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A

SUMMARY CHRONOLOGY -- NETWORK RERUNS

March 21, 1973: OTP letter to FCC notes Presidential directive for Office to study prime time, network reruns, seek voluntary solution or, failing that, make regulatory recommendations.

OTP issues report on network reruns.

Highlights:

A. Percentage of reruns increased substantially during past decade.

B. Repeats begin earlier each year.

C. Cost of prime time TV up 90% between 1962-71.

D. Reason for spiraling costs blamed on ratings' rivalry.

E. Reruns - unemployment in TV program production industry.

F. OTP not recommend networks program specific number of episodes, but find way to reverse trend towards reruns.

G. Networks refused voluntary restraints after meetings with OTP.

H. OTP urges FCC to conduct full inquiry only, suggests no restrictions.

I. Report also finds no merit in Prime Time Access Rule, suggests it be eliminated.

B

OFFICE OF TELECOMMUNICATIONS POLICY
EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C. 20504

March 21, 1973

DIRECTOR

Honorable Dean Burch
Chairman
Federal Communications Commission
1919 M Street, N. W.
Washington, D. C. 20036

Dear Dean:

As you know, the President last fall directed the Office of Telecommunications Policy to study the causes and effects of the increasing percentage of same-season, prime-time reruns by the three television networks. The President noted that this increase diminishes the amount of diverse programming available to the viewers and threatens the economic health of the American programming industry. The President asked that we seek a voluntary solution to this problem or, failing that, explore whatever regulatory recommendations may be in order.

OTP has completed its study and has now forwarded a report of the results to the President. The study shows that the percentage of prime evening time programs rerun within the same television year has increased substantially over the past decade. The television networks are beginning earlier and earlier each year to repeat their prime-time television programs. This means that the viewers see fewer and fewer hours of new programs and that the viability of the television program production industry is further threatened.

In the 1962-63 television season, NBC, for example, was buying an average of 32 original episodes in a program series. This declined to 24 episodes in the 1971-72 season. Some series now have as few as 22 original episodes. Moreover, the combined effects of the increase in reruns and the Commission's prime-time access rule (§73.658(k)) have reduced the amount of original prime-time programming on the three networks combined by 25% over the last ten years.

The principal reason for the increased rerun percentage has been the increased cost of the prime-time television program production. Between 1962 and 1971, network payments for production of original program episodes increased by almost 90%. Increased reruns have become a way for the networks to maintain profit levels in the face of rising program costs. Our study, however, found that the most plausible explanation for much of this cost increase is the rivalry of the networks for ratings, which causes them to bid up the fees of the highly popular talent and also increases other costs that the studios incur.

The study concludes that the increasing percentage of prime-time reruns in each broadcast year has contributed significantly to the decline of employment in the television program production industry. Other factors include the increased use of feature-length movies in prime time by the networks and the prime-time access rule.

Since this study discloses no economic forces at work to halt the trend toward ever higher percentages of prime-time reruns, we believe that the networks should exercise voluntary restraints or that appropriate regulatory restraints should be considered.

OTP explored with the networks the possibility of voluntary reductions in the percentage of rerun programming in prime time. We did not suggest that they program any particular number of original episodes, but simply that they find ways to reverse the trend toward fewer and fewer original programs. The networks refused to consider adopting voluntary restraints; although one network indicated that it would be willing to do so if the cost of producing programs could be reduced.

In the face of the networks' unwillingness to consider voluntary solutions, OTP urges the Commission to conduct a full inquiry into this matter and consider whatever regulatory remedies may be appropriate in protecting the public interest. For your information, we have attached a copy of our rerun study. At this point, we recommend only an inquiry and not the imposition of restrictions, since it is not entirely clear whether direct restrictions or other measures would be the most appropriate way to deal with the root causes of the rerun problem.

The data that we have collected indicate that the effects of prime-time rule, like the effects of reruns, limit the amount of diverse, original, and high-quality programming available in prime time to the American public. Its effects also weaken the program production industry, contrary to the rule's basic objectives. The rule was intended to stimulate new programming markets, encourage independent sources of program production, and create more program diversity in prime-time TV than the networks were providing. There are enough anticompetitive forces at work in TV without the Government adding more. Therefore, we also recommend that the prime-time rule be changed to allow the networks to program on a regular basis in the 7:30 - 8:00 p.m. time period beginning this fall.

Sincerely,

Tom

Clay T. Whitehead

Enclosure

C

EXECUTIVE OFFICE
OF THE PRESIDENT

OFFICE OF TELECOMMUNICATIONS POLICY

ANALYSIS OF THE CAUSES AND EFFECTS OF INCREASES IN SAME-YEAR RERUN PROGRAMMING AND RELATED ISSUES IN PRIME-TIME NETWORK TELEVISION

Duplicate?

March 1973

Analysis of the Causes and Effects of Increases In Same-Year Rerun Programming and Related Issues In Prime-Time Network Television

February 1973

Office of Telecommunications Policy
Executive Office of the President
Washington, D. C. 20504

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INTRODUCTION

This study is directed primarily to the problem of networks beginning to repeat their prime-time television shows earlier and earlier each year. The viewing public sees more and more hours of rerun programs, and the program production industry has less and less business. It does not concern the syndication of programs several years after they have gone off network prime-time.

In order to put this problem in perspective, it was necessary to consider broader issues affecting the networks and the television program production industry. These broader issues include an analysis of network behavior generally, the FCC's prime-time access rule, conditions in the film industry, and related problems. But the study was not intended to be a thorough analysis of all factors affecting employment in the Hollywood film industry.

This analysis is designed to aid in the formation of policy recommendations, but does not itself contain any such recommendations. The data, upon which the analysis is based, are being refined further and some new data are being collected.

The study is based on data supplied by the three television networks, the Screen Actors' Guild (SAG), the Federal

Communications Commission (FCC), the Motion Picture Association of America (MPAA), the Association of Motion Picture and Television Producers (AMPTP), and other sources. Some of the analysis is based on confidential data.

I. Extent of Reruns and the Decline of Original Production.

In this report the word "rerun" means programming previously shown on network television. When the phrase "increase in reruns" is used, it means generally a higher percent of repeats of episodes in a series during a single broadcast year. "Original programming" means programming shown for the first time on network television. Movies made for television are always considered original programming in their first television run; movies made for theatrical exhibition are considered original programming in their first television run except when the contrary is explicitly indicated.

There is no question that reruns have increased over the past decade. The 1968 Land Report states that "at one time" a series comprised of 39 original and 13 rerun episodes was the pattern for series shows, but that the pattern is "now" (1968) 26 - 24 (p. 89). Data made available by SAG indicate that there were some series with 39 episodes as late as 1959.

The pattern of increasing rerun programming, network by network, in prime-time within each broadcast year, can be seen in the following table and in Figure 1.

NETWORK	PERCENT RERUN PROGRAMMING	
	1962/63*	1971/72
ABC	31	35
CBS	29	44
NBC	29	41

Although total expenditures for programming in prime time increased 80% for all three networks in the last decade, their expenditures for original programs (excluding theatrical movies) fell by 15%. (See Figures 1 and 2.) In 1962/63, NBC bought an average of 32 episodes of series programs, while in 1971/72 this number had declined to 24. This trend has taken place more or less gradually over the past decade and has now reached the point where virtually every series program is repeated at least once in the year it first appears. Because of the declining number of original episodes ordered, program producers generally attempt to ensure that it is their programming, and not some other, which is rerun. Thus, their desire to compete in a rerun market created by the networks cannot be considered as studio-generated pressure for more reruns.

Original production for network prime time has declined more than the above figures suggest. Increased reruns over the past decade accounted for a decline of 343 hours per year of original prime time programming on all three networks combined. (In 1962/63 there were about 3,750 hours of prime-time programming on all three networks combined.) The FCC's

* 1961/62 for NBC

Figure 1

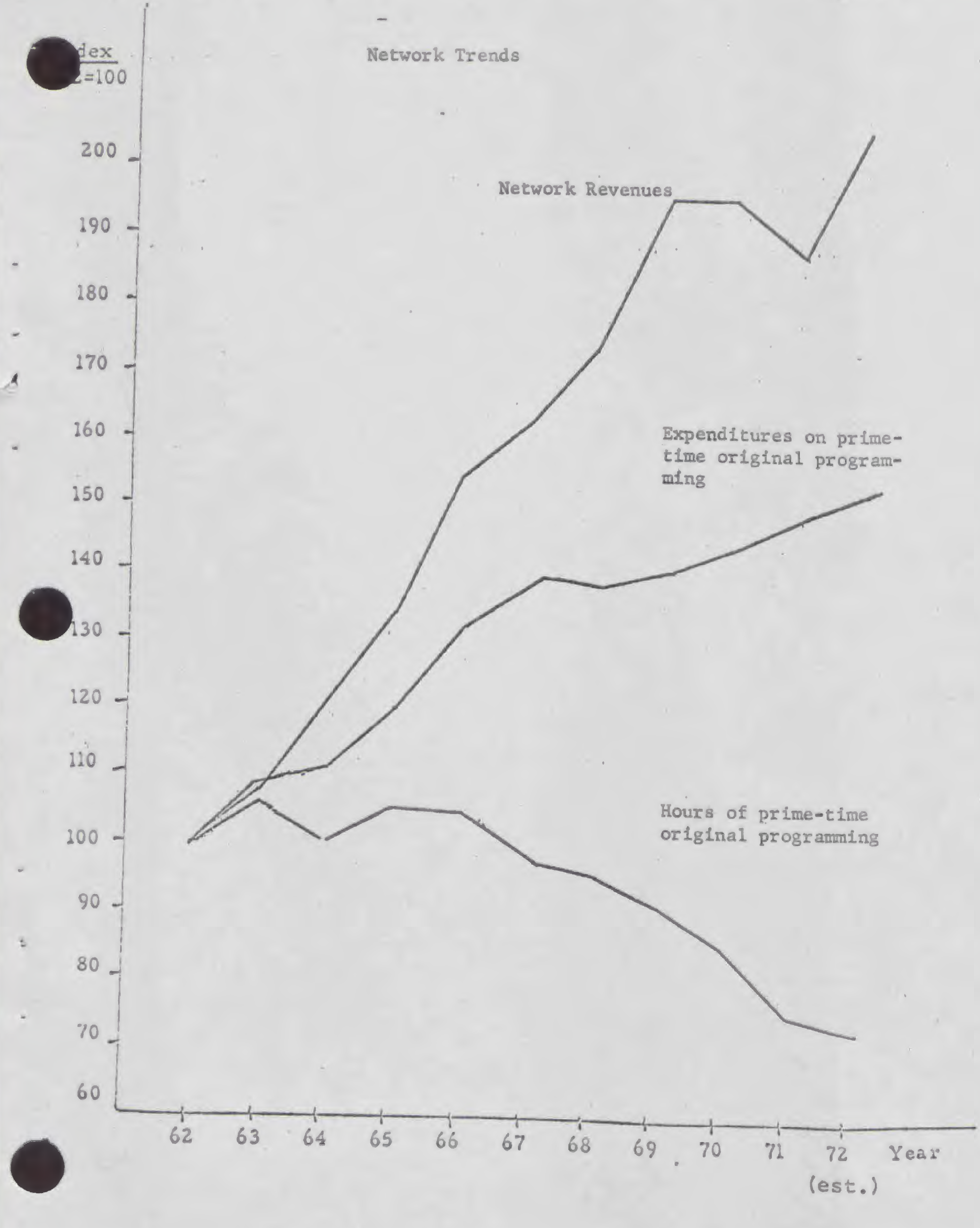
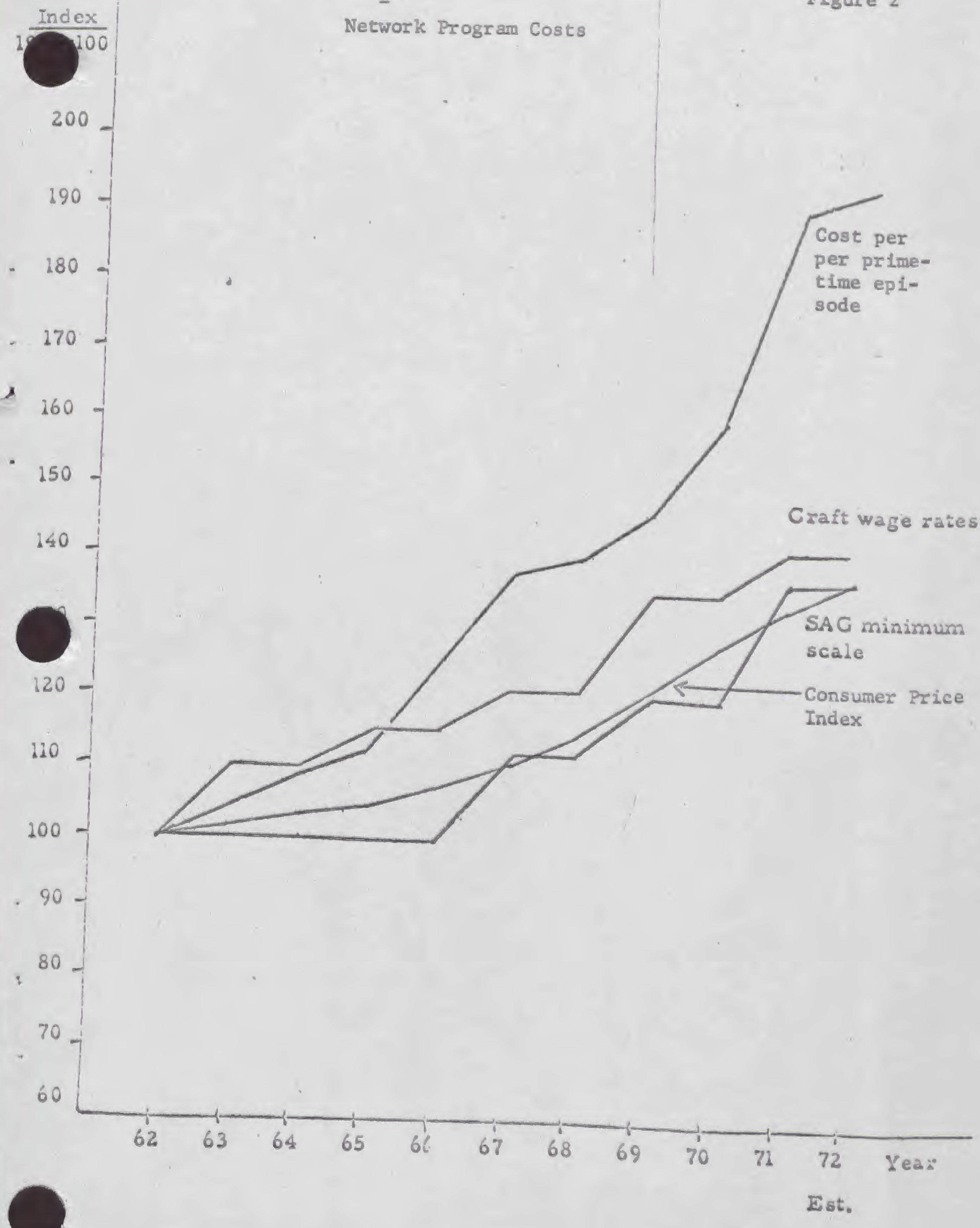

