which he stated: "Network service, which is essential if we are to reap the benefits of instantaneous programming on a nationwide basis, would be complicated to the point of impracticability if their key stations, that is, the principal origination points for the bulk of their programs, were not run by the networks.

"Then, too, there is some basis for the claim that network operation, if divorced from the revenues of key stations, could not long survive. The cost of line charges, particularly in television, may well tend to drive more and more programs onto film or tape. So, based primarily on these two things: first, necessity for key station control, and, two, the need for key station revenues to help defray network costs, we have found it beneficial and in the public interest to allow a degree of multiple ownership."

with the operations of the network and who are experienced in broadcasting at the station level—where there is more immediate contact with public tastes and public reaction. Such personnel, trained at the station level, make it possible for the CBS Television Network to have executives who are sensitive to the problems of station operations and the broadcasting needs of different parts of the country. Their knowledge of station operations enables them to provide intelligent assistance and advice to the managers of the owned stations, and to appreciate the problems of affiliated stations in endeavoring to adapt to the needs of their viewers for network and local programs.

Similarly, owned stations are laboratories for program ideas and talent. In a number of cases, programs developed by its owned stations have later been added to the network schedule. For example, KNXT, the CBS Owned television station in Los Angeles, created and broadcast a series of programs by Dr. Frank C. Baxter on Shakespeare. Its success led the network to expand the program and carry it on a nationwide basis. Similarly, "Camera Three" and "Eye on New York," originally developed and broadcast by WCBS-TV, New York, were later broadcast by the network. Among the CBS talent developed by the stations, and later utilized on the network, are Arthur Godfrey and Jack Sterling.

But television stations owned by CBS contribute not only to the network but, even more important, to the communities which they serve. It has long been the policy of CBS that both the personnel of the owned stations and the stations themselves play an active role in the civic life of their cities. The stations owned by CBS have concentrated heavily on local programming and community service. Appendix D summarizes some of the details of the local programming, and of the community activities of these stations, and the awards which they have won for their local service.

It is submitted that no facts and no considerations of public policy would justify discriminating against networks, among all potential owners, as ineligible to own stations. On the contrary, as has been shown, the public would be seriously disserved by such a prohibition, not only because of its grave effect on networking operations, but also because it would deprive important local communities of station ownership which has proved by its record that it serves the communities well.[1]

H. THE PROPOSAL TO REGULATE NETWORK AFFILIATIONS.

The proposal that the Federal Government intervene in the question of network affiliation with stations and in effect determine with which stations a network must affiliate is apparently based on the premise that networks have been arbitrary and whimsical in their affiliation determinations. The facts are to the contrary.

It should be noted at the outset that the number of stations with no network affiliation at all is exceedingly small. For of the 429 commercial stations on the air as of March 1, 1956, 393 were affiliated with a nationwide network.[2] Thus, only 36 stations are not affiliated with one of the three networks and

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[1]It has been suggested that network ownership of stations curtails competition. But the Commission's rules carefully guard against ownership of stations where competition would be adversely affected. It is to be noted that WCBS-TV is one of seven VHF stations in New York; KNXT is one of seven VHF stations in Los Angeles; WBBM-TV is one of four VHF stations in Chicago; and WXIX is a UHF station competing against three VHF stations in Milwaukee.

[2]The 393 affiliates do not include stations with which the networks have only "per-program" arrangements.

even of these 36 a substantial number have "per-program" arrangements with the networks.[1] In the case of these 36 stations, affiliation is not feasible either because they are in cities (such as Los Angeles, New York and Chicago—in which there are a total of nine unaffiliated stations) where each of the three networks already has a primary affiliate or they are in areas where there is severe overlap with existing affiliates.

Nor is it consistent with the facts to predicate Government control of network affiliations on the charge of discrimination against UHF. The fact is that the CBS Television Network is not concerned with whether a station is UHF or VHF, except insofar as it determines size of the audience which will be added to that already served by the network, and the effect upon the network's over-all cost per thousand.[2] During 1955 a total of 53 UHF stations broadcast CBS Television commercial programs for which they received $2,334,481 as their share of the revenues for those programs.

In any event, it is submitted that any careful examination of the procedures, practices and criteria which the CBS Television Network has adopted in making its affiliation determinations readily establishes that the network is not arbitrary or whimsical. These practices, policies and criteria have been described in full in response to a "Questionnaire for TV Networks," submitted to this Committee in December 1954. Brought up to date, that response is set out in full in Appendix C of this memorandum. The Appendix establishes that CBS Television

[1]Thus the CBS Television Network currently has "per-program" arrangements with six of these non-affiliated stations.

[2]For a description of the part played by the fact that a station is UHF, see Appendix C, pp. XXVI to XXVIII.

practices, policies and criteria are the result of careful consideration, and have been formulated in the light of the responsibilities of the network to each of the several groups which must be involved—the public, present affiliates and advertisers.

It is true that it is not possible for a network to formulate precise criteria for affiliation which are self-executing and which can be applied in any situation with mathematical certainty. The question of whether or not to affiliate is often difficult and delicate, involving close questions of business judgment and rooted in advertiser economics (see Part IV, B of this memorandum). Affiliation determinations, because of the very nature of the business, require substantial room for the exercise of sensible business judgment.

For the same reasons, affiliation determinations seem plainly not susceptible to regulation by Government fiat. It would be impossible, by legislation or regulation, to establish a sensible set of standards which would automatically dictate the choice in each case. And indeed, as far as competition for affiliation between stations in the same community is concerned, precisely this conclusion has been conceded by the Special Counsel of this Committee in his Memorandum transmitted on February 1, 1955. He there stated (p. 24) that absent a conspiracy or unduly restrictive practices (over which both the FCC and the Department of Justice have ample authority under present law), "it is of no governmental concern whether a given network awards an affiliation to station A or station B where they are both located in the same community, and where they serve approximately the same service area."

It would seem that exactly the same conclusion applies in any case of affiliation. It is difficult to conceive how the Government can sensibly make the necessary business judgments involved. And even if it could, it is unlikely that any benefit to the handful of unaffiliated stations would result. As has been noted (pp. 74 to 78 of this memorandum), mere affiliation is not enough. Affiliations are denied where there is already an affiliate in the community, or where the applicant would contribute so little additional circulation that an advertiser could not be expected to order the station. Obviously, in such cases, affiliation is unlikely to be of significant help to the station. The advertiser must still order the station, and it has not yet been suggested that the Government can compel the advertiser to do so; nor can the Government compel the advertiser to remain in network television.

It is to be noted that by its adoption of a policy of accepting an advertiser order for any station, even though not affiliated, so long as it is not located in the principal community where an existing affiliate is located, CBS Television has provided substantially all which Government regulation could provide, for the effect of this policy is to give every station (except those located in the same communities), whether affiliated or not, opportunity to carry CBS Television Network programs if they are ordered by the advertiser.

In sum, it is submitted that the proposal to regulate the affiliation practices of networks, and thus to determine where and with whom the network must affiliate, will inject the Government into an area in which even the large bureaucracy necessary for administration of such a law could make no sensible or beneficial contributions.

I. THE PROPOSAL TO REQUIRE VHF STATIONS TO SHARE NETWORKS. The American Broadcasting Company has suggested to this Committee that VHF stations in one- or two-station markets be required, for an unspecified "interim" period, to "share their service equally and equitably among the three networks."[1] The representative stated (p. 1705) "I think it should operate to provide positive entry rather than operate as an additional barrier to an additional program service common to the market." It would appear, therefore, that the ABC proposal is, in fact, a proposal not only to forbid a VHF station in one- and two-station markets from carrying more than a specified percentage of programs of a particular network; it is designed also to *require* the station to carry the programs of ABC (or any new networks not now in being) for a specified percentage of time.

Proposals such as this have previously been advanced in recent years. A similar proposal was the subject of FCC rule making proceedings in 1950-51 (Docket No. 9807). It was also advanced by DuMont in 1954. Both times it has been rejected; both times, indeed, it was opposed by ABC itself. In its

[1]Transcript of Hearings before this Committee, March 26, 1956, p. 1705. The precise content of this proposal is unclear. While, as first stated, ABC proposed that the stations share "equally and equitably," at p. 1707 the ABC representative stated that in such two-station markets as Providence each station would be required to provide one out of three of the evening option hours for service for the network with which it is not primarily affiliated. The ABC representative stated that thus "the primary network would still have a two to one advantage and therefore, I am not talking about parity." Of course, if the CBS Television affiliate in Providence were required to give up one hour to a network other than CBS Television, it could do so in order to carry an NBC program; similarly, the NBC primary affiliate, forbidden to carry NBC during the third hour, could theoretically carry the CBS Television programs. Thus, ABC would not be benefited. It is probable that ABC actually suggests that each station be forbidden to carry programs during the hour, not only of the network with which it is primarily affiliated, but also, of the network with which the other station is primarily affiliated. Only in this way could ABC be assured of the exposure which it demands. But this would involve a regulation the impact of which would apply to one station depending on the action of its competitor station in the same market: Station A, a primary affiliate of NBC, could carry two NBC hours, but none of CBS Television if Station B carries two hours of CBS Television.

comments in Docket No. 9807, ABC explicitly stated that it "would oppose any requirement affirmatively obligating licensees to clear a minimum number of hours for each network."

Apart from the extraordinary mechanical difficulties which such a proposal would entail (see footnote, p. 139), such a proposed rule is objectionable. It abandons the basic concept of licensee responsibility which is a fundamental tenet of the Federal Communications Act and a central policy of the Commission. The rule would destroy the licensee's freedom to select its own programs and to determine those persons with whom it would deal.

Contrary to fact, the rule assumes that each network is offering programs of equal quality and popular appeal. The rule would require stations to broadcast certain programs even when its management is convinced that they are unwanted by the station's audience. It would establish a dangerous and unsound precedent based on Government compulsion upon a licensee forcing the licensee to deal with a network not of its own choosing, and to accept programs which it would otherwise reject.

The proposal also turns its back on the principle that the public interest requires that there should, and must, be free competition among the networks for station affiliation and clearance. This was precisely the philosophy which underlay the Commission's rule forbidding the operation of option time against any other network. Stations are now free to choose, during any period of the broadcasting day, the programs of any network. As has been shown (p. 98), network programs cross affiliation lines so that, for example, ABC's "Disneyland" is carried on many CBS Television primary affiliates.

In essence, therefore, the proposal, under the guise of encouraging and equalizing competition, in fact is antithetical to competition. It would dilute the incentive of networks constantly to provide the best possible programs, for no matter how good their programs, the networks would *by law* be forbidden access, during certain periods of the day, to stations in favor of a competitor.

Nor can these undesirable consequences be considered, as ABC seems to suggest, in the light only of a *third* network. The possibility of fourth, fifth, sixth, etc. networks must also be considered, particularly if, as the proposal contemplates, each has a right automatically to a free ride in sharing stations' time. Thus, the moment a fourth organization declares itself a network and enters the business, it would have an automatic right, regardless of its performance, schedule, or record, to share one quarter of the aggregate time of stations in markets which have less than four stations; a fifth network would get one fifth of stations' time in markets of less than five stations—and so on, cutting down on the time available to existing networks with each new "network."

It is submitted that these considerations, which have led to rejection of this proposal over the past six years, are still of controlling persuasiveness. They require the proposal's rejection once again.

J. THE PROPOSAL TO LICENSE NETWORKS. The proposal to license and regulate networks is, on its face, simple. But since the Commission already exercises considerable regulatory powers over a network through its licensing of the stations owned by the network, as well as through its licensing of stations affiliated with the network, the implications of a proposal directly to license and regulate networks are both wide and unknown. In effect, it would seem that the proposal is designed to regulate, and hence license, anyone entering into the business of networking, irrespective of the fact that the network may own no stations and thus make no use of any portion of the broadcast spectrum. Yet it is the use of the spectrum which has always provided the basis in law for licensing and regulating broadcasters.

By abandoning this concept, the proposal enters into a novel and dubious realm. Its implications are perhaps most clearly assessed by regarding it as a proposal to regulate and license a network, not only in its affiliation practices,[1] but also as a supplier of program material—just as are film producers, independent program packagers or advertising agencies which produce programs. That is an extreme concept which may well lead to the complete destruction of the principle of free competition embodied in the Federal Communication Act and basic to the American system of broadcasting.

