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AUTHOR Avery, Robert K.
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ABSTRACT

The Public Broadcasting Service (PBS) has developed a new means of financing a portion of PBS' national programing--the "Station Program Cooperative" (SPC). Established in April 1974, the SPC is the product of a multifaceted attack on three critical and interrelated problems: (1) an increasing scarcity of funds for national programing; (2) a need for long-range financing for public broadcasting; and (3) political opposition to a centrally administered public television system. The SPC provides a mechanism for the nation's public television stations to select desired programs from a pool of available offerings, thus diminishing central control of national program selection. By sharing the production costs of the programs they select, the SPC taps a new source of funding for national programs, thereby providing programing that might otherwise be unavailable. And finally, by addressing itself to the problems of political opposition to a centrally administered system and developing a strategy for internal economic stability, the SPC indirectly addresses the problem of long-range financing. (LL)

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Department of Communication
University of Utah

PBS's STATION PROGRAM COOPERATIVE:
A POLITICAL EXPERIMENT

by
Robert K. Avery

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The Public Broadcasting Service (PBS) has embarked on a new cooperative effort which has the potential to dramatically change the economic and decision-making structure of the public television industry. This advancement has been realized through the adoption of a new means of financing a portion of PBS's national programming -- the "Station Program Cooperative" (SPC). Born in April, 1974, following months of planning and discussion, the SPC represents the product of a multi-faceted attack on three critical and inter-related problems: 1) an increasing scarcity of funds for national programming; 2) a need for long-range financing for public broadcasting; and 3) political opposition to a centrally administered public television system.

Addressing the last of these problems, the SPC provides a mechanism for the nation's public television stations to select desired programs from a pool of available offerings, thus diminishing central control of national program selection. By sharing the production costs of the programs they select, the SPC taps a new source of funding for national programs, thus providing programming that might otherwise be unavailable. And finally, by addressing itself to the problems of political opposition to a centrally administered system and developing a strategy for internal economic stability, the SPC indirectly addresses the problem of long-range financing.

A Rationale for the SPC

Since its inception, PBS has provided a national program schedule funded through a variety of sources; the Corporation for Public Broadcasting (CPB), foundation and corporate underwriters, and to a lesser degree, locally-produced programming which is made available to PBS free of charge. During the past three years, however, this funding picture has changed radically. The Ford Foundation, the earliest and most generous public television benefactor, has announced its intention to phase out its funding within the next three

to four years.¹ The Corporation for Public Broadcasting had been the largest single contributor to national programming, but at the insistence of many stations, CPB is earmarking an increasingly larger share of its funds for local, rather than national use. Table I provides a summary of past and projected CPB funding allocations. Most noticeable of several trends are the substantially growing Community Service Grants (from \$2.9 million in 1971 to \$24 million in 1975) and the near-static national programming funds, increasing at less than an inflationary rate (from \$8.7 million in 1971 to \$11.2 million in 1975).² In fact, the reduction in national program funding from 1973 to 1975 represents a critical cut-back in direct CPB support. In terms of total income available for national programming, the decline in funding is vividly displayed in Figure I. Without the dollars provided through the SPC, total funds would have plummeted from \$37.8 million in FY 1974 to \$26.2 million in FY 1975, or accounting for inflation, \$13.7 million (based on a constant 1971 dollar value).

[Place Table I and Figure I here.]

While the short-term economic need for the SPC was obvious, the political and ultimately the long-range funding issues also provided ample justification. As any mass communication student knows, long-range financing has been a major objective of the public broadcasting industry since its inception. The framers of the Carnegie Commission Report, Public Television: A Program for Action, recognized the need for a stable, insulated source of on-going financial support, and included enlarged federal funding as one of their twelve recommendations to the American people.³ But the Public Broadcasting Act of 1967 which resulted from the Commission's work contained no provision for long-range funding. Public broadcasters

and their supporters in Congress and the White House all recognized the need, but could not reach an agreement on the terms of such financing.

This problem became readily apparent to everyone concerned when, in June, 1971, President Nixon's newly-formed Office of Telecommunications Policy (OTP) drafted a five-year funding bill which provided for both facilities and programming needs.⁴ Had the proposed bill been found acceptable to all elements of the public broadcasting community and Congress, it could have resulted in federal appropriations of \$93 million in FY 1973 and \$100 million in FY 1974, instead of the \$35 million and \$47.75 million which the Corporation for Public Broadcasting did receive. However, realizing the proposed legislation was doomed without industry-wide support, OTP withdrew the bill, declaring it would draft another when the public broadcasting industry could agree on its provisions. In October of that year, OTP's former Director, Clay T. Whitehead, expressed his dissatisfaction with public broadcasting in general and the centralization issue in particular when he addressed the 47th annual convention of the National Association of Educational Broadcasters in Miami Beach.⁵ The perceived climate of White House hostility persisted until earlier in 1974 when Mr. Whitehead finally introduced another five-year funding bill. Coupled with an obvious desire to end his tenure as OTP Director on a positive note, it would appear reasonable to speculate that the planning, discussions and consensus which led up to the creation of the SPC played a significant role in Whitehead's willingness to propose his second long-range financing bill.