Network Trends
dex
=100
200
190
180
170
160
150
140
130
120
110
100
90
80
70
60
Network Revenues
Expenditures on prime-time original programming
Hours of prime-time original programming
62
63
64
65
66
67
68
69
70
71
72
(est.)
Year

Figure 2

Network Program Costs



prime-time access rule resulted in a further decrease of 319 hours per year, starting with the 1971/72 season.

II. Causes of Increased Reruns--Possible Explanations.

For CBS--the only network providing this type of data--increases in reruns of movies made for TV and of non-movie programs have accounted for 31% of the decline in original programming over the decade. This compares with 35% to the prime-time access rule. What has caused this increase in reruns? In seeking answers to this question, three alternative hypotheses to explain network behavior were considered.

Competition Hypothesis:

If network television is highly competitive in the economist's sense (i.e., a large number of independent, profit-maximizing firms) no single network could individually affect the price of programming or advertising. In such a market, new original programming of varied audience appeal would compete with older programming (reruns) of varied drawing power.

It seems reasonable to suppose that a rerun must be of higher appeal than an original program to draw the same audience. In this context, initial drawing power is tied to program production costs, since those factors of production capable of drawing larger audiences will have their prices bid up. In such an environment, one would expect to find a wide variety of new and old programming of various production costs selling at varying prices which reflect their audience drawing power and the demographic attractiveness to advertisers of the audience drawn by the programs. In any case, rerun programming is always a possible substitute for new programming of the same original production cost. Its popularity is lower, but so is its price, since license fees for reruns are only about a quarter of the cost of original episodes.

In these circumstances, one would expect an increase in the percentage of reruns (or in the use of older programming) whenever the cost of new programming rose, other things being equal. If audience size, in the aggregate, were to rise, or if the demand by advertisers for audiences were to shift upward, then one would expect a decrease in rerun programming, other things being equal.

If the data turn out to show that the per-episode programming costs for original episodes have risen faster in the past decade than the rise in advertiser demand and the rise in TV set usage, then this could explain the increase in reruns on network television, under the assumptions of the pure competition hypothesis. A similar effect would take place if there has been a relative decline in the cost of rerun programming due to decreases in talent residuals or other payments.

Rivalry Hypothesis:

Since the networks are not many in number, as "pure" competition would require, but are few, it is naive to think that they do not each have significant influence on the cost of programs and the price of advertising time. This suggested that a rivalry model might offer a more plausible explanation of network behavior. Consider that the networks, as rivals, vie for ratings by varying the type and audience appeal of programs at the beginning of each season. Each is aware of and can affect the actions of the others, both in selling advertising time and buying programming. This results in cost increases as each network, either directly or indirectly, raises the bidding for more popular actors, more successful writers and producers, better sets, location shooting, and the like.

There also is an effect on viewers' expectations. Many older programs are likely to be less appealing to audiences than newer fare, since they are outdated or are otherwise no longer topical. In addition, original programs produced for the summer cost less than fall original programs and usually will draw smaller audiences than reruns of fall programs. If advertising demand and audience size do not rise as fast as program costs, then new original programming will decline and reruns of recent programs will increase. The quantity of original programming tends to be curtailed when total program costs outstrip advertising revenues. To remain profitable, the networks increase the percentage of recent reruns, usually from earlier in the same broadcast year.

The networks do business in at least three markets, and it is important to distinguish among them: (1) In advertising markets, the networks are the suppliers of an almost unique product--very large audiences--and deal with a large number of buyers of advertising time, but they must compete with other media (radio, newspapers, and magazines) and with the national spot television market; (2) By contrast, in the market in which TV programs are bought and sold, the three networks are virtually the only buyers of programming, and they deal with a fairly large number of actual and potential program suppliers; (3) Finally, the networks are the major suppliers of prime-time entertainment programming to the public--the viewer, though, is not a "customer," in the usual sense, as he pays nothing for this service. Thus, there are two markets in which the three networks collectively have a virtual monopoly--the purchase of programming from program suppliers, and the provision of programming to the public.

The behavior of the three networks in advertising markets is more circumscribed than their behavior in programming markets because advertisers have more alternatives than program producers. While the networks, individually and collectively, clearly can influence the prices advertisers pay for network commercials by changing the number of commercial minutes offered for sale, their ability to charge very high prices is presumably limited by the existence of the national television spot market and the non-broadcast media as alternatives for the advertiser.

Actually, it appears that the demand for national TV advertising time is rather less elastic (i.e., less sensitive to price) than one might expect, given the existence of competing media. Network revenues appear to have dropped about 10% when cigarette advertising was abolished, which is just about the proportion of cigarette advertising in total minutes before abolition. The prime-time access rule eliminated about 8% of the available prime-time advertising minutes, but revenues stayed about the same, or even increased as a result.

For many years the number of commercial minutes sold per hour has been constant, which may indicate the presence of conscious parallelism as a sign of rivalry in network behavior. Advertisers, of course, are interested only in audiences delivered, and this fact underlies the whole structure of network television. Advertisers have been spending more and more on the <u>production</u> of commercials (see Table 16), but advertisers' expenditures bear little relation to the value <u>viewers</u> place on television program choices.

The essence of the rivalry hypothesis is that the networks, aware of their interdependence, each attempt to maximize their ratings by increasing program drawing power, while perhaps paying less attention to vigorous price competition in advertising markets. As the drawing-power of programs is increased, so are costs. To maintain profits, the number of reruns is increased. This proceeds in a dynamic pattern over time in such a manner that profit levels are maintained while reruns constantly increase over the years. Truly competitive networks would tend to resist this trend, because it would be to any one network's advantage to put original programs opposite the other networks' reruns in the Spring. But the networks, realizing that this would lead to retaliation and lower profits for everyone, have incentives to limit their rivalry to variations in the production factors that entrance the audience drawing power of the program.

This hypothesis also depends on the apparently valid assumption that, while program drawing power or age affects the audience for any given program, the overall size of the TV audience is more or less fixed on any given day of the year by factors not under control of the networks.

There is a superficial conflict between the rivalry hypothesis and earlier institutional analyses of network behavior, which placed great emphasis on the power of the networks to dominate the market for programs--to exercise, in other words, monopsony or oligopsony power over the terms and conditions of program sales. The two hypotheses are not inconsistent.

In the rivalry hypothesis, the networks choose programs of steadily higher "quality." In other words, the networks buy, over time, different kinds of programs, and in particular programs which cost more to produce. A monopsony or oligopsony model would have the networks buying programs, of <u>whatever</u>

quality, at terms and conditions more disadvantageous to their producers than the terms and conditions which might exist in a more competitive market. These two conditions can co-exist independently of each other. A given level of monopsony power might be reflected in program prices (paid by the networks to the program production industry) which were lower than they might otherwise be. But these prices may still rise over time without any reduction in the degree of monopsony power simply because different kinds of programs are called for, programs whose costs of production are higher than before.

In general, a monopsonist buys less of a product at a lower price than true competitors would buy. A hypothesis such as this could explain increased reruns by itself only if the degree of monopsony power increased over time. The existence of three buyers instead of one complicates the argument, but does not change its fundamental nature.

The fact that some of the producers of television programs are also the talent in those programs is entirely irrelevant to the principles under discussion here, although that fact would doubtless complicate any attempt to quantify the magnitude of the various effects. It remains true, of course, that the rivalry behavior, among other things, bids up the prices and incomes of more popular talent, while reducing the demand for and incomes of less popular talent. It is also true that uniquely popular talent may have just as much "monopoly" power as the networks have "monopsony" power, and may for that reason fare much better than the factors of program production with more and closer substitutes. But there is a great deal more to the program production industry than a handful of top stars.

In any case, increased audience appeal for original programming takes the form of color and location production, more elaborate sets, longer shooting schedules, and higher and higher salaries to very popular actors, writers, directors and producers--<u>but</u> not necessarily higher payments to the program production industry as a whole. In fact, the increase in reruns probably means that uniquely popular talent is better off, while other talent, craft unions, and extras suffer. The inflation produced by this rivalry behavior would take the form of "demand-pull" program cost inflation by the networks, not "cost-push" inflation from television program production industry unions.

<u>Cartel Hypothesis</u>:

The final hypothesis that might explain network behavior is one in which the networks are assumed to function as a cartel. In such a hypothesis, reruns might increase (as in the competitive model) because of "cost-push" program cost increases. On the other hand, a cartel would have no particular incentive to increase program drawing power over time, absent systematic exogenous changes in public taste. If "cost-push" inflation of program costs did not occur, one might explain increased reruns as being a result of increasing perfection in the degree of cooperation of the members of the cartel, but this seems rather farfetched.

Cartel behavior of the kind hypothesized would almost certainly require explicit collusion by the networks. This in itself would be unlikely. But if cartel-like behavior were characteristic of the industry, then one would expect to find little evidence of "demand-pull" program cost inflation, and much evidence of "cost-push" inflation, in order to explain the evident increase in rerun programming.

Which Explanation Fits?

Between 1962 and 1971 original episode program payments by the networks rose about 89% (see Tables 22, 34) in prime time, while total network program expenditures rose 88% (see Table 30). Whether the networks are "pure" competitors, rivals, or cartel members, reruns and increased costs of programs go hand in hand. The important question is why these costs rose. If the increase were found to result from cost-push inflation by the program production industry unions, then, to some extent the networks had little choice but to increase reruns to some extent. If, however, the inflation cannot be attributed to union-caused cost increases, then the rivalry hypothesis is a more plausible explanation of increased reruns.

Cost-push inflation by the unions could take two forms. First, if all wages and salaries went up X%, then the cost of an unchanged program would rise by no more than X%. Secondly, if restrictive work rules which decrease productivity (or more colorfully, "featherbedding") on the part of some unions increased, then an unchanged program would cost more because of wages paid to inefficiently used labor. Note that for cost push inflation it is not the <u>level</u> of featherbedding, that is important but effective <u>increases</u> in that level. In the absence of change in wages and prices of other inputs, cost-push inflation results <u>if and only if</u> featherbedding becomes more extensive.

Neither of these appears to be the explanation. First, craft union wages increased about 42% from 1962 to 1971, compared to a rise in the consumer price level of 33%. Actors' minimum wage rates rose 38% over the same period. Second, according to our unavoidably rough estimates (Appendix Tables 19 and 20 which unfortunately include theatrical motion picture production) man-hours of labor per unit of output have actually been declining in recent years. The change to color programming and the apparent increase in on-location production probably have tended to increase man-hours of labor per program hour, and these effects alone could account for an increase of about 20% in the labor/output ratio. While there are many colorful stories about union work rules which lower productivity, and while we have no doubt that such practices exist, there is no evidence available which would suggest significant <u>increases</u> in these practices. Thus, there does not appear to be very much evidence in favor of increased featherbedding as an explanation of the increase in cost given the effects of rivalry on such elements of quality as color and location shooting.

Nor can much of the cost increase be explained by increases in program packager's profits in excess of a normal rate of return on investment, since the industry supplying programs is very competitive, market shares are low and volatile, and entry by new competitors appears to be relatively easy, subject to whatever monopsony power the networks possess. (See A.D. Little Report 1968 and 1969.)