To the extent that the proposal is an attempt to regulate networks *per se* and wholly apart from *station* licensing, it is no different from saying that newspaper wire services or newspaper syndicates should be subject to regulation in order to control the subject matter of their writings, and perhaps, even how much they charge customers. It would inject the Federal Government into areas which have long been forbidden to it: areas of business judgment, of program content, of determining with whom suppliers may and may not deal; all involving the most

[1]To the extent that the proposal is designed to reach affiliation practices, it has been discussed on pp. 135 to 138.

intimate details of the business relationships between networks and stations and networks and advertisers—even to the fixing of rates, although there is no payment by the ultimate consumer—that is, the television viewer—involved at all.

It is submitted that nothing in the nature of television broadcasting or of current practices warrants, or even permits, so radical a departure from existing concepts and so dangerous a philosophy of Governmental intervention.

APPENDIX A

Form of Typical CBS Television Primary Affiliation Agreement

CBS TELEVISION

A division of Columbia Broadcasting System, Inc.

TELEVISION AFFILIATION AGREEMENT

AGREEMENT made this day of , 19 by and between CBS TELEVISION, a division of Columbia Broadcasting System, Inc., 485 Madison Avenue, New York 22, New York (herein called "CBS Television") and

(herein called "Station") licensed to operate television station at full time on a frequency of on Channel number

CBS Television is engaged in operating a television broadcasting network and in furnishing programs to affiliated television stations. Some of such programs, herein called "sponsored programs," are sold by CBS Television for sponsorship by its client-advertisers. All non-sponsored programs are herein called "sustaining programs." "Network sustaining programs," "network sponsored programs" and "network programs" as used herein mean network television programs. Station and CBS Television recognize that the regular audience of Station will be increased, to their mutual benefit, if CBS Television provides Station with television programs not otherwise locally available.

Accordingly, it is mutually agreed as follows:

1. CBS Television will offer to Station for broadcasting by Station network sustaining programs as hereinafter provided, without charge, and CBS Television network sponsored programs for which clients may request broadcasting by Station and which are consistent with CBS Television's sales and program policies. Network sustaining programs made available by CBS Television are for sustaining use only and may not be sold for local sponsorship or used for any other purpose without the written consent of CBS Television in each instance.

Station shall have a "first refusal" of each network sponsored program and each network sustaining program which is to be offered to any television station licensed to operate in the community in which Station is licensed to operate. Station may exercise its "first refusal" with respect to any network program by notifying CBS Television within 72 hours (exclusive of Saturdays, Sundays and holidays) after CBS Television shall have offered the program to Station that Station will accept and broadcast such program in the time period and commencing on the date specified by CBS Television in its offer of such program to Station. In the event that Station shall not so notify CBS Television with respect to any such program, Station shall not thereafter have any right to broadcast such program.

2. (a) Station, as an independent contractor, will accept and broadcast all network sponsored programs offered and furnished to it by CBS Television during "network option time" (as hereinafter defined); provided, however, that Station shall be under no obligation to accept or broadcast any such network sponsored program (i) on less than 56 days' notice, or (ii) for broadcasting during a period in which Station is obligated by contract to broadcast a program of another network. Station may, of course, at its election, accept and broadcast network sponsored programs which CBS Television may offer within hours other than network option time.

(b) As used herein, the term "network option time" shall mean the following hours:

(i) if Station is in the Eastern or Central Time Zone, Daily, including Sunday, 10:00 A.M. to 1:00 P.M., 2:00 P.M. to 5:00 P.M. and 7:30 P.M. to 10:30 P.M. (expressed in New York time current on the date of broadcast);

(ii) if Station is in the Mountain or Pacific Time Zone, Daily, including Sunday, 10:00 A.M. to 1:00 P.M., 2:00 P.M. to 5:00 P.M. and 7:30 P.M. to 10:30 P.M. (expressed in local time of Station current on the date of broadcast).

3. Nothing herein shall be construed (i) with respect to network programs offered pursuant hereto, to prevent or hinder Station from rejecting or refusing network programs which Station reasonably believes to be unsatisfactory or unsuitable, or (ii) with respect to network programs so offered or already contracted for, (A) to prevent Station from rejecting or refusing any program which, in its opinion, is contrary to the public interest, or (B) from substituting a program of outstanding local or national importance. CBS Television may, also, substitute for one or more of the programs offered hereunder other programs, sponsored or sustaining, of outstanding local or national importance, without any obligation to make any payment on account thereof (other than for the substitute program, if the substitute program is sponsored). In the event of any such rejection, refusal or substitution by either party, it will notify the other by private wire or telegram thereof as soon as practicable.

4. Station will not make either aural or visual commercial spot announcements in the "break" occurring in the course of a single network program or between contiguous network sponsored programs for the same sponsor where the usual station break does not occur.

5. CBS Television will pay Station for broadcasting network sponsored programs furnished by CBS Television as specified in Schedule A, attached hereto and hereby in all respects made a part hereof. Payment to Station will be made by CBS

Television for network sponsored programs broadcast over Station within twenty (20) days following the termination of CBS Television's four or five week fiscal period, as the case may be, during which such sponsored programs were broadcast.

6. CBS Television will offer to Station for broadcasting such network sustaining programs as CBS Television is able to cause to be delivered to Station over coaxial cable or radio relay program transmission lines under arrangement satisfactory to CBS Television. CBS Television shall not be obligated to offer, or make available to Station hereunder, such network sustaining programs as it may have available in the form of TV recordings, unless CBS Television has the right so to do and Station shall agree to pay CBS Television's charges therefor.

7. When, in the opinion of CBS Television, the transmission of network sponsored programs over coaxial cable or radio relay program transmission lines is, for any reason, impractical or undesirable, CBS Television reserves the right to deliver any such program to Station in the form of TV recordings, or otherwise.

8. Station agrees to observe any limitations CBS Television may place on the use of TV recordings and to return to CBS Television, transportation prepaid by Station, immediately following a single broadcast thereof, at such place as CBS Television may direct, and in the same condition as received by Station, ordinary wear and tear excepted, each print or copy of the TV recording of any network program, together with the reels and containers furnished therewith. Each such TV recording shall be used by Station only for the purpose herein contemplated.

9. Neither party hereto shall be liable to the other for claims by third parties, or for failure to operate facilities or supply programs for broadcasting if such failure is due to failure of equipment or action or claims by network clients, labor dispute or any similar or different cause or reason beyond the party's control.

10. The obligations of the parties hereunder are subject to all applicable laws, rules and regulations, present and future, especially including rules and regulations of the Federal Communications Commission.

11. Station shall notify CBS Television forthwith if any application is made to the Federal Communications Commission relating to the transfer of any interest in Station (or in the television station to which this Agreement relates), and CBS Television may terminate this Agreement, effective as of the effective date of such transfer, by giving not less than ten days' prior notice to Station. If CBS Television does not so terminate this Agreement, Station will procure the agreement of the proposed transferee that, upon the consummation of the transfer, the transferee will assume and perform this Agreement.

12. All notices required, or permitted, to be given hereunder shall be given in writing, either by personal delivery or by mail or by telegram or by private wire (except as otherwise expressly herein provided) at the respective addresses of the parties hereto set forth above, or at such other addresses as may be designated in writing by registered mail by either party. Notice given by mail shall be deemed given on the date of mailing thereof. Notice given by telegram shall be deemed given on delivery of such telegram to a telegraph office, charges prepaid or to be billed. Notice given by private wire shall be deemed given on the sending thereof.

13. This Agreement shall be construed in accordance with the laws of the State of New York applicable to contracts fully to be performed therein, and cannot be changed or terminated orally.

14. Neither party shall be or be deemed to be or hold itself out as the agent of the other hereunder.

15. As of the beginning of the term hereof, this Agreement takes the place of, and is substituted for, any and all television affiliation agreements heretofore existing between the parties hereto concerning the market area to which this Agreement relates, subject only to the fulfillment of any accrued obligations thereunder.

16. The term of this Agreement shall begin on and shall continue for a period of two (2) years from such date; provided, however, that unless either party shall send notice to the other at least six months prior to the expiration of the then current two-year period that the party sending such notice does not wish to have the term extended beyond such two-year period, the term of this Agreement shall be automatically extended upon the expiration of the original term and each subsequent extension thereof for an additional period of two years; and provided, further, that this Agreement may be terminated effective at any time by either party by sending notice to the other at least twelve months prior to the effective date of termination specified therein.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

CBS TELEVISION, a Division of Columbia Broadcasting System, Inc.

By..

By..

SCHEDULE A

(Attached to and forming part of the agreement between CBS Television and

This Schedule A contains provisions supplementary to said agreement and in case of any conflict therewith, the provisions of this Schedule A shall govern.)

I. CBS Television will pay Station for broadcasting network sponsored programs furnished by CBS Television during each week of the term hereof, thirty per cent (30%) of the gross time charges for such week, less the "converted hour" deduction and the ASCAP and BMI deduction.

II. The "converted hour" deduction for any week shall be one hundred fifty per cent (150%) of the amount obtained by dividing the gross time charges for such week by the number of "converted hours" (as hereinafter defined) in such week.

III. The ASCAP and BMI deduction for any week shall be the amount obtained by (i) deducting the "converted hour" deduction for such week from thirty per cent (30%) of the gross time charges for such week, and (ii) multiplying the remainder by the ASCAP and BMI percentage.

IV. As used herein, the term "gross time charges" for any week shall mean the aggregate of the gross card rates charged and received by CBS Television for broadcasting time over Station for all network sponsored programs broadcast by Station during such week at the request of CBS Television.

V. As used herein, the term "converted hour" means an aggregate period of one hour during which there shall be broadcast over Station one or more network sponsored programs for which CBS Television shall charge and receive its Class A time card rate for broadcasting time over Station. An aggregate period of one hour during which there shall be broadcast over Station one or more network sponsored programs for which CBS Television shall charge and receive a percentage of its Class A time card rate, such as its Class B time card rate, shall be the equivalent of the same percentage of a converted hour. Fractions of an hour shall be treated for all purposes as their fractional proportions of a full hour within the same time classification.

VI. CBS Television shall not have the right to reduce Station's gross hourly card rates for network sponsored programs except in connection with a re-evaluation of the gross hourly card rates for network sponsored programs of a substantial number of its affiliated stations. CBS Television shall give Station at least thirty days' prior notice of any reduction in Station's then current gross hourly card rates for network sponsored programs and Station may terminate this Agreement, effective as of the effective date of any such reduction, on not less than fifteen days' prior notice to CBS Television.

VII. As used herein, the term "ASCAP and BMI percentage" shall mean the aggregate of the percentages of CBS Television's "net receipts from sponsors after deductions" and of CBS Television's "net receipts from advertisers after deductions" paid or payable, respectively, to American Society of Composers, Authors and Publishers (ASCAP) and Broadcast Music, Inc. (BMI) under CBS Television's network blanket license agreements with ASCAP and BMI. (Currently such percentages are 3.025 and 1.2, respectively.)

VIII. In the event that CBS Television shall have license agreements with ASCAP or BMI which shall provide for the payment of license fees computed on a basis other than a percentage of CBS Television's "net receipts from sponsors after deductions" or "net receipts from advertisers after deductions," as the case may be, CBS Television shall deduct from each payment to Station, in lieu of the ASCAP and BMI deduction, the proportionate share of music license fees paid or payable by CBS Television which is properly allocable to such payment.

IX. The obligations of CBS Television hereunder are contingent upon its ability to make arrangements satisfactory to it for facilities for transmitting CBS Television network programs to the control board of Station.

APPENDIX B

A Case History of a CBS Public Affairs Series

Except that no revenues were involved, the case history of the planning, conception and evolution of the Public Affairs program entitled "The Search" parallels that of "Climax!" (see pp. 36 and 37 of this memorandum). "The Search," a series of programs produced by the Public Affairs Department, was designed to broaden man's horizons by bringing to the viewer knowledge of current scientific research projects. Its history illustrates the basic philosophy of the CBS Public Affairs Department that the objective must be to produce educational and informational programs which are designed and presented attractively so they will reach the largest possible audience.