The SPC is Born

The fundamental concept upon which the SPC is based had been considered during the debate which surrounded the Public Broadcasting Act of 1967. At that time there were some who favored a completely decentralized, "super-market" system, but exactly how the idea might be implemented was not

yet known. In 1970, shortly after PBS was formed, Hartford Gunn discussed the concept with his senior staff, but it remained on the back burner pending resolution of more immediate problems. However, following Whitehead's Miami speech, interest in a cooperative venture quickened. Knowing that it held the key to OTP's major objection to the system--centralization--PBS's senior staff began spending more and more time refining the cooperative concept.

Early drafts of PBS's plan were met with disfavor by CPB President John Macy, as it appeared that such a plan would decrease CPB's decision-making role. Seeking a broader sounding board for the early SPC idea, Hartford Gunn decided to present the plan to a June, 1972 conference on public broadcasting in Aspen, Colorado. Conference director Douglass Cater, a former aide to President Lyndon Johnson and a central figure in the 1967 public broadcasting legislation, was one of a number of prominent participants whose opinions Gunn respected. With the exception of criticisms voiced by participating CPB personnel, general reaction to the cooperative concept was considered favorable.

With growing confidence and support, the PBS staff proposed the idea to its Board, who, in turn, endorsed the SPC in principle. Having undergone considerable refinement by this time, the SPC, then called the Station Program Finance Plan (SPEP), was introduced to the public in a detailed, twenty-six page article which appeared in the October, 1972 edition of Educational Broadcasting Review.⁶ What remained to be done was a resolution of the existing power struggle between CPB and PBS.

Ironically, in order to realize the increased localism that the SPC concept afforded, individual stations needed a larger share of the federal allocation to CPB--a shift in funding that would eventually serve as a major justification

for the creation of the SPC. As negotiations between CPB and PBS neared a compromise, provision for a specific share of the federal revenues, to increase proportionately as the federal allocation increased, was a fundamental point of negotiation. When the two organizations finally struck their "partnership agreement" on May 31, 1973, it contained a provision for a specific "pass through" of federal funds:

"CPB and PBS hereby agree that CPB will provide the mutually desired bedrock of localism by unrestricted grants to the public television stations, under a formula accepted by CPB and PBS..."⁷

Rebounding from the pervasive pressures of the CPB-PBS struggle and an internal reorganization that was the product of a contracted management study, PBS executives began taking steps to secure stations' approval of their early nicknamed "market plan."

At an historic meeting in Washington, D. C. on January 21, 1974, the PBS membership voted affirmatively that, "The PBS staff under the supervision of the Long Range Program Planning Committee shall develop a Station Program Cooperative for FY '75 (beginning July 1, 1974) and beyond with the objective of providing national programming funding and fostering the autonomy and future growth of the stations."⁸ Then on April 6th, following joint meetings of the PBS program and finance committees, closed-circuit presentations of the proposed SPC, and a series of "round robin" discussions of the proposal, the Executive Committees of the PBS Boards of Governors and Managers authorized the creation and implementation of the Station Program Cooperative.⁹

How the SPC Works

While the economics and operation of the SPC are confusingly complex, the principle of the cooperative is simple: each public television station can

have better quality programming by pooling funds and sharing programs than by trying to produce a full schedule locally. Even with the significant increase in CPB's Community Service Grants, few public television stations have the financial resources to sustain a high quality broadcast schedule based solely on locally-produced programs.

To begin, national program priorities are determined via a combination of program director surveys, a poll of station managers, carriage and audience data, and consultation with advisory panels and other groups.¹⁰ PBS then solicits program proposals that are consistent with the stations' national programming needs. Once collected, the proposals are assembled in an "All Proposal Catalog" which is distributed to each station for an indication of program interests. Stations report their preferences using a 1 to 5 rating scale, with 1 indicating no interest and 5 denoting great interest.

On the basis of station feedback and other relevant information, the Program Committee drafts a "Program Catalog" which contains fewer proposals than the original compilation. Added to the original descriptive information on the remaining proposals are supplementary data, provided to help guide station personnel in the selection of a balanced schedule of national programs. In addition, a number of pilot programs are produced and scheduled for preview on the interconnection.

Finally, through the use of a computer-assisted selection process, the stations engage in a series of program selection rounds according to a known and accepted pricing structure, based on market size and station income. The bidding concludes with the announcement of one or more "elimination rounds," which narrow the number of choices that stations must consider. This, in turn, leads to the final purchase rounds. Purchasing commitments are binding, and broadcast rights are limited to those stations sharing the costs of production.