An alternative explanation is "demand-pull" inflation, interpreted in terms of the rivalry hypothesis set forth above. If rivalry exists, the incomes of popular actors, writers, and producers would be expected to rise faster than craft incomes. Unlike increases in union scales, the networks would be able to exercise more choice in deciding whether to increase expenditures in these categories (popular writers', directors, and actors' salaries). This implies that above-the-line talent wages increase faster than below-the-line wages. However, increases in the <u>amount</u> of labor required per episode can also increase the total below-the-line costs. Between

1962/63 and 1971/72, for the NBC-produced program "Bonanza," above-the-line costs per episode 53% and total cost per episode 94%. Thus, above-the-line costs rose more than 4.5 times faster than SAG minimum scale. Unfortunately, "Bonanza" is not a typical network program because of its long run on NBC, but it is the only example we have that is not based on confidential data.

Indeed, as a general matter, there are little reliable data on production costs, and there is much disagreement among studio executives as to the source of cost increases over the last decade. The basic hypothesis of the present analysis is that network-generated "demand-pull" resulted in much of the cost increase. This sort of cost increase would turn up in higher above-the-line talent costs and also in higher below-the-line talent costs due to color production, location shooting, more elaborate sets, and the like. If below-the-line labor is hired at the average wage rates shown in Table 19, and if the number of days required to shoot an episode has increased by about 20%, then below-the-line labor costs would have increased by about 68% over the decade.

Confidential data obtained from one studio indicate a 290% increase in <u>total</u> below-the-line costs, while similar data from a second studio indicate a 66% increase in these costs. A third studio reports a 130% increase in below-the-line costs. One studio estimates that fringe benefits and other non-wage labor costs account for about 9.3% of total production cost today, while another studio reports that these indirect costs rose from 20% of direct labor costs to 30% over the decade. In any event, it is difficult to imagine that increases in fringe benefits over the decade could account for a substantial proportion of the total cost escalation. One realistic explanation seems to be increased labor input per unit of production as a result of changes in the nature of the programming produced.

One studio reports a 116% increase in above-the-line costs, while another reports a 160% increase for selected series episodes. Since SAG minimum scale has increased only 40%, this suggests that actors are being employed above scale more frequently nowadays, or that they are working many more days per episode, or that very top talent is much better paid than in the past. But none of the available data provided by the program producers are directly relevant because of the manner in which the samples are selected.

Above and beyond the conclusions one can draw from analysis of cost data, the increasing use of movies in prime-time network television also indicates rivalry for ratings. Assuming that a higher-cost program generally delivers a larger audience, then a movie that originally cost perhaps $4 million should deliver a larger audience than the combined shorter series episodes (costing about $400,000 total) that it replaces. Yet the network rents the movie for two showings (or more) at much less than its original cost. Since 1962, hours of prime-time movies have risen from 4 hours per week to 12 hours per week.

In addition to production costs and the increasing use of theatrical movies, the third indicator of interest here is network profits. Network profit on networking plus the income from the networks' 15 owned and operated stations varied from $87 million in 1961 to $226.1 million in 1969 to $144.9 million in 1971 (see Table 30). It is difficult to rely on the data showing network profits from networking alone because of the necessarily arbitrary transfer prices to owned and operated stations--e.g., both costs and revenues are shared by the two operations.

The variability of network profits results mainly from the variability of revenues. Revenues depend on the following factors:

(1) Price to advertisers--over which the networks, collectively, have some control. It moved from $1.94 per thousand in 1967 to $2.09 per thousand in 1971 on NBC.

(2) Number of TV households--this is subject to fairly stable demographic growth since about 95% of households have television sets.

(3) Hours per day of viewing--which have gradually increased from five to more than six hours over the last 10 years, mostly outside prime time. (See Tables 26, 27, 28, and 29).

(4) Advertising budgets--which depend on the level of economic activity (more gross national product implies bigger ad budgets) and the level of slack in the economy (when there is a recession people are not buying and an ad dollar has less effect).

The business cycle had apparently caused much of the recent variability in network revenues. Actions by the government have also had an impact. The elimination of cigarette advertising in early 1971 cut revenues. Also, the prime-time access rule affected revenues, although it also reduced costs, and had little if any effect on network profits.

There is room for argument as to whether the present and historic levels of network profits are "excessive" by some criterion, however, they are measured. In any event, profits vary from network to network, and it is no secret that the network (ABC) with the least increase in reruns is also the network with the lowest profits.

What conclusion can be drawn from all of this? The hypothesis which best fits the facts of the situation (the dominant fact being, of course, "threeness," which makes the pure competition hypothesis unhelpful) is that the networks individually and collectively possess great economic power. The result of this power is that there has come to be a cycle of rivalry behavior, which has the effect of driving down the quantity of original programming and maintaining the profit levels of the networks. That this is not exactly the same result which would arise from the cartel hypothesis makes it no less good evidence of the existence and use of economic power by the networks. There are some circumstances, of which this may conceivably be one example, in which rivalry among a few oligopolists may be even less desirable for related industries for the public than outright monopoly. A similar degree of collective economic power is present, but it is exercised more wastefully. Moreover, that the networks "feel" as though they have little power is not relevant, since they presumably use up that power in rivalry for ratings and profits rather than hoarding it.

III. Effects of the Increase on Rerun Programming on the Viewing Public.

It is not clear what original programming viewers are deprived of by a given percentage of reruns within each broadcast year. If, for instance, they are deprived of original programming which costs the same as reruns do, then they may be getting higher production cost reruns in exchange for lower production cost original programming. It is not clear which alternative most viewers would prefer--*if* they had any realistic choice in the matter.

It has been suggested that the general public does not suffer much from the increased level of reruns because 87% of the U.S. population over 12 years of age misses any given program the first time it is shown. It is generally recognized that there exists a group of people who watch a great deal of television. Of the homes with television, 60 to 64% are watching in the average prime-time minute. Eighteen to 19% are watching the average network program. That is, each network averages 31% of the tuned-in homes.

When reruns start, the 31% who watched a CBS program initially will have to choose between a rerun of the CBS show they just saw a few months earlier and the offerings of ABC and NBC, which they chose not to see the first time it was offered. Because of reruns this 31% have to view again the show they originally preferred or take their second choice. This pattern is repeated on the other two networks. Consequently, as many as 93% of the original viewers may be worse off because they have to make a choice between a rerun of a program they have recently seen and a second choice program.

The value of this loss cannot be measured because consumers do not pay directly for television programs and because most viewers would rather watch a second choice than no television at all. Of course, some viewers miss the original showing of their preferred program in the fall. Nevertheless, with a large proportion of avid viewers, reruns may cause a majority of viewers to be less satisfied than they would be with more original episodes of the same programs. The data supplied by CBS (Table 12) show the pattern of programs repeated. Entertainment programs and especially movies are repeated most often, while news, sports, and public affairs specials are hardly repeated at all.

Repeats of specials are different from repeats of series. One would not expect as great an audience loss from some special repeats. This is especially true of specials shown only once a year and catering to children as a unique audience. Their continued popularity reflects these two special characteristics--not the fact that X% of the American people missed them the first time they were shown.

In addition, there is a potential for increased consumer loss resulting from multi-set homes, which now constitute 43% of all TV homes. In a multi-set home, more individuals will have viewed their first choice during the original season than in a one-set home. Consequently, more people than in a one-set home must accept a repeat or second choice program the second time around. The number of multi-set homes has, of course, been increasing rapidly.

Finally, it is relevant to any discussion of the viewers' interest in the rerun question to note that the viewers are the "products" that are sold by the networks to advertisers. As with any "product" in a commercial process, they do not have much of a role in the decision-making that affects them. It is the audiences' characteristics that are important, not their tastes or desires.

In this context, it does not assist analysis to maintain that reruns serve the viewers' desires or that changes in viewer tastes have led to a demand for more expensive programming. The "demand" for such programming is probably due more to the tendency of two networks to "follow the leader," when one network is successful with a particular program type or format, than to changes in public taste independent of the networks' programming decisions.

IV. Effects of the Decrease in Original Programming on Employment.

Below-the-line union members employed in Hollywood by AMPTP member companies have faced declining employment and only modest wage rate increases. Wage rates increased 42% between 1962 and 1971, compared with a 33% increase in the consumer price index. Annual hours of employment increased from 35 million in 1962 to 42 million in 1968, but have since declined to 32 million. Total income of these employees was $127 million in 1962, $203 million in 1969, and $163 million in 1971. Average craft union incomes fell from $7,530 in 1969 to $7,405 in 1971 despite an hourly wage rate increase from $4.92 to $5.17 per hour. If corrections for inflation were made, the drop in income would be larger.

Earnings of actors from SAG jurisdictions show a similar pattern. (Here, as elsewhere, it should be noted that many SAG members have earnings from work after AFTRA and other jurisdictions which is not reflected in the SAG data.) In 1965, SAG earnings from television amounted to $33.9 million; by 1971, this figure was only $34.0 million, having first increased and then declined in the interim. (SAG income data exclude the earnings of those actors making more than $100,000 per year beyond their first $100,000.)* SAG earnings from movies declined from

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* SAG officials claim that the aggregate of this income in excess of $100,000 has declined in recent years, but no detailed information is available. Results elsewhere in this report would suggest that this income should be declining, if at all, much less rapidly than the income of lower paid actors.

$25.7 million in 1965 to $20.6 million in 1971. On the other hand, SAG earnings from TV commercials increased in this period from $38.6 million to $59.2 million. Overall, SAG earnings were $97.8 million in 1965 and $114.2 million in 1971. In 1971, 51% of SAG members had less than $1,000 of SAG earnings, and 75% had less than $3,500 in SAG earnings. Only 12.4% had SAG earnings in excess of $7,500. Film industry employment and earnings outside Hollywood are less heavily dependent on prime-time network entertainment programming trends.

Not only has total employment fallen off, but unemployment has continued to be high. Movie and television film work is casual work. Many jobs are one-shot affairs for one movie, a series episode, or a special. Television program production has a marked seasonal nature because network schedules have an original and rerun season. (See Table 3).

Unemployment Rates (%)
Los Angeles - Long Beach SMSA

Year	SIC 78 Insured Employees April*	SIC 78 Insured Employees October*	U.S. Civilian Labor Force**
1963	16.9	8.4	5.7
1964	15.1	6.0	5.2
1965	17.0	5.2	4.5
1966	11.1	7.0	3.8
1967	13.5	7.4	3.8
1968	15.0	6.2	3.6
1969	11.0	8.3	3.5
1970	18.4	9.8	4.9
1971	19.3	7.8	5.9
1972	16.2	N.A.	N.A.

* Source: California Department of Human Resources
** Economic Report of the President-January 1972, p. 223

The unions claim higher unemployment rates than those above partially because they count union members employed outside of the film industry as unemployed. Thus, SAG claimed an 85% unemployment level for the week of November 6, 1972. The other major actors' union is AFTRA, whose members are generally engaged in the production of live and taped shows. These shows (daytime serials, news programs, and specials) are generally not the kinds of programs which are rerun. This phenomenon may have been due at least in part to AFTRA's contracts with the networks, which specified higher residual payments (now 75% of minimum scale) for reruns than SAG contracts (now 50% of minimum scale).* AFTRA members earnings' from TV work of all kinds increased from $36 million in 1961 to $69 million in 1971. This may be due in part to a trend toward increased tape programming.

V. Other Factors Affecting Employment.

A. Decline of the Movie Industry:

The impact of decreased original network programming on the program production unions needs to be interpreted in the light of what has happened in Hollywood over the last two decades.

It is clear that there has been a long term decline in the film industry. Theater admission revenues, for instance, declined from $1.4 billion in 1950 to $1.1 billion in 1969, while admission prices more than tripled in the same period. Television was a particularly important factor in this decline, since television was largely responsible for the drop in movie theater attendance in the 1950's. Beginning about 1959, however, television's vast appetite for programming put to work some of the

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* For many years, AFTRA residuals exceeded SAG residuals. Recently, however, this gap may have been closed. While the SAG residual percentage is lower, its scale is higher.

factors of production which the decline of the theatrical industry had left unemployed, as the networks moved from kinescope to film production. In the early sixties, these two effects began to offset each other. SAG income from television, for instance, is now $34 million, compared to $21 million from movies and $59 million from commercials (see Table 16). In fact, this one time jump in film employment resulted in the attraction to the industry of an excess supply of additional labor. The glamour of Hollywood and the absence of union membership criteria may be the cause of this excess supply creation, which is still being worked off.

Thus, the public's preference for television in the 1950's contributed to a decline in the film industry which was offset later by television's own vast appetite for programming. This appetite has now grown to the point where at least a majority of the industry's output is for television, including both original television production, commercials, and sales to television of theatrical motion pictures. In a sense, television "saved" the film industry from the adverse effects which television had itself "caused." But as output for television occupied a greater and greater proportion of the industry's total production, the industry became more and more sensitive to variations in television's own demand for programming.

Recently several factors have combined to reduce the output level of original television production. These are: (1) reruns, (2) longer programs, (3) more theatrical motion pictures shown on television, (4) the prime-time access rule, and (5) runaway production. In sum, the program production industry's fate is now firmly tied to television and in particular (until the development of cable) to advertiser-supported network television. This empirical fact does not by itself imply any necessary responsibility on the part of the television networks for the economic viability of the program industry.