Preparation of "The Search" began in January 1951, when a series of staff conferences led to the concept of a program series which would describe to the viewing public, in terms which would be informative and useful, the research done in major universities. In the Spring of 1951, negotiations were begun with a major university and sample scripts were prepared. Later, negotiations were begun with a second major university. By the Winter of 1951-52, two different types of programs were simultaneously prepared—one on a live basis with the first university, the other on a filmed basis with the second university. In September 1952, the pilot film was completed and revised. In October 1952, both the live and the filmed pilots were rejected since they did not measure up to the standards of the department. Research was begun again to determine where the scope of the series could be broadened so as to include many projects of many universities. In November 1952, the department assigned a staff to engage in a research tour of a number of universities throughout the country.

In December 1952, a decision was reached to proceed to film 26 programs, each dealing with a different research project at a different university. In January 1953, a skeleton staff was assembled, and in March 1953, the first actual production steps were taken. In July 1953, the first rough cut version of a single program was screened. Again after careful analysis, in September 1953, it was decided that the program was not wholly satisfactory and that its approach should be shifted. For the next few months, the organization for research, reporting and production was rebuilt and by February 1954, the rebuilt unit began active production.

In September 1954, the first of the series of 26 "The Search" programs was broadcast—*three years and nine months after actual preparation had begun.*

The series was continued throughout the Fall and Winter; it was repeated at a different time period in the Summer of 1955. The subjects with which the 26 programs dealt include such varied research projects as automation at the Massachusetts Institute of Technology; Arkansas folklore at the Fine Arts Center of the University of Arkansas; diagnosis and care of deafness at Johns Hopkins University; child development at

Yale University; and uranium prospecting and mining at the Colorado School of Mines.[1]

The total direct cost of "The Search," which was unsponsored, was approximately $750,000. Of this amount, $500,000 was spent during the years of preparation preceding the first broadcast.

The program has won ten awards, including the George Foster Peabody Award and the Blakeslee Award of the American Heart Association.

[1]One of the programs in the September series dealt with the work of Cornell University in the area of automobile safety. As a direct result of suggestions made in the course of the program, at least one major automobile manufacturer made available in its 1956 cars safety steering wheels, safety door locks, crash padding and seat safety belts.

APPENDIX C
CBS Television's Criteria in Affiliation Actions

NOTE: *This Appendix is a reprint of substantially all of the reply of CBS Television to Section III of a questionnaire submitted to CBS Television and other networks on October 19, 1954, by the Honorable John W. Bricker, then Chairman of the Senate Committee on Interstate and Foreign Commerce. Some explanatory text has been added as shown in italics within parentheses. New footnotes are numbered. Omissions from the original reply are indicated by a line of asterisks. Essentially, the omitted material consists of material duplicated in the body of the memorandum to which this document is an appendix.*

General Introduction

In selecting its affiliates, CBS Television is mindful of its obligation to discharge its responsibilities to each of several groups—viewers, potential viewers, the public at large, advertisers and the stockholders of CBS.

Ideally, it strives to select affiliates so that (1) CBS Television programs will be available to the largest possible number of viewers, and (2) the "cost per thousand"* of circulation provided by a network of all of such affiliates, or of whatever selection from such affiliates may meet the needs of a particular

*As used in this response, cost per thousand is the ratio of cost of station time to potential audience. The cost per thousand for a particular program is obtained by dividing (i) the aggregate of the card rates of all of the television stations which broadcast such program by (ii) the net unduplicated number of television homes within the combined service area of all such stations.

advertiser, will be as low as possible and, in any event will be competitive with other media.*

Superficially, these two objectives may appear to be mutually exclusive. In actual practice, achievement of the second will, in large part, result in achievement of the first.

The reason is simple. CBS Television cannot afford to affiliate with any station unless advertisers will purchase that station for network broadcasts. And, even if a station is affiliated with CBS Television, the viewers of that station cannot enjoy a particular program unless that station is purchased for that program. If a television network increases its economic efficiency in terms of cost per thousand, advertisers will be able to purchase, and will purchase, an increasingly larger number of stations for the broadcasting of their network programs, particularly if the cost per thousand of the additional stations is reasonable. Thus, as efficiency of the network in terms of cost per thousand increases, the number of stations used will be increased and the network's programs will be available to a larger number of viewers.

Increased time sales make it possible for television networks to attain a greater measure of success in discharging their responsibility to the public at large. Income from time sales provides monies to enable the network to create and produce high quality programs of all kinds.

In furtherance of its efforts to achieve both of the objectives set forth above and at the same time to make CBS Television network programs available to stations located in smaller com-

*Network television competes for the advertisers' dollar with all other advertising media—radio, magazines, newspapers, billboards and many other media. Television networks also compete with each other.

munities, CBS Television has recently adopted an Extended Market Plan.[1]

* * * * * * * * * * * *

The basic criterion utilized in most cases by CBS Television in determining whether or not to affiliate with a particular station is: Will affiliation with that station aid CBS Television in its efforts to obtain affiliates which in the aggregate, or in selected groups, will enable CBS Television to furnish advertisers a television network with a cost per thousand of circulation which will be competitive with other networks and all other media?

In applying this test all of the criteria discussed below are taken into account to a greater or lesser extent, although any one or more of them may be of insignificant, or only minor, importance in any given case. Because of the many variables involved, application of these criteria cannot be reduced to a mathematical formula.

Our current procedure for determining whether or not to affiliate with a particular station is generally as follows:

1. A representative of the potential affiliate calls on a member of the Station Relations Department of CBS Television and is invited to furnish the Station Relations Department with engineering, marketing and other pertinent data concerning the station.

2. The information so submitted is transmitted to the Engineering and Research Departments of CBS Television for their comments and recommendations.

3. The Engineering Department reviews the data submitted,

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[1]That plan is described in the memorandum (pp. 78 to 80) to which this document is an appendix. It was described in an exhibit to the reply to Senator Bricker's questionnaire.

together with such other pertinent data as are available to it, and submits its recommendation concerning affiliation to the Station Relations Department, together with its estimate of the area to be served, the number of homes within such area, other services presently (or which later may be) available to the area and the extent to which the service area of the potential affiliate overlaps the service area of present or anticipated affiliates.

4. The Research Department reviews the comments and data furnished by the potential affiliate and the Engineering Department, as well as such other pertinent data as may be available to it. The Research Department, in turn, makes its recommendation to the Station Relations Department, particularly in the light of such information as it may have with respect to viewing data concerning the service area of the potential affiliate, the number of families within the area, and the number of television homes within the area, as well as such comments as it may wish to make upon the comments of the Engineering Department.

5. The Station Relations Department then reviews the recommendations of the Engineering and Research Departments and evaluates such recommendations and determines whether (a) to offer an affiliation agreement to the potential affiliate or (b) to advise the potential affiliate that it would not be feasible for CBS Television to affiliate with it or (c) if acceptance or rejection of the potential affiliate is not clearly indicated from the recommendations of the Engineering Department and Research Department, consults further with representatives of such departments and with such other officials and employees of CBS Television as may seem appropriate.

The procedure outlined above is the "normal" one, although no two cases are treated in exactly the same manner and the procedures followed with respect to any individual case are varied or modified depending upon the circumstances.

Because network television is a relatively new and complicated business, and because after the lifting of the freeze we were besieged by applicants for affiliation, our first decisions on affiliation were made solely on a case to case basis without regard to any definite criteria. The present "normal" procedures and application of various criteria have been evolved over a period of time and are subject to constant review and revision.

With the foregoing qualifications, the answers to Section III of the Committee's Questionnaire are:

1. SIZE OF COMMUNITY

a. *Please indicate whether size of the community in which a prospective television affiliate is located is a factor in awarding television affiliations.*

ANSWER: The size of the community in which a station is located is not ordinarily a factor in determining affiliates. (For the purpose of this question, we are assuming that a television station is "located" in community A if it is licensed as a community A station.)

However, generally speaking, CBS Television wishes to have an affiliate in each of the larger (in terms of population) communities and, other things being substantially equal, if faced with the problem of choosing between two stations serving substantially the same area, but located in different communities, would prefer the station located in the larger community.

The reason is that we believe that advertisers would prefer the station located in the larger community because it would be more likely to attract viewers than a comparable station in a smaller community. However, so far as we have been able to determine, we do not have any examples of cases where size of community in which a station is located has played a part in our decision to affiliate with one station in preference to another.

Also, the application of all of the factors which are considered in selecting an affiliate may result in the selection of a station located in a smaller community instead of one located in a larger community. *Example:* station KXJB-TV in Valley City, North Dakota, was preferred to station WDAY-TV in Fargo, which is larger than Valley City, because it was our belief that KXJB-TV would provide service to a larger number of homes than would WDAY-TV.

Further, the mere size, importance or other characteristics of two communities may result in the granting of a CBS Television affiliation to a station located in each of such communities although, technically, a station located in either could serve both. *Example:* CBS Television has an affiliate in both Washington, D. C., and Baltimore, Maryland.

b. *If the answer to* (a) *is "yes," please indicate the smallest community in which a television station affiliate of your network is located.*

ANSWER: Poland Springs, Maine, population unknown, estimated to be less than 1,000.

2. SIZE OF SERVICE AREA

a. *Please indicate whether size of service area, in terms of population, of a prospective television affiliate is a factor in awarding television affiliations.*

Note: Except as specifically noted, the reply to this question does not apply to Extended Market Plan affiliations.

ANSWER: The total number of families residing within that portion of any television station's service area which is not otherwise served by a CBS Television affiliate is a primary factor in decisions affecting affiliation, since there is a direct relationship between this factor and CBS Television's objective of reaching the largest possible number of homes at a competitive "cost per thousand." In most situations, the television station serving the largest service area is preferred because more television homes will be reached and rates for stations with larger service areas generally reflect a lower cost per thousand than do those for stations with smaller service areas.*

However, if network coverage is desired in a market which is located not far from the service area of one or more CBS Television affiliates, it may be advisable to select a station with a smaller service area in order to minimize the effect of duplication of service.

* * * * * * * * * * * *

Size of service area has been, and will be, a determinative as well as a comparative factor in selecting affiliates. Generally, we will not affiliate with a station unless it can provide an unduplicated circulation of at least 40,000 homes. In specific

*Television rates are not directly proportional to station circulation. If they were, stations in small markets would find it difficult or impossible to obtain sufficient revenue. For that reason, stations with smaller circulation do not have a card rate proportionately less than that of a station with a large circulation. This pattern of increasing cost per thousand as circulation decreases is consistent with other media.

cases the number may be increased or decreased somewhat by the interplay of other factors affecting affiliation.

The reason for refusing to affiliate with stations which cannot produce a minimum of circulation is purely economic. A circulation of approximately 40,000 homes is required to justify a card rate of $150 to $175. We have found that affiliation with a station which cannot justify a card rate of at least $150 will result in a financial loss to CBS Television.

(The two preceding paragraphs do not apply to EMP affiliates with respect to which there is no minimum as to circulation or justifiable card rate. The reason we could not afford to affiliate, except on an EMP basis, with a station which would not produce a minimum circulation and justify a minimum card rate is that such a station could not produce sufficient revenue to defray even our out-of-pocket costs [such as wire line and TVR costs]. While many EMP affiliates did not pay their way from the beginning, and some do not do so now, the EMP affiliation held out the prospect of such stations being able to pay their own way in the future as, indeed, many of them are now doing.)

b. *Please indicate what criteria are utilized in ascertaining the boundaries of service areas. Are the Grade A or Grade B contours of the FCC utilized? If not, please indicate in some detail the methods utilized.*

ANSWER: At the present time, the geographical boundary of the service area of a station is based primarily on engineering measurements or computations. CBS Television includes within the service area of each station all of that area to which that station delivers a signal having the minimum required field intensity. The respective minimum field intensity requirements used by CBS Television are based upon the following values:

Channels 2-6	40 dbu (100 uv/m)
Channels 7-13	50 dbu (316 uv/m)
Channels 14-83	64 dbu (1600 uv/m)

The contours of service areas as used by CBS Television do not coincide, for Channels 2-13, with either the A or B contours as defined by the FCC. The reason for this is that, in general, audience data indicate a substantial public acceptance and use of VHF signal values lower than that corresponding to Grade B.

