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FCC HITS INDIVIDUAL STATIONS TO REACH NETWORKS

Chairman Fly, of the Federal Communications Commission, indicated today under questioning before the Senate Interstate Commerce Committee, that the Commission does not have the power directly to regulate network broadcasting but attempts to do so indirectly by "placing a duty upon the stations."

One of the contentions of the broadcasting industry regarding the Commission's new rules is that the Commission is using these new rules to reach the networks by threatening the licenses of individual stations.

Chairman Fly was asked by Senator Johnson, of Colorado: "You do not deal with the chains directly?"

"Not directly, no sir," responded Mr. Fly. "I think there are strong arguments why the networks ought to be brought within the scope of the Communications Act."

"I do not mean to say that I think it is correct to have them excluded from regulations, in view of their great importance to the public and the great impact of network broadcasting upon the entire public of the United States. I do not believe there can be any doubt that there ought to be very explicit means of regulating these networks in the public interest. That is quite apart from the construction of the Act at the moment."

Deals With Networks Through Stations

Senator Johnson asked: "How do you control the chains—by licenses or permits?"

"By these regulations here, sir," replied Mr. Fly, "we govern all licenses of all stations, and there are particular provisions relating to stations engaged in chain broadcasting. You will note that these regulations control

the station's relations to the network by means of placing a duty upon the station."

In another interchange of questions and answers, Chairman Fly first declared that under the new regulations the Commission already has the power to force the networks to carry certain programs, and then amended his answer to say the Commission cannot force any station to carry "a particular program," a contradiction which left his listeners confused as to just how the Commission interprets the new rules and how it intends to apply them.

Senator Smith, of South Carolina, had asked Chairman Fly why the Commission has not the power to force all networks to carry "important things."

"I think we have the power," declared Mr. Fly, "by applying these regulations," but he added that the Commission cannot require a station to "carry a particular program."

Effect on Small Stations

Senator Wheeler again indicated that he feared the new rules might transfer a great deal of business from the smaller to the larger stations.

Senator Wheeler: "I was going to say that some of these small stations have been worried for fear all the good programs would just go to the big stations, and that under your rules they would simply say: Well, we will not put it on the little station. For instance, we will say that NBC has a small station in a certain town, and Mutual has a big station, or vice versa, and the advertiser or advertising agency will say: We do not want to take Mutual, or National, as the case may be, on the small station, but wish to transfer it to the big station. If

that were permitted it would seem to me you would be eliminating the small station. . . .

“Take for instance a location in the western country, and say I want to advertise in Denver, or in Salt Lake City. If I am going to advertise in that area I will want to get the largest number of listeners possible. Consequently it is probable that as an advertiser I would not want to put my program on the smaller station in Spokane or in Salt Lake City or in Denver.

“As to the use of stations, if one can just switch them over I think an advertiser would want to go on the big stations because the big stations get the listeners; and unless the small station can get good programs you will be giving the big stations a monopoly.

“I think that is one thing you have to guard against

because certainly when you are trying to tear down one monopoly you do not want to be building up another—putting the small stations out of business. That is one thing you have to guard against.”

Chairman Fly gave several reasons indicating why he does not believe this will happen, ending with this statement, “Of course it is not the intention of the Commission that the big stations shall take advantage of the small ones. If that starts to happen we will have to re-examine that phase of the subject.”

In completing his testimony today, Chairman Fly said that the Commission approves of this hearing and stands ready to produce any further information called for by the Senate committee.