B. Runaway Production:

What remains of theatrical motion picture production appears to be deserting Hollywood for foreign and other domestic locations. To the extent that this occurs within the U.S., the problem is not one for national policy concern. *Variety*, MPAA and *Film Daily Yearbook* suggest that the number of films from all domestic sources is increasing. The data are poor, but there is little evidence of an increasing *proportion* of foreign production, although the *level* of foreign production has indeed been high for some years (see Table 15). No doubt runaway production has contributed to unemployment in the U.S. motion picture industry, and especially to unemployment in Hollywood. But we have not been able to measure the magnitude of this effect, or to compare it with the effect of decreased original programming.

C. Program Length:

The length of programs probably has some effect on the number of people employed in producing film for television, although it is not clear that this effect is significant in either direction. Longer programs may employ fewer people, but many employ those people longer--even proportionately longer. There has been a trend toward longer programs. In 1962, 30% of all network program hours (in prime time) were devoted to programs of 30 minutes, 62% to 60 minute programs, and 8% to longer programs. In 1972, prime-time hours were allocated 17% to 30 minute programs, 52% to 60 minute programs, and 31% to longer programs. The trend toward longer programs can be explained in part by a change in the types of programming--away from comedy and game shows and toward drama and adventure.

D. Feature Length Movies and Sports:

The use of theatrical motion pictures in prime time has grown significantly in the past decade (see Table 5). While treated as "original" programming in its first network run for most purposes of this analysis, such programming does replace the original series-type programming that was a staple of Hollywood production for the networks. In the 1962/63 season, there were about 4 hours per week devoted to movies on all three networks combined. By 1971/72, this number had increased to 14 hours per week, or 22% of the total schedule. Of this latter figure, some part was made-for-TV movies and pilots that represented original production. Nevertheless, a decline in original programming can be explained in part by a 16 percentage point increase in the use of feature length movies in prime-time network schedules. There may be a similar trend in the use of sports programming, but we have insufficient data on this point at present.

E. Prime-Time Access Rule:

In the past year, the prime-time access rule has had a significant impact on the quantity of original TV program production. In the 1971/72 season, the time in question was devoted almost entirely to non-original programming, replacing original and rerun network programming. Whether this would continue to be the case in the future is less clear, but it does seem likely that access time will probably be devoted to programs of lower cost and lower employment than network programming.

F. Summary of Effects:

Taking the information from the networks we can partially determine the extent of these effects. From 1962/63 to 1971/72, there was a decrease of 662 hours of original (movie and non-movie) programming, (on an original base of about 3,750 prime-time hours per year for all three networks).

Decline in Original Network Hours*

1962/63 to 1971/72

Network	Rerun Hours	Prime-Time Access	Total
ABC	42	78	120
CBS	171	130	301
NBC**	130	111	241
Total	343	319	662
% Total	51.8%	48.2%	100%

* Feature films are considered original production here.

** NBC data are for 1961/62, which is the only year available.

Table 18

SCREEN ACTORS GUILD

GUILD MEMBERS BY EARNINGS' CATEGORIES - 1971

Categories	Count	% of Total
Under $1,000	12,651	50.6
$ 1,000 - $ 1,999	3,681	14.7
$ 2,000 - 3,499	2,614	10.4
$ 3,500 - 4,999	1,447	5.7
$ 5,000 - 7,499	1,343	5.3
$ 7,500 - 9,999	760	3.0
$ 10,000 - 14,999	902	3.6
$ 15,000 - 24,999	730	2.9
$ 25,000 - 34,999	309	1.2
$ 35,000 - 49,999	199	.7
$ 50,000 - 74,999	168	.6
$ 75,000 - 99,000	75	.3
$100,000 and over	121	.4
	25,000	100 %

Source: SAG.

Table 17

	ACTORS EARNINGS FOR DOMESTIC TELEVISION	RESIDUALS PAID ACTORS ON DOMESTIC TELEVISION RERUNS
1962	$28,000,000.00	$ 6,391,768.43
1963	$27,400,000.00	$ 7,704,107.28
1964	$30,900,000.00	$ 7,717,736.41
1965	$33,900,000.00	$ 7,257,090.24
1966	$40,500,000.00	$ 8,247,936.42
1967	$35,900,000.00	$11,132,339.35
1968	$36,000,000.00	$12,098,717.56
1969	$35,900,000.00	$10,451,896.45
1970	$34,444,000.00	$11,026,652.82
1971	$33,984,000.00	$13,549,730.53

Note: Residuals included in total earnings in first column.

Source: SAG.

Table 16

Earnings of Actors in SAG Jurisdiction

YEAR	Number of Actors	Number earning > $10,000	Number earning < $2,500	Total Income from: ($ millions) Television	Movies	Commercials	Total
1962	14,365	1615	10,739	28.0	-	-	73.7
1963	14,650	1650	11,354	27.4	-	-	76.9
1964	15,290	1790	11,808	30.9	-	-	83.9
1965	16,117	2117	12,309	33.9	25.7	38.6	97.8
1966	16,791	2291	12,899	40.5	23.7	40.6	104.7
1967	18,471	2371	14,050	35.9	26.6	46.3	108.9
1968	21,571	2571	15,729	36.0	25.0	51.6	112.8
1969	21,600	2500	16,618	35.9	27.6	57.1	121.2
1970	22,446	2446	17,097	34.4	17.9	61.4	114.3
1971	24,996	2504	18,554	34.0	20.6	59.2	114.4

Source: SAG.

Note: Earnings figure include only the first $100,000 in earnings of actors making in excess of that amount. These earnings are from sources subject to SAG jurisdiction only; some actors receive earnings from other sources, such as AFTRA jurisdiction employment.

Total earnings from movies in the 1935-1945 period averaged 35 to 45 million dollars per year.

TABLE 15

DOMESTIC AND FOREIGN PRODUCTION OF U.S. RELEASED THEATRICAL MOTION PICTURES (1961-72) 1/

YEAR	TOTAL RELEASES 2/		FEATURES APPROVED 3/	U.S. PRODUCED			IMPORTS			U.S. PRODUCED BY MAJORS ONLY 4/		U.S. PRODUCED BY INDEPENDENTS	
	VAR	FDY	MPAA	VAR	FDY	MPAA	VAR	FDY	MPAA	VAR	FDY	VAR	FDY
1961	---	462	254	---	131	142	---	331	112	---	103	---	28
1962	---	427	174	---	147	87	---	280	87	---	102	---	45
1963	---	420	191	---	121	101	---	299	90	---	86	---	35
1964	---	502	180	---	141	107	---	361	73	---	86	---	55
1965	---	452	191	---	153	117	---	299	74	---	98	---	55
1966	---	451	168	---	156	105	---	295	63	---	93	---	63
1967	215	462	215	---	178	103	---	284	112	---	87	---	91
1968	232	454	230	109	180	90	123	274	140	90	98	19	82
1969	226	---	325	118	---	141	108	---	184	87	---	31	---
1970	276	---	431	137	---	212	99	---	219	73	---	64	---
1971	259	---	513 5/	132	---	284	111	---	229	61	---	71	---
1972*	286	---	---	183	---	---	103	---	---	76	---	107	---

*Close estimate

1/Taken from three frequently relied on sources: (1) Daily Variety (VAR) Production Scoreboard from 1968 to present; (2) Film Daily Yearbook (FDY) to its last edition in 1969; and (3) MPAA Code Administration (MPAA). The discrepancy in or unavailability of figures reflect the industry's own inability to determine or assess the magnitude of the foreign vs. domestic production problem.

2/Of the two sources, Film Daily Yearbook (FDY) was the most comprehensive in compiling release statistics, especially in the imports category. Unfortunately, FDY is now out of business and present sources within the trade are unable to explain its former methodology or reconcile its figures with those of others, other than to say that, while in business, FDY generally provided reliable industry statistics. For purposes of assessing economic impact, statistics from Daily Variety should be preferred, even over those of MPAA. Variety's methodology consists of polling weekly each major (and major-minor) and the most significant independent producers for information on new production starts, primarily for the purpose of alerting actors and tradesmen of new job opportunities.

3/Features approved by the Production Code Administration (MPAA) have frequently been cited as indication of total, foreign and domestic releases for any given year, or production for the preceeding year, allowing 12 months lag time. This source is inferior to Variety for release on production purposes for these reasons: Prior to 1967, the figures only reflect the number of features which sought and were awarded the PCA's seal of approval. Because the seal was not regarded as significantly important, it was not highly sought after. Therefore, pre-1967 figures would be on the short side. About 1967-1968 the PCA initiated its rating classification and thereafter many older features were resubmitted for an updated rating, resulting in considerable redundancy in the subsequent statistics. Also, the value of the X rating became obvious, providing an immediate incentive for foreign flicks to seek ratings which were theretofore useless.

4/Major companies (and major-minors) include: Allied, ABS, Amer. Int'l., Anglo Ermi, Avco, Cinema, Conerama, Columbia, Walt Disney, MGM, Palomar Pictures, Paramount, 20th Centry Fox, United Artists, Universal, and Warner Bros.

[illegible] of the 513 identified foreign films were low budget production of $50,000 or less.

Table 14

MOTION PICTURE ADMISSION RECEIPTS
(millions of dollars)

Year	Amount
1950	$ 1451
1960	951
1961	921
1962	903
1963	904
1964	913
1965	927
1966	964
1967	989
1968	1045
1969	1097

Source: Survey of Current Business

Table 13

Hours of Original and Repeat Programming --CBS

(Prime Time only)

	Original	Rerun	Total
1962/63			
Non-Movie *	909.6	364.4	1,274
Movie	0	0	0
TOTAL	909.6	364.4	1,274
1971/72			
Non-Movie	489	347	836
Movie made for TV **	31.4	31.4	31.4
Theatrical movie	88.1	105.1	193.2
Total	608.5	483.5	1,092

Source: CBS

* 25.5 unexplained hours allocated 71.4% to original, 28.6% to rerun. This was the breakdown for explained hours.

** 119.5 hours original "movies" and 136.5 hours repeat allocated with the knowledge that the original/repeat mix was

	original	repea
Made for TV	50 %	50 %
Theatrical	45.6 %	54.4 %

Table 12 (Cont'd)

Program Category:	1967/1968 New Hrs.	%	1967/1968 Repeat Hrs.	%	1968/1969 New Hrs.	%	1968/1969 Repeat Hrs.	%	1969/1970 New Hrs.	%	1969/1970 Repeat Hrs.	%	1970/1971 New Hrs.	%	1970/1971 Repeat Hrs.	%	1971/1972 New Hrs.	%	1971/1972 Repeat Hrs.	%
Situation Comedy	158.0	57.0	119.0	43.0	161.5	56.2	126.0	43.8	176.0	55.7	140.0	44.3	162.0	51.6	152.0	48.4	110.0	50.9	106.0	49.1
Adventure/Drama	246.5	53.2	216.5	46.8	222.0	53.4	194.0	46.6	164.0	53.6	142.0	46.4	186.5	46.0	218.5	54.0	206.5	51.6	194.0	48.4
Variety	199.0	75.1	66.0	24.9	184.0	75.4	60.0	24.6	208.0	68.9	94.0	31.1	161.0	69.4	71.0	30.6	81.0	71.7	32.0	28.3
Game																				
Feature Films[b]	110.0	51.4	104.0	48.6	100.0	49.0	104.0	51.0	104.0	46.4	120.0	53.6	112.0	50.9	108.0	49.1	119.5	46.7	136.5	53.3
Specials	27.0	84.4	5.0	15.6	32.0	78.0	9.0	22.0	31.0	67.4	15.0	32.6	16.0	57.1	12.0	42.9	34.5	71.1	14.0	28.9
News/Sports	114.0	99.1	1.0	0.9	99.0	98.0	2.0	2.0	101.5	99.0	1.0	1.0	84.0	92.3	7.0	7.7	57.0	98.3	1.0	1.7
Total	854.5	62.6	511.5	37.4	798.5	61.7	495.0	38.3	784.5	60.5	512.0	39.5	721.5	55.9	568.5	44.1	608.5	55.7	483.5	44.3
Production Source:																				
Network[c]	62.0	48.2	66.5	51.8	32.0	56.1	25.0	43.9	36.5	56.2	28.5	43.8	38.0	44.2	48.5	55.8	37.5	47.2	42.0	52.8
Independent	538.5	64.1	302.0	35.9	480.5	61.6	300.0	38.4	456.0	60.3	300.0	39.7	400.5	58.1	289.0	41.9	283.0	58.5	201.0	41.5
Major Studio	140.0	49.6	142.0	50.4	187.0	52.9	166.5	47.1	190.5	51.1	182.5	48.9	199.0	47.0	224.0	53.0	231.0	49.1	239.5	50.9
News/Sports[d]	114.0	99.1	1.0	0.9	99.0	98.0	2.0	2.0	101.5	99.0	1.0	1.0	84.0	92.3	7.0	7.7	57.0	98.3	1.0	1.7
Total	854.5	62.6	511.5	37.4	798.5	61.7	495.0	38.3	784.5	60.5	512.0	39.5	721.5	55.9	568.5	44.1	608.5	55.7	483.5	44.3

a Based on network programming supplied on a regular weekly basis during specified hours multiplied by the number of weeks in the broadcast season. These hou are as follows: for the 1962/63 and 1964/65 seasons, Sunday 7:00-11:00 p.m., Tuesday 8:00-11:00 p.m. and the remainder of the week 7:30-11:00 p.m.; for the 1963/64 and 1965/66 through 1970/71 seasons, Sunday 7:00-11:00 p.m. and Monday-Saturday 7:30-11:00 p.m.; and, finally, for 1971/72, Sunday and Tuesday 7:30-10:30 p.m., and the remainder of the week 8:00-11:00 p.m.