Whenever available, actual measurements of field strength are used. When measured data are not available, CBS Television engineers compute the outer limits of a station's service area. Such computations are made in accordance with methods prescribed by the FCC for computing field intensities.

In the past considerable reliance was placed on the Nielsen-CBS Television Reception Study, particularly in areas where all of the stations serving – or which will serve – that area were in operation prior to the time of such study. Because of the large number of stations which have commenced operation since the date of such study (reviewed Fall of 1953) and the many changes which have occurred in stations' transmitting facilities, it is now used only as a supplement to the engineering data.[1]

In addition, a certain amount of reliance has been placed upon reports from local television set dealers and servicemen, advertisers, advertising agencies and others as to the public

[1]Since the date of the reply to Senator Bricker's questionnaire, CBS Television has subscribed to a coverage study which is now in progress. When completed, this study will show on a county-by-county basis the viewing and the frequency of viewing of all television stations.

acceptance and effective service area of a television station. These reports and the Nielsen-CBS Television Reception Study have been valuable in enabling CBS Television Engineering and Research Departments to establish the relationship between field intensity contours and actual viewing.

Further, CBS Television may adjust a station's service area for the purpose of network affiliation by consideration of overlap of present or potential affiliates and the terrain of the area in which the station is located.

As is often the case with respect to application of other criteria, determination of a station's service area is the result of the exercise of judgment based upon practical experience. While the criteria outlined above are useful as guide posts, they cannot be applied rigidly or in a vacuum.

For example, theoretically, and in the absence of other data based on practical experience and observation, the A and B contours determined in accordance with the Commission's standards are useful measures of the service area of a station. So are the Commission's definitions of adjacent and co-channel interference, although the experience of CBS Television indicates that, in many instances, such interference has more theoretical than actual significance. Studies, such as the Nielsen-CBS Television Reception Study, underwritten by CBS, and reports from dealers, servicemen and others have indicated that tests other than delineation of the A and B contours and computation of theoretical interference must be applied. In many instances, mathematics must be tempered with judgment and practical experience.

In determining the usefulness of the service area of a prospective affiliate, one of the most perplexing and difficult problems is the estimation of absolute and relative overlap and the seriousness of such overlap when viewed in the light of other criteria.

The actual amount of present or potential overlap of any station with present or future affiliates of CBS Television is determined in the first instance by the Engineering Department of CBS Television. For this purpose, contours are drawn using the signal intensity value referred to in the first part of this section. The overlap is deemed to exist in those areas which are common to the areas which are delineated by two or more of such contours.

The Research Department of CBS Television determines overlap contours on the basis of the contours furnished to it by the Engineering Department and adjusts such contours in the light of such audience data as may be available to it and, where in its opinion such projection is appropriate, on a projection arrived at by combination of such data with subsequent changes in the number and method of operation of stations in the area under consideration. The principal source of such data is the Nielsen-CBS Television Reception Study.

The number of homes within the various overlap areas is computed by either the Engineering or Research Departments, using the usual methods for that purpose.

In evaluating the seriousness of overlap in any particular case, various factors are considered. If we are concerned only with the problem of overlap with respect to station A and station B, the principal factors are the extent to which the total service areas, in terms of number of homes, of station A and station B, taken separately, are included within the overlap area; the relative importance of the communities in which station A and station B are located; the relative importance of other communities in the non-overlap service areas of each of the stations; the relative importance of the entire service area of each of such stations; and the importance of communities within the overlap area which may be receiving a relatively poor quality signal from either station A or station B. If the overlap involves more than two stations, the same factors must be considered with respect to the respective service areas of each of such stations.

The following are the primary reasons which make it necessary for CBS Television to make its affiliation determination in such a way as to keep to a minimum the amount of serious overlap:

(i) Overlap will decrease the value to advertisers (whether network, national spot or local) of the affiliates which are subjected to overlap and, particularly, in the case of affiliates in important markets, will make it more difficult for CBS Television to obtain affiliation agreements with the better stations in those markets.

(ii) Despite the fact that a prospective affiliate is willing to accept a network card rate based solely on its unduplicated circulation, it seems inevitable and quite natural that such an affiliate, after it has secured for itself any substantial portion of the viewers in the overlap area, will believe itself entitled to be paid, and will request that it be paid, on the basis of actual circulation delivered by it. In such a case, because of the fact that station rates are not directly proportional to circulation, the network's cost per thousand will increase. In addition to this factor, costs to the advertiser would also tend to increase, without compensating value to him in terms of increased circulation, since it would be quite unlikely that the first affiliate would consent to a rate decrease proportionate to the new affiliate's increased circulation.[1]

CBS Television does not contend that it now has perfected the best methods for determining the service areas of television stations. It intends to continue to re-examine and re-evaluate its methods in the light of continued experience of itself and others.

c. *What is the smallest service area of any television affiliate of your network?*

ANSWER: The smallest service area, in terms of population, of any CBS Television affiliate is that of KZTV, Reno, Nevada (19,800 homes).[2]

The foregoing comments with respect to minimum size of service area apply in general to Extended Market Plan affiliates, although the number of homes required will be greatly reduced. Whether or not it will be necessary to establish a minimum is not now known. The smallest service area of any Extended Market Plan affiliate now under contract is that of Big Spring, Texas, 9,800 homes.

3. NUMBER OF TELEVISION SETS

a. *Please indicate whether the number of television sets in the service area of the prospective television affiliate is a factor in awarding television affiliations.*

ANSWER: No, except in the case of UHF stations, since ordinarily it is assumed that eventually there will be a television set in most homes in the service area of a prospective affiliate and,

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[1]Since the date of the reply to Senator Bricker's questionnaire, CBS Television has formulated a policy with respect to making individual stations available for specific programs upon the request of the advertisers concerned. That policy is outlined in the last section of this appendix.

[2]Since the filing of the reply, CBS Television has affiliated with KHAD-TV, Laredo, Texas, which, according to the most recent available information, has a service area of only 14,000 homes and of only 3,700 television homes.

where such assumption is made, this factor is of little importance. For the bearing of this question on UHF stations, see the answer to Question 9.

b. *If the answer to* (a) *is "yes," please indicate the television affiliate of your network with the fewest television sets, giving the number of such sets.*

ANSWER: We do not have this information. However, on the basis of estimates by the Research Department of CBS Television, it would appear that at December 1, 1954, WAIM-TV, Anderson, South Carolina, had only 7,550 television homes in its service area.[1]

4. PROXIMITY TO OTHER TELEVISION AFFILIATES

a. *Please indicate whether proximity to another television affiliate of your network is a factor in awarding television affiliations.*

ANSWER: Proximity to other affiliates is not in itself a criterion in the selection of affiliates, but because of its relationship to overlap, please see the answers to Questions 2 and 4(b).

b. *If the answer to* (a) *is "yes," please indicate (i) the minimum distance permitted (ii) the maximum overlap permitted.*

ANSWER: CBS Television has no fixed rules as to minimum separation distance or maximum overlap. As a result of proximity a station may provide very little unduplicated service and, hence, be unattractive as an affiliate. Factors such as terrain, power with which the station and nearby stations are

[1]See second footnote to answer to question 2(c).

operating and the propagation characteristics of the different channels all have a bearing on desirable mileage separation between affiliates. So does the importance of the communities served—e.g., Washington and Baltimore. Also taken into account is the ratio of overlap to otherwise unduplicated circulation.

For the reasons outlined above, no minimum or maximum is prescribed for mileage separation or overlap.

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5. *If the criteria referred to in III-1, III-4, are in any way interdependent, please explain in detail the nature of the interdependence.*

ANSWER: The criteria referred to in Questions 1 through 4 are interdependent, as are all other criteria used in determining questions of affiliation, to a greater or lesser degree depending upon the facts of each individual case. Ordinarily, size of service area, in terms of unduplicated circulation, will be the most important criterion.

6. CARD RATE

a. *Please indicate whether the card rate of the prospective television affiliate is a factor in awarding television affiliations.*

b. *If the answer to* (a) *is "yes," please indicate the lowest card rate of any television affiliate of your network.*

ANSWER: With two exceptions, the card rate of a prospective affiliate is not a factor in determining whether or not to affiliate with that station.

The first exception is that if the station will not accept an

Extended Market Plan affiliation and unduplicated circulation (present and near future) of the station will not justify a card rate of at least $150, CBS Television will not affiliate with that station because to do so would result in excessive out-of-pocket loss.

Also, if a station should demand a card rate in excess of that which CBS Television believes is justified by the unduplicated circulation (present and near future) of that station (and, perhaps, other factors) CBS Television would refuse to affiliate with that station, or might terminate its affiliation with that station and shift to another. In practice, this exception is more theoretical than real, although it has been determinative in a few instances.

7. *Please indicate what effect, if any, is given to the fact that the prospective television affiliate also owns one or more television stations in other communities which are television affiliates of your network.*

ANSWER: The fact that the owner of a prospective television affiliate in area A is also the owner of a present television affiliate in area B (or a radio affiliate in any area) may be of significance in three respects in determining whether to affiliate with such owner in area A:

(i) Where such owner has only just commenced operations in area A, or just purchased the prospective affiliate in area A, the quality of such owner's local station operations in area B will usually be a good indication of the probable quality of such owner's local station operations in area A;

(ii) If the business relationship between CBS Television and such owner in respect of the area B affiliation has been mutually pleasant, there will be a natural desire on the part of CBS Television to continue that relationship in area A; and

(iii) In order to obtain network coverage in, for example, three specific areas in the aggregate, it may be necessary to apply affiliation criteria to prospective and present affiliates in groups, rather than separately, weighing the merits of affiliating with the same owner in all three areas as against the merits of not covering one or more of such areas. In such a case, the decision may be to affiliate with the same owner in all three areas on the ground that aggregate network coverage will be improved.

8. *Please indicate what effect, if any, is given to the fact that the prospective television affiliate operates on channels 7-13 rather than on channels 2-6.*

ANSWER: No effect is given to the fact, as such, that a prospective affiliate operates on one of channels 7 through 13 instead of on one of 2 through 6. Such fact does, however, affect size of service area. (See the response to Question 2.)

9. *Please indicate what effect, if any, is given to the fact that the prospective television affiliate operates on a UHF rather than a VHF channel:*

a. *If no VHF television station is allocated to the community in which the UHF station is located.*

b. *If one or more VHF television stations are allocated to that community, but no VHF station is yet in operation in that community.*

c. *If one VHF station is in operation in that community.*

d. *If two VHF stations are in operation in that community.*

e. *If three VHF stations are in operation in that community.*

f. *If four or more VHF stations are in operation in that community.*

g. *In answering* (a) *through* (f), *please indicate what effect, if any, is given to the fact that a VHF station may not be allocated to or located in the same community as that in which the UHF station in question is located, but is allocated to or located in a nearby community. If any effect is given to that factor, please show with as much specificity as possible the criteria followed —e.g., distance, power, antenna height, etc.—in determining whether a television affiliation should be granted to the UHF station.*

ANSWER: No effect is given to the fact, as such, that a prospective affiliate operates on a UHF instead of a VHF channel. However, such fact does affect the size of the service area of the station, which is one of the criteria used in determining affiliation.

In determining whether or not to affiliate with a UHF station, if a VHF station is available, CBS Television must, because of competitive considerations, take into account the percentage of sets in the area which are capable of receiving UHF.

Assuming that no VHF station is allocated to the community to which a UHF station is allocated, CBS Television would affiliate with the UHF station if it provided a satisfactory amount of unduplicated circulation (after taking into account the circulation of other present and prospective CBS Television affiliates) and met the other criteria referred to in this response.

CBS Television has affiliated with UHF stations in communities in which a VHF station is in operation—e.g., Erie, Pennsylvania, and Milwaukee, Wisconsin.[1]

CBS Television has not affiliated with a UHF station in a community in which more than one VHF station is in operation. Whether or not it will do so will depend on all of the pertinent factors in each case. It should be noted, however, that CBS has contracted to purchase, subject to FCC consent, station WOKY-TV, Milwaukee. Three VHF channels have been allocated to the Milwaukee area.

10. *Please describe any other criteria which are utilized in the awarding of television affiliations by your network.*

ANSWER: In addition to the several criteria and factors described in the answers to the first nine questions, and which play a part in CBS Television's determination whether or not to affiliate with a particular station, there are a number of other considerations which, in appropriate circumstances, have a bearing on the CBS Television decision.

Where the question which is presented to the CBS Television Division involves a choice among two or more competitors for an affiliation in the same market, the nature of each station plays an important part. In such a case, the stature and operat-

[1]Since the date of the reply to Senator Bricker's questionnaire, CBS Television has affiliated with WEHT, Henderson-Evansville, although a VHF station will be in operation in that market within the near future. Also since that date CBS has purchased WOKY-TV, Milwaukee, pursuant to FCC consent and is operating that station as WXIX. As of March 1, 1956, CBS Television was affiliated with 29 UHF stations, 22 on a regular basis and seven on an EMP basis and has "per-program" arrangements with 20 others. CBS has contracted to buy WGTH-TV, Hartford, subject to FCC consent.

ing record of each station will have an important bearing and such factors as its physical facilities, its community activities and community relationships, the aggressiveness of its operation and its over-all popularity are considered. Similarly, the aggressiveness of its national representation may play a part. So, too, all other things being equal between or among the competing stations, CBS Television generally prefers a television affiliate which is newspaper-owned because of the effect of such ownership on the role of the station in the community.

A second additional factor has from time to time, although certainly not invariably, played an important part in the affiliation decision: this is the factor of existing relationships between CBS and the owners of the television station in the radio broadcasting field. Thus, all other things being reasonably equal, where the question is otherwise a close one, CBS Television has affiliated with a television station with whose owners CBS Radio has had an historical and pleasant relationship. This factor, it may be noted, depends on the particular circumstances involved and has not always been decisive. Particularly where the market is one which does not otherwise justify affiliation or where the radio affiliate has been long delayed in obtaining a television station, or where the radio affiliate has not obtained facilities reasonably equivalent to other television stations in the market, CBS Television has found it economically necessary to affiliate with non-radio-affiliated television stations in preference to one which has had a radio affiliation.

A third and related factor which may play a part in the choice of a television affiliate is its previous history in radio broadcasting, even though it has not been a CBS Radio affiliate. Again, all other things being equal, CBS Television will choose a television affiliate with experience, and successful history, in the broadcasting field over one without such experience and history. Further, in the event that the licensee of a television station is also the licensee of a radio station with which CBS Radio wishes to affiliate, that fact will be considered.

A fourth factor which plays a part in choosing among competitors for a television affiliation is the structure and organization of the television station. CBS has found that as a general rule a station whose ownership and management are integrated will be a more successful station than one whose ownership and management are not integrated, and hence will prefer the former type of station to the latter.

A fifth factor which tended to play a larger role in affiliation determinations in the earlier days than it does now was simply what was available as the result of the historical progression of assignments. In the period during or immediately following the freeze, the pattern of operating stations obviously did not always follow the scale of the desirability of the market. As the result, affiliations in major markets were not available to CBS Television and it was faced with a necessity of affiliating in less important markets which provided some service in an important area. This criterion, if such it can be called, was only the necessity of providing the best service which was available.

A sixth factor which is applicable in appropriate circumstances in influencing a choice among applicants for an affiliation is that arising from antenna installations. Thus, there are situations in a community or an area where for example over a period of years there have only been one or two stations and the home antennas have been installed solely to receive those existing stations. If this occurs, there may be difficulty in receiving a new station in the same community, since it will be necessary for the antennas to be converted. In such circumstances, CBS Television would, if all other things were equal, prefer the station for the reception of which no such problems or expenditures by the home owner are necessary.

A seventh factor which in fact has been decisive in only one affiliation decision thus far is the station's pattern of cooperation in broadcasting network programs. Where, over a substantial period of time, CBS Television's experience with a station establishes clearly that the station is not providing clearances for network programs during network option time and is refusing such clearances in favor of local or national spot commercial programs which are clearly of no special public service nature, CBS Television has on one occasion switched its affiliation from such a station at the expiration of the affiliation contract. A related situation is that where station A considers itself primarily interested in carrying the programs of another network and is unable to do justice to the programs of the other network and those of CBS Television. In such a case if station B were available, could serve the area adequately, and indicated its intention of looking to CBS Television as its primary network, CBS Television would affiliate with station B.

An eighth factor, applicable not to a choice among television stations, but to the question whether to affiliate at all in a given area, is the economic status of the area which the television station serves. This factor, which is supplementary to the factors described in Questions 1 to 4, is likely to be determinative where there is a close question as to whether the population in the service area and the cost per thousand warrant affiliation. For example, if the area presents a borderline case in terms of homes, such factors as retail sales, rate of growth and family purchasing power are taken into account in the affiliation decision.

Finally, in addition to all the foregoing more or less objective and tangible factors, it must be realized that intangible and psychological factors may and do play a role in affiliation decisions. These psychological factors include the general personal impression which the owners and managers of a proposed affiliate make on CBS officers and personnel who make the decision; expressions of Congressional interest; and public community reactions. Even if it were desirable to do so, it is impossible to exclude such intangible factors which play an indeterminate, but nevertheless apparent role in affiliation problems just as they do in the decisions of all businesses. It is difficult to isolate and identify the precise role which psychological factors of this nature play, but they unquestionably do play a role in the difficult and delicate task of determining whether to affiliate in a particular community and with whom.

(PER-PROGRAM STATIONS)

(NOTE: *Where CBS Television has not affiliated with a station in a particular community because CBS Television did not deem it desirable to do so in the light of the foregoing criteria, CBS Television, upon request of the sponsor of a particular program will furnish that program to the* *non-affiliated station on a per-program basis provided that CBS Television is able to enter into mutually satisfactory arrangements with the non-affiliated station.*

These per-program arrangements are made with non-affiliates in completely isolated markets—that is, where the service area of such non-affiliates do not overlap the service areas of existing affiliates, with non-affiliates located in the same city or within the service area of an existing affiliate if that affiliate has not accepted the particular program, and with non-affiliated stations located in a community other than the community to which an affiliated station is licensed but still within the service area of the affiliate.

If the non-affiliated station is located in a community other than that to which an affiliated station is licensed but still within the service area of the affiliated station, releasing the program to the non-affiliated station is contingent upon that station accepting a rate which is based on the incremental set circulation contributed by that station to the CBS Television Network.)

APPENDIX D

The Record of CBS Owned Television Stations

The following is a summary of the local programming activities of the four CBS Owned television stations:

WCBS-TV, New York City

The total dollar value of facilities and air time[1] contributed free by WCBS-TV in 1955 to charitable, governmental, religious, educational and other civic organizations amounted to $3,204,089. Some of this contribution consisted of announcements on behalf of the various agencies which, because of their frequency and flexibility, are often more effective than a fixed weekly program. WCBS-TV broadcast a total of 5,438 such announcements in 1955. Many of these were carried on a "live" basis and delivered within established programs by well-known talent.

Program Series. In addition to announcements, WCBS-TV broadcasts a variety of local program series in the field of information, education and public affairs. Among the local programs which were broadcast by WCBS-TV in 1955 were the following:

[1]Time costs, as set forth in this Appendix, represent the card rates of the respective stations for the amount and class of time involved.

CAMERA THREE, a weekly half-hour program produced with the cooperation of the State Education Department of the University of the State of New York. Dr. Ward C. Bowen, Chief of the Bureau of Audio and Visual Aids of the New York State Education Department, is advisory consultant for the program and the regular host is James F. Macandrew, Director of Broadcasting for the New York City Board of Education. "Camera Three" is designed to serve as a study of man and his relationship to himself and to those about him. It utilizes experimental television techniques in production and in treatment of subject matter. During 1955, "Camera Three" focused primarily on the literary contributions of Dostoevsky, Shakespeare, Conrad, Sandberg, Steinbeck and others. The facilities and time costs for "Camera Three," for each program, average $6,306.

EYE ON NEW YORK, a weekly half-hour program, employing both live and film techniques, and dealing with community activities in and around New York City. The subjects presented on "Eye on New York" range from occurrences in New York City's history to the events encountered by a Police Department squad car on duty in Times Square. Leading local public figures have appeared on the program to discuss matters of community interest. The facilities and time costs for "Eye on New York," for each program, average $5,349.

ON THE CAROUSEL, produced in cooperation with the New York City Board of Education. "On the Carousel" is a weekly hour-long program intended primarily for children of elementary school age. The principal effort of the program is to blend education and entertainment for such children. Among the topics presented have been young people's hobbies, children of other nations, pets and their care, and simple "how-to-do" features. The facilities and time costs for "On the Carousel," for each program, average $5,074.

HICKORY DICKORY DOCK, produced in cooperation with the New York City Board of Education. "Hickory Dickory Dock" is a half-hour weekly program intended for children of elementary school age and conducted by a kindergarten schoolteacher. The facilities and time costs for "Hickory Dickory Dock," for each program, average $1,461.

OUR GOODLY HERITAGE, featuring Dr. William Bush Baer, Dean of the College of Arts and Sciences of New York University. Presented on Sunday mornings, "Our Goodly Heritage" is a fifteen-minute program devoted to readings and interpretations of the Bible by Dr. Baer, a leading authority on the Bible. The facilities and time costs for "Our Goodly Heritage," for each program, average $1,782.

AMERICA IN THE MAKING, a series of twenty-six weekly half-hour programs that was broadcast commencing in November 1954, and was produced by WCBS-TV with New York University and the Metropolitan Museum of Art. The program, with the aid of artifacts available from the Museum, explored America's colonial origins and the early days of the Republic. Dr. Robert Iglehart, Chairman of the Department of Art Education at New York University, moderated this series, assisted by other members of the University faculty. The facilities and time costs for "America in the Making," for each program, averaged $2,606.

GIVE US THIS DAY, a five-minute religious program at the opening and closing of each broadcast day. "Give Us This Day" is produced in cooperation with the Protestant Council of the City of New York, The New York Board of Rabbis and the television office of the Archdiocese of New York. Clergymen from these groups deliver inspirational messages which are filmed by the station for broadcast. The weekly facilities and time costs for "Give Us This Day" average $7,571.

THE BIG PICTURE, a half-hour weekly filmed documentary series produced by the United States Army. The time costs for this program are $900 weekly.

THE PASTOR, a fifteen-minute filmed program presented each week under the auspices of the Protestant Council of the City of New York. "The Pastor" features the Reverend Dr. Robert E. Goodrich, Jr. of the First Methodist Church in Dallas, Texas. The time costs for this program are $1,250 weekly.

SHAKESPEARE ON TV, a series of lectures on Shakespeare by Dr. Frank C. Baxter of the University of Southern California. This series of filmed programs was produced by KNXT, the CBS Owned station in Los Angeles, and was first presented in New York in 1954. A special "summer school" series of forty-five minute weekly programs was again presented in New York in 1955. The time costs for this series of "Shakespeare on TV" were $2,500 per program.

Special Programs. Among the individual special local programs broadcast by WCBS-TV in 1955 were:

A LINK IN THE CHAIN, under the auspices of the Christophers;

BORN IN THE WHITE HOUSE, for the National Foundation for Infantile Paralysis;

CARDINAL SPELLMAN AND CATHOLIC CHARITIES;

DAY OF ATONEMENT and FESTIVAL OF LIGHTS, for the New York Board of Rabbis;

JACK BENNY VARIETY SHOW FOR RETARDED CHILDREN;

JUNIOR LEAGUE MARDI GRAS BALL, for Junior League Charities;

MIKE MAKES HIS MARK, for the National Education Association;

NEW YORK DOCUMENT, for the Federation of Jewish Philanthropies;

NEW YORK HERALD TRIBUNE FORUM FOR HIGH SCHOOLS;

SENATOR HERBERT LEHMAN ON "NIKE";

THAT I MAY SEE, a film produced by the Catholic Church;

THE CHRISTMAS STORY, in cooperation with the Protestant Council of the City of New York;

THE DAY BEFORE EASTER, a special religious program;

THE MAYOR'S CONFERENCE, a panel program in which Mayor Robert F. Wagner was interviewed by four New York City newspaper reporters; and

RELIGION IN AMERICAN LIFE, a special religious program.