For each season new and repeat programming totals 100.0 percent. The data excludes, however, a small portion of total available hours in which, on a non-regular basis, no network service was offered. This residual component never exceeds 3.0 percent for any given season and over the entire period averages 1.2. percent.

b For the 1971/72 season, made-for-television films, limited to "feature-length," feature-type "movies", can be separated from all feature films. During this season, made-for-television films were split evenly between first-runs and re-runs. The break for all other feature films was 45.6 percent and 54.4 percent, respectively.

c For the 1969/70-1971/72 broadcast seasons, the data reflect about six hours each season of made-for-television films produced by a division of CBS, Inc.

d Most of this programming is network produced.

Source: CBS, Business Affairs and Planning (CTN); Office of Economic Analysis (CBG).

Table 12

THE DISTRIBUTION OF CBS TELEVISION NETWORK NEW AND REPEAT PROGRAMMING DURING BROADCAST SEASONS BY PROGRAM CATEGORY AND PRODUCTION SOURCE 1962/63-1971/72[a]

	1962/1963				1963/1964				1964/1965			
	New		Repeat		New		Repeat		New		Repeat	
	Hrs.	%	Hrs.	%	Hrs.	%	Hrs.	%	Hrs.	%	Hrs.	%
Program Category:												
Situation Comedy	216.0	64.7	118.0	35.3	174.0	66.2	89.0	33.8	242.5	67.8	115.0	32.2
Adventure/Drama	293.5	64.4	162.5	35.6	313.0	60.0	209.0	40.0	259.5	64.2	144.5	35.8
Variety	169.0	76.1	53.0	23.9	202.0	86.3	32.0	13.7	194.0	85.8	32.0	14.2
Game	137.5	92.6	11.0	7.4	126.5	90.7	13.0	9.3	119.5	81.6	27.0	18.4
Feature Films[b]												
Specials	23.0	92.0	2.0	8.0	23.5	88.7	3.0	11.3	21.5	70.5	9.0	29.5
News/Sports	53.0	84.1	10.0	15.9	81.5	98.2	1.5	1.8	39.0	81.3	9.0	18.7
Total	892.0	71.4	356.5	28.6	920.5	72.6	347.5	27.4	876.0	72.2	336.5	27.8
Production Source:												
Network	111.0	62.0	68.0	38.0	127.0	62.0	78.0	38.0	97.0	61.2	61.5	38.8
Independent	674.0	72.5	256.0	27.5	672.5	74.1	234.5	25.9	703.0	73.8	249.5	26.2
Major Studio	54.0	70.6	22.5	29.4	39.5	54.1	33.5	45.9	37.0	69.2	16.5	30.8
News/Sports[c]	53.0	84.1	10.0	15.9	81.5	98.2	1.5	1.8	39.0	81.3	9.0	18.7
Total	892.0	71.4	356.5	28.6	920.5	72.6	347.5	27.4	876.0	72.2	336.5	27.8

	1965/1966				1966/1967			
	New		Repeat		New		Repeat	
	Hrs.	%	Hrs.	%	Hrs.	%	Hrs.	%
Program Category:								
Situation Comedy	224.0	64.5	123.5	35.5	198.0	59.8	133.0	[illegible]
Adventure/Drama	233.0	62.9	137.5	37.1	217.0	65.4	115.0	[illegible]
Variety	213.0	82.2	46.0	17.8	188.0	84.7	34.0	[illegible]
Game	94.0	82.5	20.0	17.5	63.5	86.4	10.0	[illegible]
Feature Films[b]	62.0	59.6	42.0	40.4	104.0	52.0	96.0	[illegible]
Specials	26.5	80.3	6.5	19.7	36.0	78.3	10.0	[illegible]
News/Sports	56.5	91.9	5.0	8.1	82.0	97.6	2.0	[illegible]
Total	909.0	70.5	380.5	29.5	888.5	69.0	400.0	[illegible]
Production Source:								
Network	75.0	64.4	41.5	35.6	31.5	60.6	20.5	[illegible]
Independent	625.5	72.2	240.5	27.8	554.5	72.5	210.5	[illegible]
Major Studio	152.0	61.9	93.5	38.1	220.5	56.9	167.0	[illegible]
News/Sports[c]	56.5	91.9	5.0	8.1	82.0	97.6	2.0	[illegible]
Total	909.0	70.5	380.5	29.5	888.5	69.0	400.0	[illegible]

Table 11

NBC TELEVISION NETWORK 1971-72 SEASON
ORIGINAL-REPEAT BROADCAST HOURS

	# Broadcast Hours	Original	Repeat	% Original
Normal Prime Time Schedule	1,092	644.5	447.5	59
Normal Post 11 PM Schedule (Tonight, Sat-Sun Tonight, Olympics)	468	392	76	84
Other Prime Time & Post 11 PM Special Coverages (includes primaries, conventions)	27	27	-	100
Monday-Friday 6:00-7:30 PM	132.5	132.5	-	100
Normal Monday-Friday Daytime 10-6 PM	1,560	1,525	35	98
Other Monday-Friday Daytime Special Coverages	9.5	9	.5	95
Normal Saturday Morning Schedule	260	67.5	192.5	26
Saturday-Other News & Sports Programming to 8 PM	149.5	149.5	-	100
Sunday-Other Programming to 7:30 PM	191.5	191.5	-	100
Today-Plus runovers of 6:00 - 7:00 AM	521	521	-	100
	[illegible]411	3,659.5	751.5	83%

Source: NBC

Table 10

AVERAGE NUMBER OF ORIGINALS ON NBC TV NETWORK FOR VARIOUS SEASONS

SEASON	ORIGINALS
1961-62	32
1962-63	32
1963-64	30
1964-65	30
1965-66	30
1966-67	30
1967-68	26
1968-69	26
1969-70	26
1970-71	26
1971-72	24
1972-73	24

Source: NBC

Table 9

NBC

1971-1972 EVENING PROGRAM PATTERNS

		TOTAL ORIGINAL PROGRAMS	SERIES ORIGINAL	SERIES REPEAT	ORIGINALS SPECIALS	REPEAT SPECIALS
7:30- 8:30	WONDERFUL WORLD OF DISNEY	24	20	28	4	-
8:30- 9:00	JIMMY STEWART & 2 PILOTS	28	24	24	4	-
9:00-10:00	BONANZA	31	26	21	5	-
10:00-11:00	BOLD ONES	25	22	27	3	-
8:00- 9:00	LAUGH-IN/BASEBALL	39	24	13	10-5	-
7:30- 8:30	IRONSIDE/SARGE SPECIALS-PONDEROSA	31	16	14	15	7
8:30- 9:30	SARGE/FUNNY SIDE SPECIALS-VACATION THEATRE	38	12	10	26	4
9:30-10:30	FUNNY SIDE/NICHOLS/SPECIALS	37	10-14	14	13	1
8:00- 8:30	ADAM 12	27	24	24	3	1
8:30-10:00	MYSTERY MOVIE	28	22	23	6	1
10:00-11:00	NIGHT GALLERY	27	22	25	5	-
8:00- 9:00	FLIP WILSON/VACATION THEATRE	28	26	12-12	2	
9:00-10:00	NICHOLS/IRONSIDE	28	22	24	6	
10:00-11:00	DEAN MARTIN/REPEAT REPL.	39	28-7	13	4	
8:00- 8:30	THE DA SANFORD 1/14 PARTNERS 7/28	36	15-14-4	14-1	3	1
8:00- 8:30 8:30- 9:00 8:00- 9:00 8:00- 9:00	PARTNERS GOOD LIFE EMERGENCY 1/15 VACATION THEATRE 7/15	32	15-11	11-7	6	2
9:00-11:00	MONDAY MOVIES	35	18	17	10-7	-
8:30-10:30	FRIDAY MOVIES	32	18	19	14	1
9:00-11:00	SATURDAY MOVIES	22	17	30	5	-

HOURS OF ORIGINAL PROGRAMMING	644.5
HOURS OF REPEAT PROGRAMMING	447.5
TOTAL PRIME TIME	1,092
% ORIGINAL	59%

Source: NBC.

<u>Table 8</u>

NBC TELEVISION NETWORK

1961 - 1962 EVENING PROGRAM PATTERNS

		TOTAL ORIGINAL PROGRAMS	SERIES ORIGINAL	SERIES REPEAT	ORIGINAL SPECIALS	REPEAT SPECIALS
7:30- 8:30	WONDERFUL WORLD OF DISNEY	29	27	23	2	-
8:30- 9:00	CAR 54, WHERE ARE YOU	32	31	12	1	-
	SIR FRANCIS DRAKE, 6/24-9/9	8	8	-	-	-
9:00-10:00	BONANZA	36	34	16	2	-
10:00-11:00	SHOW OF THE WEEK	41	29	11	12	-
8:00- 8:30	NATIONAL VELVET	33	31	19	2	-
8:30- 9:00	THE PRICE IS RIGHT	52	50	-	2	-
9:00-10:00	87th PRECINCT	33	30	19	3	-
10:00-11:00	THRILLER	33	30	19	3	-
7:30- 8:30	LARAMIE	30	28	22	2	-
8:30- 9:00	ALFRED HITCHCOCK PRESENTS	40	40	12	-	-
9:00-10:00	DICK POWELL	32	30	20	2	-
10:00-11:00	CAIN'S 100	36	30	16	6	-
7:30- 8:30	WAGON TRAIN	39	38	13	1	-
8:30- 9:00	JOEY BISHOP	33	32	7	1	-
	THE REBEL 6/27-9/12	12	12	-	-	-
[illegible]-10:00	PERRY COMO	36	33	-	3	-
	MYSTERY THEATRE 6/13-9/26	16	16	-	-	-
10:[illegible]-10:30	BOB NEWHART	37	34	-	3	-
	PLAY YOUR HUNCH	15	15	-	-	-
10:30-11:00	BRINKLEY'S JOURNAL	41	36	11	5	-
7:30- 8:30	THE OUTLAWS	28	26	24	2	-
8:30- 9:30	DR. KILDARE	35	33	17	2	-
9:30-10:00	HAZEL	37	36	7	1	-
	THE LIVELY ONES	8	8	-	-	-
10:00-11:00	SING ALONG WITH MITCH MILLER	31	30	21	1	-
7:30- 8:30	INTERNATIONAL SHOWTIME	33	33	19	-	-
8:30- 9:30	THE DETECTIVES	34	30	18	4	-
9:30-10:30	TELEPHONE HOUR	42	14	-	28	-
	DINAH SHORE (alternate)	7	-	-	7	3
10:30-11:00	HERE AND NOW	19	14	-	5	-
	Chet Huntley 1/12-9/7	33	33	-	-	-
7:30- 8:30	WELLS FARGO	35	34	17	1	-
8:30- 9:00	THE TALL MAN	38	37	14	1	-
9:00-11:00	SATURDAY MOVIE	30	30	22	-	-

HOURS OF ORIGINAL PROGRAMMING	885
HOURS OF REPEAT PROGRAMMING	363
TOTAL PRIME TIME	1,248
% ORIGINAL	71%

Table 7

ABC
TOTAL NUMBER
OF
NETWORK PROGRAMMING HOURS

	Originals Hours		Re-runs Hours	
	#	(%)	#	(%)
1962-63	829	(69)	370	(31)
1963-64	885	(72)	338	(28)
1964-65	853	(70)	365	(30)
1965-66	915	(70)	394	(30)
1966-67	906	(71)	370	(29)
1967-68	838	(65)	448	(35)
1968-69	847	(70)	366	(30)
1969-70	798	(63)	462	(37)
1970-71	761	(65)	417	(35)
1971-72	709	(65)	377	(35)
Average	834	(68)	391	(32)

Source: ABC.

Table 6

Seasonal Indexes of Advertisers' Expenditures on Network Television, Three Network Average,

Sunday thru Saturday Evening 7 P.M. - Sign-off

Year	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1967	110.92	104.01	113.35	102.92	90.79	77.05	70.73	72.28	96.34	124.19	121.51	116.12
1968	110.76	103.89	113.12	102.81	90.82	77.34	70.86	72.45	96.58	123.96	121.93	116.35
1969	110.31	103.60	112.60	102.57	90.76	77.84	71.15	72.73	96.88	123.38	122.27	116.38
1970	109.94	103.51	112.05	102.42	90.93	78.57	70.99	72.86	96.97	123.16	122.78	116.42
1971	109.70	103.35	111.57	102.28	90.96	79.05	70.90	72.94	97.01	122.83	122.99	116.44
1972	109.57	103.26	111.34	102.22	90.98	79.29	70.86	72.98	97.03	122.67	123.09	

Source: CBS.