News Programs. In addition to its public affairs programs, WCBS-TV broadcasts regular local news and weather programs. Insofar as possible film shot locally is used to supplement films of national and international events which appear on both network and local news programs. The local news schedule of WCBS-TV is as follows:

NEWS OF NEW YORK: 7:25-7:30 AM, and 7:55-8:00 AM, Monday through Friday;

SIX O'CLOCK REPORT: 6:00-6:15 PM, Monday through Saturday;

RAIN OR SHINE: 7:10-7:15 PM, Monday through Friday;

LATE NEWS: 11:00-11:10 PM, Monday through Saturday;

LATE WEATHER AND SPORTS: 11:10-11:15 PM, Monday through Saturday;

LATE LATE NEWS: three to five minutes at sign-off, each day of the week.

The program costs, value of time and facilities for all local news programs in 1955 were $2,600,687.

A Typical Week's Programs and Announcements. During the week of March 25 through March 31, 1956, WCBS-TV broadcast a total of 111 announcements, having a value of $29,100, for the following organizations: American Council to Improve Our Neighborhoods, American Optometric Association, American Red Cross, Citizens' Committee to Keep New York City Clean, Committee for a Quiet City, Federal Bureau of Investigation, Ground Observer Corps, *Herald Tribune* Fresh Air Fund, Hospitalized Veterans' Writing Project, National Safety Council, Nephrosis Foundation, N. Y. Association for the Blind, N. Y. City Board of Education, N. Y. City Cancer Committee, N.Y. City Fire Department, N.Y. City Society for Crippled Children and Adults, N. Y. Philanthropic League, N. Y. State Department of Education, United States Air Force, United States Department of Agriculture, United States Department of Defense, United States Department of Health, Education and Welfare, United States Marine Corps, United States Navy and United States Treasury Department.

In addition to its regular local news schedule, during the week of March 25 through March 31, WCBS-TV broadcast the following local religious, informational or educational programs: "Camera Three," "Eye on New York," "Give Us This Day," "Hickory Dickory Dock," "On the Carousel," "Our Goodly Heritage," "The Big Picture" and "The Pastor," all described previously. WCBS-TV also broadcast the following other local programs during this week:

YESTERDAY'S WORLDS, a half-hour program on archeology presented in cooperation with New York University, the Metropolitan Museum of Art and the Educational Television and Radio Center of the Ford Foundation. "Yesterday's Worlds" is a series of programs currently being broadcast weekly by WCBS-TV. The program broadcast during this week was devoted to the Persian Empire and presented Dr. Casper Kraemer, Professor of Archeology at New York University and the regular moderator of the program, discussing Persian artistry and crafts with Charles Wilkinson, Curator of Middle Eastern Archeology at the Metropolitan Museum of Art.

RIGHT NOW, a half-hour panel discussion program concerning civic problems in New York City. "Right Now" is also a series currently being broadcast by WCBS-TV. During the week of March 25 through March 31, the program presented the President of the High School Teachers Association, a representative of the Teachers' Guild of the AFL-CIO, the Director of the Budget for New York City and the President of the United Parents Association discussing "Teachers vs. New York City."

THE PASSOVER FESTIVAL, a special half-hour program in observance of Passover.

EASTER SEAL TELEPARADE OF STARS, a half-hour film for the New York City Society for Crippled Children and Adults.

The total facilities and time costs for these programs during this single week were $39,108.

Awards and Commendations. WCBS-TV received the following awards in 1955:

Variety Showmanagement Award to WCBS-TV, New York, for "Education With Showmanship."

For "Camera Three," the Institute for Education by Radio-Television of Ohio State University presented its First Award in the local and regional classification for a cultural program to WCBS-TV.

For "On the Carousel," WCBS-TV received the Institute for Education by Radio-Television of Ohio State University's Special Award in the local and regional classification for a children's program.

For its over-all public service programming, WCBS-TV was cited by the Alfred I. duPont Awards Foundation for "America in the Making," "Camera Three," "On the Carousel" and "Our Goodly Heritage." The citation stated that in each of these programs "talent and showmanship are called to the service of programs of unusual educational and spiritual value."

The Board of Managers of the New York Chapter, Sons of the American Revolution, presented the Gold Good Citizenship Medal of the Society to the Chancellor of New York University, Dr. Henry T. Heald, "in recognition of the outstanding dramatization of American history portrayed in the University's notable television series entitled, 'America in the Making'."

Other awards and citations to WCBS-TV during 1955 were received from the Protestant Council of the City of New York, the New Jersey State Fair, the National Exchange Club, the New Jersey Science Teachers Association, National Foundation for Infantile Paralysis and the Boy Scouts of America.

In April 1956, "On the Carousel" received honorable mention in the awards made by the Institute for Education by Radio-Television of Ohio State University. The citation commended the program "for a challenging series designed to occupy children's attention during their free Saturday mornings. The program provides opportunity for self-expression and wholesome entertainment for studio participants and home viewers. As an important by-product, the program also serves as an excellent public relationship vehicle for interpreting the work of the schools to the community."

Many letters of appreciation and commendation were received from individuals and organizations. Among the organizations were American Heart Association, American Red Cross, Big Brothers of America, the Bishop's Welfare and Emergency Fund, Catholic Charities of the Archdiocese of New York, Federation of Jewish Philanthropies, Hadassah, New York Board of Rabbis, Office of the Attorney General of New Jersey, United Hospital Fund, Vacation Camp and Dormitory for the Blind, Young Men's Christian Association and the Young Women's Christian Association.

KNXT, Los Angeles

The total dollar value of facilities and air time contributed free by KNXT in 1955 to charitable, governmental, religious, educational and other civic organizations amounted to $1,214,484. KNXT broadcast a total of 5,996 announcements in 1955 on behalf of these organizations.

Program Series. In addition to those announcements, KNXT broadcast the following local program series in the field of information, education and public affairs:

SHAKESPEARE ON TV, a series of eighteen 45-minute programs presenting Dr. Frank C. Baxter of the University of Southern California. These programs constituted the "third semester" of this well-known educational series. College credit at the University of Southern California was offered for those viewers who enrolled and took an examination. "Shakespeare on TV" has been broadcast on twelve educational television stations as well as on other CBS Owned television stations. The earlier series of "Shakespeare on TV" received seventeen national and local awards including citations from The Shakespeare Club of New York City, the American Shakespeare Festival Theatre and Academy of Connecticut, the Sylvania Award as the nation's best local educational program and two "Emmys" from the Academy of TV Arts and Sciences. The facilities and time costs for "Shakespeare on TV" during 1955, for each program, averaged $1,216.

OPERATION SAFETY, a series of 15-minute weekly programs produced in cooperation with the California Highway Patrol and the National Safety Council. The programs concerned traffic problems and the prevention of highway accidents. The facilities and time costs for "Operation Safety," for each program, averaged $375.

PREPARE, a series of thirteen 15-minute programs produced in cooperation with the Los Angeles Office of Civil Defense. These programs, part live and part film, were designed principally to demonstrate to the people of Los Angeles what should be done in the event of a local disaster. The programs also served as a means of disseminating information to the Los Angeles Civil Defense volunteers. The facilities and time costs for "Prepare," for each program, averaged $375.

YOUR INCOME TAX, a series of six half-hour programs produced in cooperation with the Department of Internal Revenue and the California State Franchise Tax Board providing information for the preparation of state and federal income tax returns. The facilities and time costs for "Your Income Tax," for each program, average $530.

LIGHT OF FAITH, a half-hour religious program broadcast each week and presenting clergymen, choirs and soloists from churches and synagogues in the Los Angeles area. The facilities and time costs for "Light of Faith," for each program, average $540.

GIVE US THIS DAY, five-minute inspirational messages by local religious leaders at the opening and closing of each broadcast day. The weekly facilities and time costs for "Give Us This Day" average $3,360.

SPOTLIGHT ON OPERA, a sixteen-part series of half-hour programs produced in cooperation with the University of California at Los Angeles and offered by the University as a college credit course. Dr. Jan Popper, Professor of Music at the University, discussed opera and opera techniques, illustrating his lectures with student performances of scenes from opera. The facilities and time costs for "Spotlight on Opera," for each program, averaged $529.

LEARNING '55, an educational series produced in cooperation with the City and County schools of Los Angeles. Through the reproduction on television of actual classroom techniques, this series is designed to inform the people of Los Angeles of the educational methods used in the Los Angeles City and County public schools. The facilities and time costs for "Learning '55," for each program, average $1,075.

FOCUS ON DELINQUENCY, a six-part series of half-hour documentary films produced by KNXT concerning the problems of juvenile delinquency. By bringing motion picture cameras to the breeding places of juvenile delinquency, into court rooms, juvenile retention centers and prisons, this series portrayed the causes and results of juvenile crime. The series also emphasized the positive forces at work to prevent delinquency. The facilities and time costs for each of these programs averaged $4,420.

DRESS BLUES, a series of fifteen-minute weekly programs produced in cooperation with the United States Marine Corps. Using amateur talent available from the El Torro Marine Air Base near Los Angeles, and films prepared by the Marine Corps, the program is entertaining as well as informative of the activities of the Marines. The facilities and time costs for "Dress Blues," for each program, average $367.

CHILD PSYCHOLOGY ON TV, a sixteen-part series of 45-minute programs produced in cooperation with the University of Southern California. In a classroom setting, Dr. Herman Harvey, Assistant Professor of Psychology at U.S.C., discussed the methods and techniques of child psychology, using films and studio demonstrations. This program was offered for college credit by the University. The facilities and time costs for "Child Psychology on TV," for each program, averaged $1,216.

AMERICA IN THE MAKING, the series of programs produced by WCBS-TV, the CBS Owned television station in New York, with New York University and the Metropolitan Museum of Art. The time costs for "America in the Making," on KNXT, for each program, averaged $480.

Special Programs. Among the individual special local programs broadcast by KNXT in 1955 were:

CRISIS OVER LOS ANGELES, a program concerning "smog";

DAY AFTER EASTER, for the Los Angeles Church Federation;

FANFARE, for the Community Chest;

FIGHTER PHOTO, SEA POWER IN THE PACIFIC, SEA POWER FOR FREEDOM and THE SIXTH FLEET, for the United States Navy;

GIVE THANKS, for the National Association for Retarded Children;

HEART BEAT and HEART TO HEART, for the American Heart Association;

HERITAGE, for B'nai B'rith;

JOIN THE STARS, for the American Red Cross;

MY RIGHT AND MY CAUSE, for the American Bible Society;

NIGHT OF VIGIL, for the American Hebrew Congregation;

OPERATION TRUTH, for the United States Information Agency;

SMOG MEN AT WORK, for the Los Angeles Air Pollution Control Board;

SUMMER MAGIC and TELEPARADE OF STARS, for the Easter Seal Society;

THAT MORE MAY WALK, for the Sister Kenny Foundation;

THAT 146,000 MAY LIVE, for the American Cancer Society;

THE LATTER DAY SAINT, a two-hour conference at the Salt Lake City Tabernacle;

THE MEANING OF EASTER, for the National Council of the Churches of Christ;

THE WHITES OF THEIR EYES, for the United States Army;

THE 'Y' ON WORLD FRONTS, for the YMCA;

WE HOLD THESE TRUTHS, for the Church Federation of Los Angeles;

WORKSHOP FOR PEACE, for the United Nations;

YOUR NEIGHBOR CELEBRATES, for the American Hebrew Congregation; and

An hour-long remote broadcast on the dedication of Mt. Sinai Hospital in Los Angeles.

News Programs. In addition to its public affairs programs, KNXT broadcasts regular local news and weather programs using local films and films of national and international events. The local news schedule of KNXT is as follows:

GRANT HOLCOMB AND THE NEWS: 7:00-7:10 AM, 7:30-7:40 AM, 8:00-8:10 AM, 8:45-8:55 AM, Monday through Friday;

CLETE ROBERTS AND THE NEWS: 6:10-6:15 PM, Monday through Friday;

THE BIG NEWS: 10:30-11:00 PM, Monday through Friday;

SUNDAY NEWS SPECIAL WITH BILL STOUT: 11:00-11:15 PM, Sunday;

SATURDAY NEWS: 9:30-9:45 AM, 1:45-2:00 PM, 2:45-3:00 PM, 12:00-12:15 AM;

SUNDAY NEWS: 11:00-11:15 AM, 3:30-3:45 PM.

The program costs, value of time and facilities for all local news programs are approximately $1,200,000 a year.

A Typical Week's Programs and Announcements. During the week of April 1 through April 7, 1956, KNXT broadcast a total of 105 announcements, having a value of $13,508, on behalf of the following organizations: Boys Clubs of America, City of Los Angeles, Civic Light, Crusade for Freedom, Easter Seal Society, League of Women Voters, Los Angeles Philharmonic Orchestra, Padua Hills Theatre, Ramona Pageant, Shrine Circus, United States Air Force.

In addition to its regular news schedule, KNXT broadcast the following local religious, informational or educational programs: "Give Us This Day," "Learning '56," "Light of Faith," "Dress Blues" and "Your Income Tax," all described previously. KNXT also broadcast the following other local programs during this week:

RENAISSANCE ON TV, a half-hour series with Dr. Frank C. Baxter of the University of Southern California and guests, discussing Renaissance literature and art.

KNXT FARM REPORT, a ten-minute daily series presenting market reports and agricultural news. This program is designed to serve as a "bridge" between the agricultural community of Los Angeles and urban viewers.

The total facilities and time costs for these programs during this single week were $8,987.

Awards and Commendations. Among the awards received by KNXT for programs broadcast in 1955 were the following:

National Citizens' Committee for Educational Television 1955 award to Dr. Frank C. Baxter, for "Shakespeare on TV," "for pioneering vision and outstanding public service in helping to bring to the American community the advantages of educational television."

Hollywood Chapter of the B'nai B'rith 1955 Award to Dr. Baxter "for outstanding contribution to television programming."

New Jersey State Fair Blue Ribbon Award to "Shakespeare on TV" as "the most outstanding program of its type on television."

Little Peabody Award to "Shakespeare on TV" for "outstanding programming in the public's interest."

Little Peabody Award to "Learning '54" for outstanding interpretation of teaching methods and course content.

Little Peabody Award to KNXT for "outstanding programming in the public's interest." The multiple honors accorded KNXT at this time were stated to be "unprecedented in the [Peabody] Committee's history."

TV-Radio Life Magazine, Twelfth Annual Achievement Special Award to station KNXT for outstanding service.

Thirty-First District California Congress of Parent-Teachers Association to "Learning '54" for excellence in public service programs.

National Women's Committee of Brandeis University to Dr. Herman Harvey and "Psychology on TV" for "special contribution to American culture and education through the medium of college credit courses presented on KNXT."

Los Angeles Tenth District California Congress of Parents and Teachers to "Psychology on TV" and "Child Psychology on TV," for general excellence in programming and availability of public service programs to the public.

California State Fair Award presented for KNXT's "outstanding programming as judged from the 'exceptional comments' received from viewers answering a public survey conducted by the California State Fair and Exposition."

Los Angeles Presbytery Award, a "resolution of appreciation" for "Light of Faith." Presented "for your outstanding contributions to the Southern California community and the Protestant cause in providing free time and technicians for the program."

TV-Radio Life Magazine Distinguished Achievement Award for distinguished programming in 1955 to "Spotlight on Opera."

Sylvania Award to "Focus on Delinquency" for outstanding local public service. This was one of four presented to local television stations in the country, and the only one to a station west of the Mississippi.

Juvenile Delinquency Digest Citation. This national publication cited "Focus on Delinquency" as the "Best TV Film" in a list of "This Year's 'Best on Juvenile Delinquency'."

Gold Mike for "Consistent Enterprise in Radio or Television News Reporting" by the Radio and Television News Club of Southern California.

Hollywood Kiwanis Club "Special Award" for outstanding contribution to the fight against juvenile delinquency. This was the first such award presented by the organization in its thirty-year history.

Los Angeles County Conference on Community Relations "Citation for Outstanding Service" for "continuing and substantial contributions to the betterment of human relations in this area."

Institute for Education by Radio-Television of Ohio State University, a First Award to "Shakespeare on TV." This second Ohio State award for this program in three years cited Dr. Baxter as setting a "praiseworthy example of university instruction, employing television techniques to reach the students and vitalize the subject of dramatic literature."

Honorable Mention by the Institute for Education by Radio-Television of Ohio State University to "Focus on Delinquency," "for its human quality, its honest approach, its varied setting, and a certain great sincerity in its presentation of one of Southern California's most serious problems."

Among the letters of appreciation and commendation received from organizations were letters from: American Association for the UN, American Cancer Society, American National Red Cross, California State Franchise Tax Board, California Tuberculosis and Health Association, Campfire Girls, CARE, Community Chest, Crippled Children Society, Hollywood Bowl Association, Invest in America Committee, Los Angeles County Heart Association, Los Angeles Junior Chamber of Commerce, Los Angeles Presbytery, the Mayor of Los Angeles, Muscular Dystrophy Association, National Foundation for Infantile Paralysis, San Francisco Opera Association, Sister Kenny Foundation, Southern California Symphony Association, The Air Pollution Control Board, United Jewish Welfare Fund, United States Treasury Department and YMCA.

WBBM-TV, Chicago

The total dollar value of facilities and air time contributed free by WBBM-TV in 1955 to charitable, governmental, religious, educational and other civic organizations amounted to $1,117,230. WBBM-TV broadcast a total of 4,247 announcements in 1955 on behalf of such organizations.

Program Series. In addition to announcements, WBBM-TV broadcast the following local program series in the field of information, education and public affairs:

OPERATION NEW HORIZONS, a half-hour weekly program produced by the Education Department of WBBM-TV in association with seven local colleges and universities: Lake Forest College, University of Illinois, Northwestern University, DePaul University, Illinois Institute of Technology, Loyola University and Roosevelt University. The program covers the wide range of activities in progress at the participating institutions. Faculty members and others associated with the colleges and universities are presented in demonstrations and discussions involving their respective fields. In the course of a single month's programs, topics ranged from crystallography to the commemoration of the tenth anniversary of the United Nations. The facilities and time costs for "Operation New Horizons," for each program, average $1,265.

THIS WAY UP, a half-hour weekly religious quiz program for young people from Chicago churches and synagogues. Each program presents youngsters of one or more churches of the same faith answering questions prepared by church-school leaders. Choirs from participating churches also appear on the program. The facilities and time costs for "This Way Up," for each program, average $877.

VISION, a half-hour program broadcast on alternate weeks devoted to the study of the traditions and cultural influences in American life, with particular emphasis on religious institutions. Programs have included an examination of present day religious culture in Italy, produced in cooperation with the Italian consulate and Italian State Tourist Bureau in Chicago, and a study of the Mormon religion, depicting the early hardships experienced by the Mormon settlers in establishing a community in Utah. The facilities and time costs for "Vision," for each program, average $1,130.

THOUGHT FOR THE DAY and MEDITATION. At the opening and closing of each broadcast day, WBBM-TV presents a brief message of an inspirational nature by clergymen of various faiths. The weekly facilities and time costs for "Thought for the Day" and "Meditation" are approximately $1,700.

THIS IS THE MIDWEST, a weekly half-hour profile of Chicago and midwestern industries and the men who have contributed to making these industries important. For each program a particular industry in the Chicago area is chosen and the assistance of a representative company in that industry is obtained. Produced in cooperation with the Chicago Association of Commerce and Industry, "This is the Midwest" makes extensive use of demonstrations, displays and film. The remote broadcast facilities of the station are occasionally used to provide direct coverage of industrial events. The wide range of industries featured has included the newspaper industry, the dredging industry, the story of the Merchandise Mart, the banking business, the meat packing industry and many others. Civic problems such as the development of inland waterways and improving Chicago's transit system have been explored.

UN IN ACTION, a half-hour program devoted to the activities of the United Nations, broadcast weekly while the UN Assembly is in session. Films of United Nations' activities, together with appropriate locally produced film, are used to present the subject matter with special emphasis on its significance to the local television audience. The facilities and time costs for "UN in Action," for each program, average $1,340.

THE TRUE PICTURE, a weekly program of films of educational and cultural interest. The facilities and time costs for "The True Picture," for each half-hour program average $1,090; for each quarter-hour program $785.

EYE ON CHICAGO, using films produced by WBBM-TV to present scenes of Chicago and its activities. Stories and places have included the North Pier Terminal "shape up," a public auction on South Michigan Avenue, weather research at the University of Chicago, the International Dairy Show, the Shedd Aquarium and the story of Chicago as the rail hub of the United States.

FARM DAILY, a daily fifteen-minute agricultural program. The regular features of the program include weather and market information and a special feature, such as an interview with a farm authority or filmed reports of farm activities. The facilities and time costs for "Farm Daily" are approximately $2,240 per week.

FARMTOWN, USA, a series of weekly half-hour programs produced in cooperation with the Illinois Agricultural Association and the Pure Milk Association. This program presented the station's Farm Director and guests from rural areas near Chicago. Activities at state and county fairs, livestock shows, dairy shows and other farm events were described. The program also provided information on methods of farm improvement and the alleviation of farm problems. The facilities and time costs for "Farmtown, USA," for each program, averaged $1,265.

CHOOSE YOUR CAREER, a series of half-hour programs broadcast weekly designed to afford an opportunity for high school students to learn pertinent facts concerning career possibilities in various industrial, business and professional fields. Each week a panel of high school students and prominent leaders in various fields discussed career possibilities. The facilities and time costs for "Choose your Career," for each program, averaged $1,265.

Special Programs. Among the individual special local programs broadcast by WBBM-TV in 1955 were:

FIRE AT WHITING, INDIANA, direct coverage of the fire at the refineries of the Standard Oil Company, using the station's remote facilities;

MAYORALTY ELECTIONS, special films and a direct audio line to election headquarters for coverage of the returns;

MEMBER OF THE TEAM, a panel discussion of juvenile problems;

OPERATION UNITY, for the American Museum of Immigration; and

THE MAYOR'S REPORT TO THE PEOPLE.

News Programs. The news gathering facilities of WBBM-TV include eleven wire services and regular reports from the State Highway Departments of Illinois, Indiana, Wisconsin and Michigan, and the Chicago Police Radio. Still photographs are available from the Soundphoto Network of International News Pictures and from Radiophoto. It is believed that the WBBM-TV news staff of 29 persons and five newscasters (which includes nine men and three camera crews, each crew equipped with both sound and silent equipment) constitutes one of the largest —if not the largest—television news operations outside of New York, Los Angeles and Washington.

Extensive use is made of films of news events, shot locally by the station's camera crews. WBBM-TV's news cameramen were the first to film the proceedings of the Illinois State Legislature, the first to record the hearings of a Chicago City Council committee on the floor of the Council Chamber and the first to film the deliberations of a Federal Grand Jury in Chicago. The WBBM-TV news film operation is so established that on an important story, a film of the event can be broadcast within thirty minutes after its arrival in the developing laboratory. An average of approximately 7,000 feet of film is produced locally each week of which approximately 1,400 feet are used on the air.

The local news schedule of WBBM-TV is as follows:

LOCAL NEWS AND WEATHER: 7:25-7:30 AM, and 7:55-8:00 AM, Monday through Friday;

LOCAL, NATIONAL AND INTERNATIONAL NEWS AND WEATHER: 8:25-8:30 AM, 8:55-9:00 AM, Monday through Friday;

FRANK REYNOLDS NEWS: 12 Noon-12:15 PM, Monday through Friday; 10:30-10:35 and 11:40-11:45 PM, Sunday;

JULIAN BENTLEY NEWS: 6:15-6:30 PM, Monday through Friday;

NEWS, WEATHER AND SPORTS: 10:00-10:15 PM, Monday through Friday;

NEWS AND WEATHER: 10:30-10:45 PM, Monday through Friday;

PAUL HARVEY NEWS: 6:45-7:00 PM, Wednesday;

LOCAL, NATIONAL, INTERNATIONAL NEWS AND LOCAL WEATHER: 7:50-8:00 AM, Saturday;

THIS WORLD THIS WEEK: 3:00-3:45 PM, Saturday.