Note: Average for each year equals 100. These data are seasonably adjusted.

Table 5

HOURS OF THEATRICAL FEATURE FILM PROGRAMMING PER WEEK

	ABC	CBS	NBC	Three Network Aggregate
1962	2	-	2	4
1963	-	-	4	4
1964	2	-	4	6
1965	2	2	4	8
1966	2	4	4	10
1967	4	4	4	12
1968	4	4	6	14
1969	4	4	6	14
1970	2*	4	6	12
1971	2*	4	6	12
1972	2*	4	6	12

Notes:

1. Based upon three network schedule for a composite November week of each year of prime time 6-11 p.m.
2. *During the 1970/71, 1971/72 and 1972/73 Seasons ABC had Monday Night Football during November of each year. During each of these seasons ABC normally inserts Feature Film Programming after the Pro-Football Season. The hours indicated do not include the planned Post-Football movie broadcast.
3. The above hours were normally devoted to the broadcasting of theatrical feature films. However, a made-for-television movie or pilot may have been broadcast within the two-hour theatrical feature film time period in some instances.

Source: 1962-1968: Arthur D. Little, Inc., "Television Program Production, Procurement, Distribution and Scheduling," 1969; Table 7, p. 16. 1969-1972: CBS.

Table 4

PROGRAM LENGTH - ENTERTAINMENT SERIES[a] THREE NETWORK AGGREGATE

Year	Total Number of Program Hours Supplied	Percentage of Total Program Hours Represented by Length of Series					
		15-Minutes	30-Minutes	45-Minutes	60-Minutes	90-Minutes	120-Minutes
1962	71½	0.3%	29.5%	1.0%	61.6%	2.1%	5.5%
1963	72½	0.7	23.9	1.0	60.1	6.1	8.2
1964	71½	0.0	33.3	0.0	54.2	4.2	8.3
1965	74	0.0	36.6	0.0	49.6	2.1	11.0
1966	74	0.0	29.1	0.0	55.4	2.0	13.5
1967	72½	0.0	22.8	0.0	56.6	4.1	16.6
1968	73½	0.0	23.3	0.0	53.4	4.1	19.2
1969	73½	0.0	22.5	2.1	50.3	6.1	19.0
1970	73½	0.0	23.1	0.0	51.7	6.1	19.0
1971	63	0.0	19.0	0.0	49.2	9.5	22.2
1972	62	0.0%	16.9%	0.0%	51.6%	12.1%	19.4%

a. Based on the total hours of entertainment series regularly scheduled between 6-11 during the November composite week, including NFL Football on the ABC Network in 1970-72 on Monday evenings, but excluding NFL Football on Sunday late afternoons.

Source: 1962-1968: Arthur D. Little, Inc., "Television Program Production, Procurement, Distribution and Scheduling," Table 4, p. 10 (1969).
1969-1972: CBS.

Table 3

Patterns of Reruns - 1971-72 TV Season

O = Original
R = Repeat
S = Special or Preemption

Ten weeks beginning January 11, 1972 and ending May 3, 1972

ABC (sample)

Newlywed	S O O O O O S O O O
Monday Movie	O R R O R O O R S R
Mod Squad	O O O O O O O R R R
Welby	S O S O O O O O R S
Cash	O O O O O O O O S R
Bewitched	O O O O O O O O R R
Love	O O O O O O O R S R
Welk	S O O O O O O O O O
FBI	O O O O O O R R R R
Sunday Movie	O R R O O O S R R R

CBS (sample)

Gunsmoke	O R O O O R R R R R
Doris Day	O O O O O O R R R R
Hee Haw	O O O O R R R R R R
60 Minutes	O O S S O O O O O O
Medical Center	O R O O O R R R R R
Hawaii	O R O O O R R R R R
Nabors	O O O O O O R R R R
Thursday Movie	R R R O O R R O O O
Griffith	O O O O O R R R R R
Glen Campbell	O O S O S O O O R R

NBC (sample)

Premiere Movie	O O O S O O O R R R
Knotts	O O R S O O O S S R
Shiloh	O O O O O O O R R R
Kraft Music	O O O O S O S O R S
Ironside	S O O O O O S O S R
Name of the Game	O S O O O O S R R R
Strange Report	O O O S O O O O S O
Andy Williams	O O O O O O O O R R
Saturday Night Movie	R O R O O R R R R R
Bonanza	O S O O O O O O R R

Table 2

Week of	ABC	CBS	NBC
	Number of 1/2 Hours Repeated		
1/13/63	0	1	0
1/11/72	0	4	5
1/20/63	0	1	0
1/18/72	8	10	0
2/10/63	0	1	0
2/8/72	8	4	7
2/17/63	0	1	0
2/15/72	0	0	0
3/3/63	0	1	0
3/8/72	4	2	0
3/10/63	0	1	0
3/15/72	0	13	5
3/17/63	0	1	0
3/22/72	2	17	5
3/24/63	0	1	0
3/29/72	12	13	14
4/7/63	2	5	2
4/3/72	9	15	20
5/5/63	11	4	12
5/3/72	17	18	22

Table 1

NETWORK HOURS OF ORIGINAL PROGRAMMING BY YEAR
(Prime Time Only)

	ABC		CBS		NBC	
Season	Hours Orig. Prgmg	% Orig.	Hours Orig. Prgmg	% Orig.	Hours Orig. Prgmg	% Orig.
1961/62	-	-	-	-	885	71
1962/63	829	69	892	71	-	-
1963/64	885	72	921	73	-	-
1964/65	853	70	876	72	-	-
1965/66	915	70	909	71	-	-
1966/67	906	71	889	69	-	-
1967/68	838	65	855	63	-	-
1968/69	847	70	799	62	-	-
1969/70	798	63	784	61	-	-
1970/71	761	65	721	56	-	-
1971/72	709	65	609	56	644	59

Note: Decreases in hours of original programming are due to causes other than just increases in reruns. Other causes include changes in the number of hours offered per season, changes in season starting dates (timing of premiere week), and the prime time access rule.

APPENDIX

In the case of CBS, more data are available. For CBS, there was a decline of 389 non-movie and made-for-TV movies original hours.

This can be allocated as follows:

CBS: Decline in Specified Original Production*

1962/63 to 1971/72

Source of Decline	Hours	%
Due to increase in theatrical movies	137.9	35.4
Due to Prime-Time Access Rule	129.9	33.4
Due to increase in reruns	121.3	31.1
Total Decline	389.1	99.9%

* Made-for-TV movies and non-movie programs

On the surface, it appears that half the decline in original network hours is due to reruns of programs. Only CBS provided a detailed breakdown of originals vs. reruns for theatrical and made-for-TV movies. Those data suggest that the introduction of theatrical movies, which were not considered original programs for this purpose, and of the prime-time access rule each accounted for a third of the CBS decline in original production. Non-movie reruns caused a 31% decline in CBS purchases of original non-movie programming. But there is an arbitrary element to calling first TV runs of theatrical movies non-original production, for this purpose, since some of these movies might never have been produced if network showing was not a viable possibility.

Most studio production for network television is in the form of series, and the industry's fortunes are now tied to network production. Therefore, reruns, movies, and the prime-time access rule affect industry employment considerably. Increasing use of theatrical movies cuts directly into the number of people employed as well as total production hours. It is not necessarily true that an increase in reruns reduces the number employed. What it does reduce is the period of employment of those who have jobs.

VI. Conclusions

The network practice of increasing the percentage of rerun programs in prime-time, during the same broadcast year, poses two problems. First, it diminishes the ability of the viewer to choose among a diverse range of original program offerings.

Second, it is a factor, but by no means the only factor, contributing to the decline of employment in the program production industry. The decline in employment is attributable to movies, reruns, and the prime-time access rule, as well as runaway production and the general decline in theater admissions. As discussed above, the increasing use of movies and reruns is most plausibly the result of the networks' market and rivalry for ratings. Consequently, it is that market power and rivalry which appear to be the principal causes of the increase in unemployment; increased movies and reruns were just the mechanism.

The existence of such market power in the hands of three large companies, therefore, has a major, highly direct impact on the quantity, nature, and quality of television programming available to the viewers. Moreover, as the long-run effect of that power weakens, the domestic program production industry, the viewers and the networks will both lose a source of creative program fare.

Table 19

REPORT OF HOURS AND ELIGIBLES
MOTION PICTURE INDUSTRY PENSION PLAN
Average Hourly Craft Rate and Estimated Total Earnings
Years 1962 - 1971

Year	Number of Eligible Participants	Total Hours Reported	Average Weighted Hourly Rate	Total Estimated Earnings
1962	24,476	34,936,924	3.64	$127,170,403
1963	24,252	33,837,543	4.00	135,350,172
1964	24,841	35,228,597	4.00	140,914,318
1965	29,841	41,668,040	4.20	175,005,768
1966	30,101	43,929,368	4.20	184,503,345
1967	29,031	42,077,280	4.41	185,560,805
1968	28,853	41,875,173	4.41	184,669,513
1969	26,935	41,224,656	4.92	202,825,307
1970	24,338	34,430,904	4.92	169,400,048
1971	22,070	31,612,330	5.17	163,435,746

Source: AMPTP

Table 10

Estimates of Craft Labor/Output Ratios in Hollywood

	Labor Hours (Millions)	1/2 Hrs. Film Production (Movies and TV)		1,000 Labor Hours per 1/2 Hr. of Film Production		Labor/Output Index ***	
Year	(1)	(2)*	(3)**	(1)/(2) = (4)	(1)/(3) = (5)	(6)	(7)
1964	35.2	2,282	2,561	15.4	13.7	100	100
1965	41.7	2,305	2,542	18.1	16.4	119	125
1966	43.9	1,948	2,176	22.5	20.2	147	152
1967	42.1	1,990	2,245	21.2	18.8	137	139
1968	41.9	1,726	2,017	24.3	20.8	155	146
1969	41.2	2,265	2,481	18.2	16.6	120	128
1970	34.4	1,708	1,909	20.1	18.0	131	112
1971	31.6	1,739	1,988	18.2	15.9	117	97

Source: Calculated as indicated from AMPTP data.

* 1 movie = 3 half hours TV film

** 1 movie = 6 half hours TV film

*** (6) Index based on average of (4) and (5) with 1964 = 100

(7) Index based on similar calculation, but with 1 movie = 12 half hours TV film

Table 21

WAGE RATES IN HOLLYWOOD

	Minimum Scale			
YEAR	Daily Actors	Weekly Actors	Wage rate per hour for Journeyman Propmaker	Writer's Minimum Weekly Compensation
1935	$ 15	$ 65	$1.28	-
1937	25	65	1.41	-
1941	25	100	1.71	-
1945	35	115	1.80	125
1947	55	175	2.50	-
1[illegible]	70	250	2.75	250
1[illegible]	80	285	3.14	350
1960	100	350	3.37	385
1967	112	392	4.35	420
1969	120	420	4.89	470
1971	138	483	5.11	494

Source: SAG and Writer's Guild

Table 22

PROGRAM COST AND EARNINGS

(millions of dollars)

YEAR	TOTAL* Actors' Earnings (SAG only)	TOTAL HOLLYWOOD Craft Earnings (AMPTP)	TOTAL Writer's Earnings (WG)	Network Program Exp. (FCC)
1961			26	449
1962	74	127	27	491
1963	77	135	27	516
1964	84	141	32	580
1965	98	175	32	652
1966	105	185	34	734
1967	109	186	37	799
1968	113	185	42	857
1969	121	203	45	930
1970	114	169	39	974
1971	114	163	37	925

YEAR	Program Cost (index)	Craft Wage Rate (index) (AMPTP)	Actors' Minimum Rate (index) (SAG)	Writer's Minimum Rate (index)
1961	-	-	100	100
1962	100	100	100	105
1963	103.7	109.9	100	105
1964	108.7	109.9	100	105
1965	113.4	115.5	100	105
1966	124.6	115.5	100	109
1967	137.8	121.1	112	109
1968	139.6	121.1	112	122
1969	147.1	135.2	120	122
1970	159.2	135.2	120	128
1971	189.2	142.0	138	128

*Total is movies + commercials + TV.

Table 23

(November 1972)

PRESENT EMPLOYMENT: MOTION PICTURE INDUSTRY IN HOLLYWOOD*

OCCUPATION	ACTIVE UNION MEMBERSHIP	PERCENT UNEMPLOYED	EMPLOYED NOV. 1972
Electricians (IBEW)	358	17	297
Makeup	339	32	231
Property	1,884	23	1,451
Grips	700 est.	30	210
Projectionist	240	10	216
Studio Teamsters	1,087	39	663
Costume	822	10	739
Motion Picture Craft Services	202	10	182
Motion Picture Elec.	721	51	353
Ornamental Plasterers	200	70	60
Script Supervisors	106	31	73
S.A.G.	13,000	85	1,950
S.E.G.	2,645	75	661
Filmeditor	1,739	7	1,617
Writers	3,000	N.A.	--
Composers	412	N.A.	--
Musicians	16,000	N.A.	--
Cameramen	950	20	760
Sound	901	10	811
Directors	1,101	N.A.	--
Art Directors	138	29	98
Set Directors	130 est.	N.A.	--
	46,675	$\overline{X}$ = 32.65%	

*Source: S.A.G. November 1972

Table 24

INSURED EMPLOYEES - LOS ANGELES - LONG BEACH SMSA SIC 78*

	Employed (Insured)		Unemployed (Insured)		Total Insured Labor Force		Unemployment Rate**	
	April	Oct	April	Oct	April	Oct	April	Oct
1963	27,484	32,941	5,605	3,030	33,089	35,971	16.9%	8.4%
1964	29,337	35,358	5,236	2,264	34,573	37,622	15.1%	6.0%
1965	30,618	36,791	4,183	2,004	34,801	38,795	12.0%	5.2%
1966	33,224	36,948	4,169	2,768	37,393	39,716	11.1%	7.0%
1967	34,303	39,101	5,347	3,107	39,650	42,208	13.5%	7.4%
1968	36,139	42,367	6,324	2,791	42,463	45,158	15.0%	6.2%
1969	40,127	42,422	4,975	3,828	45,102	46,250	11.0%	8.3%
1970	33,597	40,800	7,574	4,422	41,171	45,222	18.4%	9.8%
1971	34,100	38,500	8,180	3,264	42,280	41,764	19.3%	7.8%
1972	34,400	N.A.	6,630	N.A.	41,030	N.A.	16.2%	N.A.

*Source: California Department of Human Resources

**Those collecting compensation as a percentage of total labor force.

Table 25

Average Number of People on Set

for 1/2 Hour or 1 Hour Show

Actors	15	(Including Extras)
Electricians (I.B.E.W.)	2	
Property	2	
Grips	5	
Teamsters	5	
Costume	2	
Crafts	1	
Script Supervisors	1	
Electricians (Local 728)	4	
Editors	3	
Writers	2	
Musicians	14	
Composers	1	
Camera	4	
Sound	3	
Art Directors	1	
Set Directors	1	
	66	

Source: SAG.

Table 26

Average Hours of TV Usage per TV Household per Day
Source: Nielsen Television Index (12-month averages)

1949-'53	DNA				
1954	4.8	1960	5.1	1966	5.5
55	4.9	61	5.1	67	5.7
56	5.0	62	5.1	68	5.8
57	5.2	63	5.2	69	5.8
58	5.1	64	5.4	70	5.9
59	5.0	65	5.5	71	6.0

Table 27

NIELSEN TELEVISION INDEX
TV Usage and Sponsored Network Audience Estimates
Prime Time Trends by Quarters
Mon.-Sun. 7:30-11 PM NYT
(% AVG. MIN.)

Quarter	1967-'68		1968-'69		1969-'70		1970-'71		1971-'72	
	HuTV	Ntwk	HuTV	Ntwk	HuTV	Ntwk	HuTV	Ntwk	HuTV	Ntwk
Oct.-Dec.	60	18.5	60	18.5	60	18.4	61	18.4	61	19.2
Jan.-March	63	19.3	62	19.1	64	19.4	64	19.3	63	20.0
April-June	54	15.8	53	15.9	53	15.5	53	15.5	54	16.0
July-Sept.	49	14.2	49	14.2	48	13.8	48	14.4	51	15.1

Table 28

COMPARATIVE PRIME-TIME WINTER & SUMMER AUDIENCES

	1960		1965		1966		1972	
	Jan/Feb	July/Aug	Jan/Feb	July/Aug	Jan/Feb	July/Aug	Jan/Feb	July/Aug
HUT	64	42	64	44	63	43	63	46
AVERAGE PROGRAM RATING	20	13	19	13	19	13	21	13

Source: NTI.

Table 29

Houses Using Television as a Percentage of Households with Television

HUT

MONDAY-SUNDAY 8-11 PM

	MARCH	APRIL	MAY	JUNE
1953	61.8	59.8	54.6	45.9
1954	60.1	58.2	54.7	46.1
1955	61.5	58.5	52.2	49.1
1956	63.1	60.3	53.6	47.3
1957	63.3	62.0	53.1	47.5
1958	63.4	61.0	54.4	49.7
1959	62.3	59.7	51.9	46.1
1960	63.2	59.0	54.8	50.1
1961	60.7	59.9	55.0	49.8
1962	61.2	58.8	52.6	48.9
1963	60.8	57.3	53.5	48.5
1964	60.9	59.2	51.7	48.8
1965	63.2	60.1	53.4	49.9
1966	61.2	58.9	55.3	49.0
1967	61.8	59.2	56.2	49.3
1968	61.2	59.7	55.7	49.5
1969	61.3	59.7	53.7	49.2
1970	62.2	59.8	53.5	50.0
1971	62.8	59.0	54.7	49.3
1972	61.3	58.5	53.7	50.5

	HUT	Index '53-54	HUT	Index '53-54	HUT	Index '53-54	HUT	Index '53-54
1953-1954	61.0	100	59.0	100	54.7	100	46.0	100
1955-1956	62.3	102	59.4	101	52.9	97	48.2	105
1957-1958	63.4	104	61.5	104	53.8	98	48.6	106
1959-1960	62.8	103	59.4	101	53.4	98	48.1	105
1961-1962	61.0	100	59.4	101	53.8	98	49.4	107
1963-1964	60.9	100	58.3	99	52.6	96	48.7	106
1965-1966	62.2	102	59.5	101	54.4	99	49.5	108
1967-1968	61.5	101	59.5	101	56.0	102	49.4	107
1969-1970	61.8	101	59.8	101	53.6	98	49.6	108
1971-1972	61.2	100	58.8	100	54.2	99	49.9	108

Source: ABC (from NTI).

Table 30

Network Financial Data 1961-1971

(Millions of dollars)

YEAR	NETWORK BROADCAST Revenue	Expense	Income	O&O Inc.	TOTAL PROFIT	Network Program Expense
1961	526.5	501.8	24.7	62.3	87.0	449.2
1962	584.7	548.0	36.7	74.7	111.4	490.8
1963	635.8	579.4	56.4	79.8	136.2	515.9
1964	712.5	652.3	60.2	96.3	156.5	579.8
1965	788.6	729.2	59.4	102.2	161.6	651.8
1966	903.9	825.2	78.7	108.1	186.8	733.9
1967	953.3	897.5	55.8	104.3	160.1	798.9
1968	1016.4	960.0	56.4	122.4	178.8	857.0
1969	1144.1	1051.4	92.7	133.4	226.1	929.7
1970	1144.6	1094.5	50.1	117.3	167.4	973.8*
1971	1094.1	1040.4	53.7	91.2	144.9	925.0*

Notes:

Income is before federal income taxes. Program expense includes technical costs which were shown separately prior to 1969, and which amounted to $40.7 million in 1968.

* Not comparable with prior years. See footnote 3 to Table 10 of 1971 report.

Source: FCC.

Table 31

Year	TV Homes (millions)	Cost per M (NBC) (dollars)	Hours of TV use per day	Television Revenues (millions)
1959	44.5		5.0	$ 1335
1960	45.2		5.1	1456
1961	46.9		5.1	1514
1962	49.0		5.1	1705
1963	51.3		5.2	1836
1964	52.6		5.4	2068
1965	53.8		5.5	2266
1966	54.9		5.5	2558
1967	56.0	$ 1.94	5.7	2634
1968	57.0	1.93	5.8	2916
1969	58.5	2.10	5.8	3236
1970	60.1	1.98	5.9	3243
1971	62.1	2.09	6.0	3097

Table 32

Revenue and Expense Items of 3 National Television Networks, 1971
(In Thousands of Dollars)

SCHEDULE 1. BROADCAST REVENUES OF NETWORKS

Line No.	CLASS OF BROADCAST REVENUES	AMOUNT
1	I. NETWORK REVENUES:	
2	(a) Revenues from sale of time when program is supplied by advertiser	$ 47,477
3	(b) All other advertising revenues	1,440,017
4	(c) Revenues from stations for cooperative programs	4,191
5	(d) All other broadcast revenues	53,523
6	TOTAL GROSS BROADCAST REVENUES ..	$ 1,545,208
	II. DEDUCT:	
7	(a) Payments to stations	227,003
8	(b) Commissions to advertising agencies, representatives, brokers, and others, and cash discounts	224,075
9	TOTAL DEDUCTIONS	$ 451,078
10	III. NET BROADCAST REVENUES (Line 6 minus line 9)	$ 1,094,130

1/ Because methods of treating technical and program expense differ among the networks, the two figures have been combined.

2/ In 1969 and 1970, part of the depreciation amount reported on line 14 was allocated to each of the four general expense categories. In 1971, all depreciation is allocated to general and administrative expense. For consistency, the data for 1969 and 1970 have been revised by allocating all depreciation to general and administrative expense. (The revision does not affect total expenses.) For 1969, the revised network figures (in thousands of dollars) are: technical and program expense, $929,663; selling expense, $31,255; general and administrative expense, $90,423. For 1970, the revised figures (in thousands of dollars) are: technical and program expense, $973,814; selling expense, $32,451; general and administrative expense, $90,257.

3/ This figure contains some of the costs already shown in lines 8 through 22 above. Costs of sports programs are not included.

Table32 (cont.)

(In Thousands of Dollars)

(SCHEDULE 2. NETWORK BROADCAST EXPENSES)

Line No.	CLASS OF BROADCAST EXPENSE	AMOUNT
1	GENERAL CATEGORIES OF EXPENSES:	
2	Technical expenses	$ 1/
3	Program expenses	925,031 2/
4	Selling expenses	27,645 2/
5	General and administrative expenses	87,784 2/
6	Total broadcast expenses(lines 2-5)	$ 1,040,460
7	SELECTED EXPENSE ITEMS (Subcategories of line 2-5 above):	
8	Salaries, wages and bonuses of officers and employees engaged in following categories:	
9	(a) Technical	1/
10	(b) Program	131,680
11	(c) Selling	11,990
12	(d) General and administrative	45,867
13	(e) Total (all officers and employees)	189,537
14	Depreciation of tangible property	21,815
15	Amortization expense on programs obtained from others (TOTAL)	567,002
16	(a) Feature film shown or expected to be shown in U.S. theaters	113,761
17	(b) All other feature film	9,841
18	(c) All other programs	443,400
19	Records and transcriptions	2,445
20	Music license fees	7,389
21	Other performance or program rights	63,934
22	Cost of intercity and intracity program relay circuits	60,845
23	Total expense for news and public affairs 3/	113,204

SCHEDULE 3. BROADCAST INCOME

Line No.		AMOUNT
1	Broadcast revenues (from Schedule 1, line 12)	$ 1,094,130
2	Broadcast expenses (from Schedule 2, line 6)	1,040,460
3	Broadcast operating income(or loss) (line 1 minus line 2)	53,670

Source: FCC.

Table 33

NETWORK PAYMENTS FOR FOOTBALL RIGHTS

YEAR	Payments ($ mil.)
1961	12
1962	14
1963	15
1964	27
1965	35
1966	41
1967	46
1968	51
1969	49
1970	63
1971	63
1972	65

Source: Broadcasting

Table 34

CBS TELEVISION NETWORK EVENING ENTERTAINMENT PROGRAM COST

INCREASES FOR ORIGINAL EPISODES, 1962-63; 1972-73 BROADCAST SEASONS

($ thousands)

	Average Cost Per Hour		Average
	1962-63 Season (B/W)[a]	1972-73 Season (Color)[a]	Annual % Increase
Regular Entertainment Series[b]	$115.4	$222.4 *	6.8%
Entertainment Specials[c]	101.5	299.0	11.4%
Entertainment Series and Specials Combined	$115.1	$228.2	7.1%

a In the 1962-63 season, programming was in black and white, whereas in 1972-73 programming was in color.

b Includes Feature Films in the 1972/73 season and New and Returning Series in both seasons. Excludes Sports, News and Advertiser Supplied Programs.

c Excludes Advertiser Supplied Programs.

* $215.9 without movies.

Source: CBS.

Table 35

COST PER THOUSAND DELIVERED

NBC TELEVISION NETWORK

FOURTH QUARTER 1967-72

1967	$ 1.94
1968	1.93
1969	2.10
1970	1.98
1971	2.09
1972 (projection)	2.10

The costs per thousand reflect the average cost of a 30-second announcement in our regular prime time schedule divided by the average number of homes the schedule delivered (in thousands).

The CPM is the standard measurement of cost efficiency utilized in network television.

Source: NBC.

Table 36

Earnings and Employment of AFTRA Members

Year	Total Earnings from Television* (millions)	Paid Membership	Weekly Contract Wages of NBC Staff Announcers
1961	$ 36.0	--	$ 190
1962	37.9	15,506	190
1963	41.4	16,351	190
1964	41.9	16,780	190
1965	47.9	17,073	195
1966	48.4	17,565	205
1967	50.3	18,184	210
1968	57.2	18,897	220
1969	62.4	21,076	240
1970	72.0	21,756	250
1971	69.3	22,752	265

Source: AFTRA

* Includes local stations.

D

OTP Draft Blames Network Rivalry, Profit Push For Big Rise In Movies, Reruns; Coast Unemployment Cited

By STEVE TOY

Hollywood, Jan. 30.