The program costs, value of time and facilities for all local news programs in 1955 were approximately $1,500,000.

A Typical Week's Programs and Announcements. During the week of April 1 through April 7, 1956, WBBM-TV broadcast a total of 115 announcements for the following organizations: American Cancer Society, Anti-Defamation League, Boys Club Anniversary, CARE Food Crusade, Employ The Handicapped, Girl Scouts, Ground Observer Corps, Income Tax, National Blood Program, National Guard, National Safety Council, Nursing Careers, Religion in American Life, Social Security, Travelers Aid Volunteers, United States Air Force, United States Savings Stamps, Veterans Administration.

In addition to its regular local news schedule during the week, WBBM-TV broadcast the following local religious, informational or educational programs: "Operation New Horizons," "The True Picture," "Farm Daily," "This is the Midwest," "Thought for the Day" and "Meditation," all described previously. WBBM-TV also broadcast during this week a special Easter program, the traditional Lutheran Easter service, originating from the Garrick Theater in Chicago.

The total facilities and time costs for these programs and announcements during this single week are estimated at $24,000.

Awards and Commendations. WBBM-TV received the following awards for programs broadcast in 1955:

Institute for Education by Radio-Television of Ohio State University, first place award to "Eye on Chicago" in the category of public service by a regional station. The citation stated: "This series is good television. It bridges the gap between spot news and education by television through the use of excellent camera work, revealing subject matter, and new techniques of finding the unusual through the eye of the camera, and in interest-compelling voice. It is lively in tempo and has attractive story-telling quality."

The Annual *TV Guide* poll for the top female personality, the best disc jockey, the best newscaster, the best male vocalist, and the best female vocalist.

The Chicago Federated Advertising Club four first place awards to WBBM-TV for the best variety program, the best musical production, the best news and commentary program, the best documentary program, and honorable mention in the educational program division.

Other awards were received from the Arthritis and Rheumatism Foundation, the Continental Air Defense Command Ground Observer Corps, the March of Dimes, the National Exchange Club, the Santa Claus Campaign for Needy Children, and the Sixth Annual Scout-O-Rama.

Among the letters of appreciation and commendation received from organizations were letters from: American Foundation for the Blind, Inc., American Legion, American Medical Association, American Red Cross, CARE, Chicago Board of Education, Chicago Park District Police Benevolent Association, Citizens Schools Committee, Citizens Traffic Safety Board, Community Fund of Chicago, Inc., DePaul University, Greater Chicago Churchmen, Illinois Agricultural Association, Illinois Association for the Crippled, Illinois National Guard, Loyola University, National Citizens Commission for the Public Schools, National Foundation for Infantile Paralysis, Salvation Army, The Tuberculosis Institute, United Cerebral Palsy of Chicago and United States Treasury Department.

On August 2, 1955, Mayor Daley of Chicago wrote the General Manager of the station and the Manager of the News Department expressing his appreciation for the station's cooperation in participating in the "Chicago Plan" for broadcasting in connection with mob disorders in Chicago. In his letter, the Mayor stated: "Civic responsibility such as you have shown in this instance will help make Chicago a greater, finer city, and deserves the thanks of everyone interested in the rights and safety of all Chicagoans."

WXIX, Milwaukee

The total dollar value of facilities and air time contributed free by WXIX in 1955[1] to charitable, governmental, religious, educational and other civic organizations amounted to $208,368. WXIX broadcast a total of 2,309 announcements in 1955 on behalf of such organizations.

Program Series. In addition to announcements, WXIX broadcast the following local program series in the field of information, education and public affairs in 1955:

THIS IS YOUR BUSINESS, a series of nine quarter-hour programs in cooperation with the Milwaukee Association of Commerce and presenting the stories of some of the major industries in Milwaukee. The facilities and time costs for "This Is Your Business" totaled $2,554.

BACKYARD FUN, a series of five half-hour programs presented in cooperation with the Milwaukee Department of Recreation. This program was presented on five consecutive days during a period when the Milwaukee schools were closed due to a threatened polio epidemic. The program demonstrated constructive activities for children who were confined to their homes. The facilities and time costs for "Backyard Fun" were $1,708.

YOUR PUBLIC LIBRARY PRESENTS, a series of thirteen half-hour programs in cooperation with the Milwaukee Public Library. The program was devoted to discussions and displays

[1]CBS acquired WXIX (formerly WOKY-TV) in February 1955. Accordingly, all information included for the year 1955 covers the period from February 27, 1955, the date on which WXIX commenced the broadcast of CBS Television Network programs, to December 31, 1955.

by groups of young people and adults of the customs and histories of children in other countries, native costumes, instruments, toys, games and books. The central theme of the program was the development among children of a greater interest in books. The facilities and time costs for "Your Public Library Presents" totaled $4,541.

THE TIME BETWEEN, a half-hour weekly series produced in cooperation with Marquette University. This program presented Father John W. Walsh of Marquette University in a series of discussions on drama and dramatists. The facilities and time costs for "The Time Between," for each program, averaged $490.

LIGHT OF FAITH, a half-hour program presented weekly in cooperation with the Milwaukee County Council of Churches. The facilities and time costs for "Light of Faith," for each program, average $278.

YOUR DOCTOR ADVISES, a series of half-hour programs broadcast on alternate weeks produced in cooperation with the Milwaukee County Medical Association and presenting a panel of practicing physicians discussing the causes and treatments of common illnesses. Telephoned requests for information from the viewing audience are answered on the program. The facilities and time costs for "Your Doctor Advises," for each program, average $378.

MILWAUKEE REPORTS, a series of half-hour weekly programs presented in cooperation with the Milwaukee Junior Chamber of Commerce and Wisconsin State College. The series is devoted to panel discussions by qualified persons on current topics of civic interest in Milwaukee. The facilities and time costs for "Milwaukee Reports," for each program, average $364.

LIVING WITH CHILDREN, a series of half-hour programs, broadcast on alternate weeks, concerning child psychology. A child psychologist answers questions posed by a panel of parents. The facilities and time costs for "Living with Children," for each program, averaged $467.

SHAKESPEARE ON TV, a series of lectures on Shakespeare by Dr. Frank C. Baxter of the University of Southern California, produced by KNXT, the CBS Owned television station in Los Angeles. During the summer of 1955, WXIX carried the first series of these programs. The total time costs for "Shakespeare on TV" on WXIX were $3,120.

AMERICA IN THE MAKING, the series of programs produced by WCBS-TV, the CBS Owned television station in New York, with the cooperation of New York University and the Metropolitan Museum of Art. The total time costs for "America in the Making" on WXIX were $3,120.

GIVE US THIS DAY, a five-minute religious program at the opening and closing of each broadcast day. In 1955, WXIX broadcast films produced by WCBS-TV. Recently WXIX has commenced the production of its own series. The weekly facilities and time costs for "Give Us This Day" are approximately $990.

In addition to these programs, WXIX regularly broadcasts films in the field of information, education and public affairs. Among the films shown on WXIX are:

A LIFE TO SAVE, for the County Medical Association;

4-H HEADLINES, for the 4-H Clubs;

HEART OF AMERICA, for the American Heart Association;

THE BIG PICTURE, a series for the United States Army;

THE MAGIC BOND, for the Veterans of Foreign Wars;

THEN THERE WERE FOUR, on safety;

THEY MET IN GALILEE and HILL NUMBER ONE, for religious groups;

TWO THOUSAND CITIES, for the United States Army Signal Corps;

YOUR MARINE BAND, for the United States Marine Corps; and films concerning the preparation of tax returns for the United States Treasury Department.

Special programs. Among the individual special programs broadcast by WXIX in 1955 were:

BROTHERHOOD, in commemoration of Brotherhood Week;

PREVENT THAT FIRE, for the Milwaukee Fire Department;

THIS IS CHRISTMAS, a special 90-minute program utilizing the native groups of Milwaukee and a cast of over 200 persons;

YOUR EASTER SEALS, showing the work done by contributions for Easter seals.

News Programs. In addition to its public affairs programs, WXIX broadcasts regular local news and weather programs, making extensive use of films of local, national and international events.

The local news schedule of WXIX is as follows:

MILWAUKEE MORNING HEADLINES: 6:55-7:00 AM, Monday through Friday, 7:25-7:30 AM, Saturday;

MILWAUKEE MORNING NEWSREEL: 7:25-7:30 AM, Monday through Friday;

NOON NEWS AND WEATHER: 11:25-11:30 AM, Monday through Friday;
THE SIX O'CLOCK REPORT: 6:00-6:15 PM, Monday through Friday;
THE BIG NEWS: 11:00-11:20 PM, Monday through Friday;
LATE NEWS: 12:45-12:50 AM, Monday through Friday; 12:30-12:35 AM, Saturday;
SATURDAY NOON NEWS: 1:55-2:00 PM, Saturday;
SATURDAY NIGHT NEWS ROUNDUP: 11:00-11:15, Saturday;
LET'S VIEW THE NEWS: 5:00-5:15 PM, Sunday.

The total weekly program costs, value of time and facilities for local news programs are $6,282.

A Typical Week's Programs and Announcements. During the week of April 1 through April 7, 1956, WXIX broadcast 69 announcements with an air time value of approximately $3,500 on behalf of the following organizations: American Cancer Society, Arthritis-Rheumatism Foundation, Boys Clubs of America, Disabled American Veterans, Fred Miller Community Theatre, Get Out the Vote Committee, Internal Revenue Department, Milwaukee Council of Churches, Milwaukee Easter Seal Society, National Safety Council, United States Army, United States Coast Guard, United States Treasury Department.

In addition to its local news and weather schedule, during the week WXIX broadcast the following local religious, informational and educational programs: "Light of Faith," "Your Doctor Advises," "Give Us This Day," "Milwaukee Reports" and "The Big Picture," all described previously.

WXIX also broadcast the following other local programs during this week:

BILLY'S QUIZ, a regularly scheduled half-hour weekly program in cooperation with the Milwaukee Public Library. The format of the program consists of a quiz for children designed to stimulate their interest in reading.

OPERATION BALLOT, a special program originated by the station and utilizing the combined forces of the station's staff and the representatives of three Milwaukee radio stations with approximately 300 special employees to cover the election results.

The total facilities and time costs for these programs during this single week are estimated at $4,500.

Awards and Commendations. WXIX has received the following awards:

The Medical Society of Milwaukee County for "outstanding public service in the presentation of 'Your Doctor Advises'."

The Department of the Army for the presentation of "The Big Picture," "a most important contribution to the public understanding of the role and mission of the United States Army."

The Milwaukee Fire Department for services contributed "to the cause of public safety by active participation in National Fire Prevention Week."

The National Police Officers Association of America "for distinguished service to the Association and law enforcement which it represents."

A United States Naval Recruiting Certificate for "WXIX's public-spirited cooperation in furthering the excellent relations between the United States Navy and the people of the community."

In May 1956, WXIX received from the Milwaukee County Radio and Television Council a first award in the category of cultural programs for "The Time Between," a first award in the field of public issues for "Milwaukee Reports" and a special citation for "This Is Christmas," described as "an outstanding one-time program artistically utilizing local cultural and ethnic groups."

Among the letters and commendations received from organizations were letters from: Arab Information Center, Consulate General of Israel, Lutheran Radio Church Service, Milwaukee Community Concert Association, Milwaukee County Council of Churches, Milwaukee County Good Friday Observance, Milwaukee County Radio and Television Council, Milwaukee County Society for Mental Health, Milwaukee Junior Chamber of Commerce, Milwaukee Public Library, National Conference of Christians and Jews, 75th Anniversary of Marquette University, and United States Treasury Department, Bureau of Customs.

CBS RADIO

CBS TELEVISION

COLUMBIA RECORDS

CBS-HYTRON

CBS-COLUMBIA

CBS LABORATORIES

CBS INTERNATIONAL