Network rivalry and market power are "most plausibly" the cause of increasing use of movies and reruns on television, a top-level Presidential study says, while decline in employment from decreased original production due to the primetime access rule "is the result of regulatory action designed to deal with network power."

Study says the networks "individually and collectively possess great economic power" and the result of this power—or "threeness"—is that "there exists a cycle of rivalry behavior which has the effect of driving down the quantity of original programming in favor of the maintenance of high profits."

Report was prepared by President Nixon's Office of Telecommunications Policy. Entitled "Preliminary Analysis Of The Causes & Effects Of Rerun Programming And Related Issues in Primetime Network Television," it was not scheduled for release for several weeks, but a copy was obtained by DAILY VARIETY.

Draft Form

Report is still in draft form, and is being circulated to top industry officials for suggested changes before final draft is prepared.

Report, ordered personally by President Nixon, goes so far as to say there are some circumstances, of which "this may conceivably be one example," in which "rivalry among a few oligopolists may be even less desirable than outright monopoly. A similar degree of economic power is present, but it is exercised more wastefully."

Report says it is clear "that there has been a serious longterm decline in the industry," and several factors have combined to reduce the output level of original Hollywood tv production—reruns, longer programs, more theatrical motion pictures shown on tv, the Primetime Access Rule, and runaway production.

"In sum, Hollywood's fate is now

(Continued on page 42)

OTP Draft Blames Network Rivalry

(Continued from page 33)

firmly tied to television and, in particular, to network television," it says.

Tracing the Decline

"Since most Hollywood tv production is in the form of series, and Hollywood's fortunes are now tied to network production, reruns, movies and the Primetime Access Rule affect Hollywood employment considerably. The decline in Hollywood employment is attributable to movies, reruns and the Primetime Access Rule, as well as runaway production and the general decline in theatre admissions.

"The increasing use of movies and reruns is most plausibly the result of network rivalry and market power. Consequently, it is that market power which caused the rerun and movie-related employment; increased movies and reruns were just the mechanism."

It states that although network programming expenditures in primetime increased 80% in the last decade, original nonmovie expenditures fell by 15%; reruns, primetime access and primetime movies account for the difference.

"This trend has taken place more or less gradually over the past decade and has now reached the point where virtually every series program is repeated at least once in the year it first appears."

Originals In Tailspin

Increased reruns, report says, accounted for a decline in the past decade of 343 hours per year of original programming on all three networks combined in primetime.

The Federal Communications Commission's primetime access rule resulted in a further decrease of 319 hours per year, starting with the 1971-72 season, it says.

For CBS, it says, increases in reruns of movies made for tv and of nonmovie programs have accounted for 38% of the decline in original programming over the decade—comparing with 39% attributable to theatrical movies and 33% to the primetime access.

Reruns are "always a possible substitute for new programming . . . Its popularity is lower, but so is its price, since rerun fees are only about one quarter of the cost of new episodes. In these circumstances, one would expect an increase in reruns whenever the cost of new programming rose."

Costs Increase

Networks, the study says, are "not many in number, as 'pure' competition would require, but few. Consider that the networks, as rivals, compete for shares of the audience by varying the type and audience appeal of programs at the beginning of each season. Each is aware of and can affect the actions of the others, both in advertising and programming markets. This results in cost increases as each network bids for more famous actors, more popular scripts and producers.

"If advertising demand and audience size do not rise as fast as program costs, the new original programming will decline and reruns of recent programs will increase. Original programming tends to be curtailed when program costs outstrip advertising revenues. To remain profitable, the networks rerun recent programming."

It says there are two markets in which the three networks together have a virtual monopoly—the purchase of programming from program suppliers, and the provision of programming to the public.

Study dismisses the argument that the general public does not suffer much from increased level of reruns.

"It is generally recognized that there exists a group of people who watch a great deal of television."

It says 93% of original viewers "are worse off because they have to make a choice between a rerun and a second choice program.

The value of this loss cannot be measured because consumers do not pay directly for television programs, and because most avid viewers would rather watch a second choice than no television at all.

Viewers 'Less Satisfied'

"Of course, some viewers miss the original showing of their preferred program in the fall. Nevertheless, with a large proportion of avid viewers, reruns cause a majority of viewers to be less satisfied than they would be with more original episodes of the same programs."

"In addition," it says, "there is a potential for increased consumer loss resulting from multiset homes which constituted more than 40% of all tv homes. In a multiset home more individuals will have viewed their first choice during the original season than in a one-set home. Consequently, more people than in a one-set home must accept a repeat or second choice program the second time around. The number of multiset homes has, of course, been increasing rapidly."

Declining Employment

In regard to employment, it says below-the-line union members have faced declining employment and "only modest wage rate increases."

Average craft union incomes fell from $7,530 in 1969 to $7,405 in 1971 despite an hourly wage rate increase from $4.92 to $5.17 per hour. Earnings of members of Screen Actors Guild show similar patterns. Total employment has fallen off, it says, and unemployment has continued to be high.

Report is 25 pages long, but then includes 40 pages of supplementary graphs and tables.

Information, it says, was obtained from the three networks, SAG, FCC, Assn. of Motion Picture & TV Producers and other sources. Some of the analysis, it said, is based on confidential data.

A Washington source said Nixon's attitude now will be to "wait and see" reaction of the industry to the report, and that what is hoped for is a "voluntary solution" to the problems at hand.

Sometime in the future, he said, the Office of Telecommunications Policy will make a specific recommendation on the primetime access rule.

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VARIETY

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Studio Execs Tell Whitehead They Worry About 'Pricetag' For Govt. Aid

By DAVE KAUFMAN

Hollywood, Jan. 30.

Fear that Government interference with the content of tv programs in tv might follow Government action to curb network reruns was expressed by a number of top Hollywood tv figures in a meeting with Clay T. Whitehead, director of Office of Telecommunications Policy for the White House.

Session was held at the BevHills Hotel, with most studio production chiefs and other execs confabbing with Whitehead, who said he was seeking info in general as to what the right solution is for the problem of increased network reruns and whether effects of actions that might be taken would be desirable or not. Meeting developed into a general airing of industry problems. Some brought up Whitehead's now-famous attack on network news, to illustrate their point about Government interference

(Continued on Page 51)

Studio Chiefs Meet With Whitehead

(Continued from page 1)

with Whitehead terming that speech mere "window-dressing."

Whitehead said that networks hold economic domination and he is seeking ways to end such domination.

Virtually all those from Hollywood expressed serious reservations about Government interference in the media—even for the cause of curbing reruns—fearing that once the Government steps in with such action, what is to prevent further interference from Washington as to content of programs? They want relief from their economic squeeze, but not at that price. Producer Quinn Martin was among those strongly voicing objections to any form of interference from Washington.

Whitehead acknowledged that this is a ticklish problem and said it must be handled delicately. He asked, "How do you go about it—it's like making love to a porcupine," according to sources who were in attendance.

Some suggested that if he wants to end network domination, they might modify the financial interest rule to provide a network cannot have an option on a show for a subsequent year, meaning the producer of a hit series could throw it up for bids at all three networks at renewal time.

Insiders later expressed the feeling that Whitehead was unsure of his own conclusions but wanted support for them, so that he could return to the White House with word that he had industry support for them.

Hollywoodians told Whitehead that one way to help the industry was to rescind the primetime access rule, and some of those present report he predicted it would be rescinded eventually.

A number of execs said that the networks are not the worst thing that could happen to tv, that Government interference would be. Some felt networks could order more firstruns, but the consensus was that it wasn't worth it if the pricetag was more inroads from Washington.

Warner Bros. Tveepee Ed Bleier arranged the meeting, attended by, among others, Paramount TV production chief Emmett Lavery Jr., MGM-TV production chief Harris Katleman, 20th Fox TV president Bill Self, 20th Fox biz affairs v.p. Maurice Morton, Quinn Martin, producer David Wolper, Screen Gems prez John Mitchell and SG administration v.p. Ed. Masket, WB-TV prez Gerald Leiter, Disney productions board chairman Donn Tatum, Universal TV prez Sid Sheinberg, MCA attorney Herb Stern, Grant Tinker, and producer Norman Lear.

ABC-TV PROMOTES 3

Hollywood, Jan. 30.

Albert Rubin, P. Thomas Van Schaick and Barry Lefkowitz have received promotions in ABC-TV's planning and development division.

Rubin was named to newly created post of director of business analysis and financial planning. Van Schaick was promoted to assistant director of revenue and schedule analysis and Lefkowitz succeeds him as revenue analysis manager.

F

DAILY VARIETY DAILY

VOL. 158 No. 38 Hollywood, California-90028, Tuesday, January 30, 1973 12 Pages 15 Cents

Gov't Meddling In Tv Program Content Feared

By DAVE KAUFMAN

Fear that government interference with the content of tv programs might follow government action to curb network reruns was expressed by a number of top Hollywood tv industryites at a q.t. meeting with Clay Whitehead, director of the Office of Telecommunications Policy for the White House.

Session was held at the BevHills Hotel with most studio production chiefs and other exex confabbing with Whitehead, who said he was seeking info in general as to what the right solution is for the problem

(Continued on Page 11, Column 2)

Government Meddling In Tv Program Content Feared

(Continued from Page 1, Column 1)
of increased network reruns, whether effects of actions taken would be desirable or not.

Meeting developed into a general airing of industry problems. Some brought up Whitehead's now-famous attack on network news to illustrate their point about government interference, with Whitehead terming that speech mere "window-dressing."

Whitehead said that networks hold economic domination and he is seeking ways to end such domination.

Virtually all those from Hollywood expressed serious reservations about government interference in the media—even for the cause of curbing reruns. Point they made is that once the government steps in with such action, what is to prevent further interference from Washington as to content of programs. They want relief from their economic squeeze, but not at that price, was the gist of their remarks. Exec producer Quinn Martin was among those strongly voicing objections to any form of interference from Washington.

Whitehead acknowledged that this is a ticklish problem, said it must be handled delicately, and asked "how do you go about it—it's like making love to a porcupine," observers reported.

Some suggested, if he wants to end network domination, they might modify the financial interest rule to provide a network cannot have an option on a show for a subsequent year, meaning producer of a hit series could throw it up for bids at all three networks at renewal time.

Insiders later expressed the feeling that Whitehead was unsure of his own conclusions but wanted support for them, so that he could return to the White House with word that he had industry support for them.

Hollywoodians told Whitehead one way to help the industry was to rescind the Primetime Access Rule, and some of those present report he predicted it would be, eventually.

The main objection from Hollywood, however, was the matter of government interference. Some voiced the sentiment that they didn't see how the government could get involved in the mechanics of tv without also being involved in program content.

In this context, a number of exec said the networks are not the worst thing that could happen to tv, that government interference would be. Some felt networks could order more firstruns, but concensus was that it wasn't worth it if the price-tag was more inroads from Washington.

Warner Bros. tveepee Ed Bleier arranged the meeting, attended by, among others, Paramount Tv production chief Emmet Lavery Jr., MGM-TV production chief Harris Katleman, 20th-Fox Tv president Bill Self, 20th-Fox biz affairs v.p. Maurice Morton, Quinn Martin, producer David Wolper, Screen Gems prez John Mitchell and SG administration v.p. Ed Masket, Warners Tv prez Gerald Leiter, Disney Prods. board chairman Donn Tatum, Universal Tv prez Sid Sheinberg, MCA attorney Herb Stern, Grant Tinker, and producer Norman Lear.

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VARIETY

Wednesday, January 31, 1973

CBS Lowest In Prime Original Hours, Sez OTP

Hollywood, Jan. 30.

CBS-TV is at the bottom of the heap in terms of number of hours of network primetime original programming, a White House OTP study shows. A wealth of statistical data also indicates network broadcast revenues have doubled in a decade.

Report shows that in 1971-72 CBS offered 609 hours of original programming in primetime—56% of its schedule. This was topped by ABC, which had 709 hours, or 65% of its schedule, and NBC, with 644 hours or 59%.

All had decreased significantly from a decade ago. In that period, CBS was offering 892 hours of primetime original programming — 71%; ABC 829 hours — 69%. NBC 885 hours—71%.

Decreases in hours are due to causes other than increases in reruns, report says, including changes in the number of hours offered per season, change in season starting date and the primetime access rule.

Total network broadcast revenues for '71-'72 were $1,094,100,000 and total expenses were $1,-

(Continued on page 52)

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CBS Lowest

(Continued from page 33)

040,400,000. Earnings amounted to $53,700,000 from network broadcast, and $91,200,000 from the o&o stations, making total profits of $144,900,000. Networks' program expense were listed at $925,000,000.

Figures are considerably higher than a decade ago, when network revenue was $526,500,000 and expense was $501,800,00. Network broadcast profit was $24,700,000 and o&o earnings $62,300,000, for total profit in that season of $87,-000,000. Program expense was $449,200,000.

Program costs are rising sharply —at a high of 11.4% a year. CBS, for instance, estimated cost per hour for an entertainment special, excluding advertiser-supplied programs, for 1962-63 at $101,500. In 1972-73, that cost was $299,000.

Network payments for football rights have multiplied more than five times in a decade. In 1961, they were $12,000,000; in 1972, $65,000,000.

Hours of theatrical film programming per week has tripled in the decade. The three webs broadcast total of four hours per week in 1962; in 1972, 12 hours.