Concurrent with the initial stages of SPC's implementation, applications were made to the Ford Foundation for \$5.5 million and CPB for \$4.5 million in support of the Cooperative during FY 1975. Together, the \$10 million in matching grants provided \$3 for each \$1 contributed to the SPC by individual stations (up to a specified limit).¹¹ The net result was a 75% discount on programs financed by member stations during SPC's trial year of operation.

When the complex process was completed in June, 1974, the stations had purchased 25 programs from a catalog of 93 proposals. The total cost was set at \$13.3 million, and represented about a third of the 1974-75 national program schedule. Following understandable confusion and uncertainty, station managers seemed generally pleased with the first few months of the SPC's operation. Major criticisms centered around the lack of funds available for the Cooperative, and the final program schedule it produced. Perhaps the most vocal of the SPC critics from within public television's ranks has been NPACT President James Karayan.¹² Concerned with what he considers a lack of serious investigative journalism in the programs selected, Karayan suggests that the Cooperative may serve to perpetuate programs that appeal to the largest possible audience, and indirectly, the greatest number of potential contributors. Large audiences and fund raising appeal should not be the sole criterion upon which programming selections are made.¹³

In response to criticisms of the SPC, Hartford Gunn has maintained that PBS made an honest selection of national programming in accordance with the specified needs and interests of the nation's public television licensees. The problem has been to provide sufficient evidence to satisfy critics both within and without the public broadcasting industry. In Gunn's own words, "If the program cooperative accomplishes nothing else, it accomplishes brilliantly the statement that these are the choices of the stations... That, I

think, is a very important accomplishment, even if the process produces exactly the same list of programs as another system would have produced. That's the first and most important argument for a cooperative."¹⁴

Conclusions

The Public Broadcasting Service Station Program Cooperative must be credited as at least a partial solution to some of public television's political and economic problems. In working out its own financial dilemma PBS also demonstrated to the White House how a system, founded on the "bedrock of localism," could actually function. Whether the cooperative would have come into existence without the internal and external political pressures which eventually led to the reorganization of the American public broadcasting system is open for debate. When viewed within the context of the CPB-PBS power struggle, however, it is difficult to imagine that either organization welcomed the loss of economic control at the national level. Beneath the rhetoric of localism and decentralization was the ever-present concern for survival of a national programming service, and ultimately the creation of stable, insulated funding for the public broadcasting industry. To this end, PBS made a well-calculated maneuver that historians may one day cite as a pivotal point in public broadcasting's ascent above political control.

Footnotes

1. The Ford Foundation's accumulated contribution to public broadcasting has been set at \$273 million. Tracing the Ford Foundation's involvement in educational television through the combined efforts of the Fund for the Advancement of Education and the Fund for Adult Education, an excellent summary of this influential institution's activities can be found in The Fourth Network: A Study by the Network Project (1971), pp. 5-15. See also The History of Ford Foundation Activities in Non-Commercial Broadcasting (New York: Ford Foundation, 1974).
2. The figure for FY 1975 Community Service Grants is contingent upon Congressional action. Continuing resolution would result in a minimum appropriation of \$15 million while full funding would achieve the projected \$24 million.
3. Public Television: A Program for Action (New York: Bantam Books, 1967), pp. 68-73.
4. The nearly forgotten "Public Telecommunications Act of 1971" was drafted by OTP General Counsel Antonin Scalia and sent to Victor M. Zafra, Assistant Director for Legislative Reference, Office of Management and Budget, on June 10, 1971.
5. A summary of Mr. Whitehead's remarks and immediate industry reactions are reported in Broadcasting (October 25, 1971), pp. 14-16.
6. Hartford N. Gunn, Jr., "Public Television Program Financing," Educational Broadcasting Review, 6:5:283-308 (October, 1972).
7. "CPB-PBS Partnership Agreement," Public Telecommunications Review, 1:1:50 (August, 1973).

Footnotes - continued

8. DACS Memorandum to all station managers from Mrs. Allan Charles, Chairman, PBS Program Planning Committee, February 14, 1974.
9. The joint resolution of April 6th was later formally ratified by an affirmative vote of the Board of Governors.
10. This brief discussion of SPC operating procedures is based upon the carefully detailed Station Program Cooperative Policies and Procedures Manual distributed to public television stations by PBS. It should be noted, however, that during the first year the survey of needs was far less extensive, consisting primarily of recommendations from the PBS staff.
11. The actual matching grants totaled \$9.4 million. A lack of participation to their full limit on the part of a minority of stations forfeited approximately \$600,000 in discount funds. How these unused funds could be reclaimed by PBS was a problem yet unresolved at the time of this writing.
12. Michael J. Connor, "Public TV is Viewing Its Long-Term Future with More Optimism," The Wall Street Journal (August 23, 1974).
13. While three of NPACT's program proposals were selected through the SPC ("Washington Week in Review," "Washington Straight Talk" and a \$1.3 million special events fund) a number of documentaries were not.
14. Hartford N. Gunn, Jr., "Inside the Program Cooperative," Public Telecommunications Review, 2:4:18 (August, 1974).

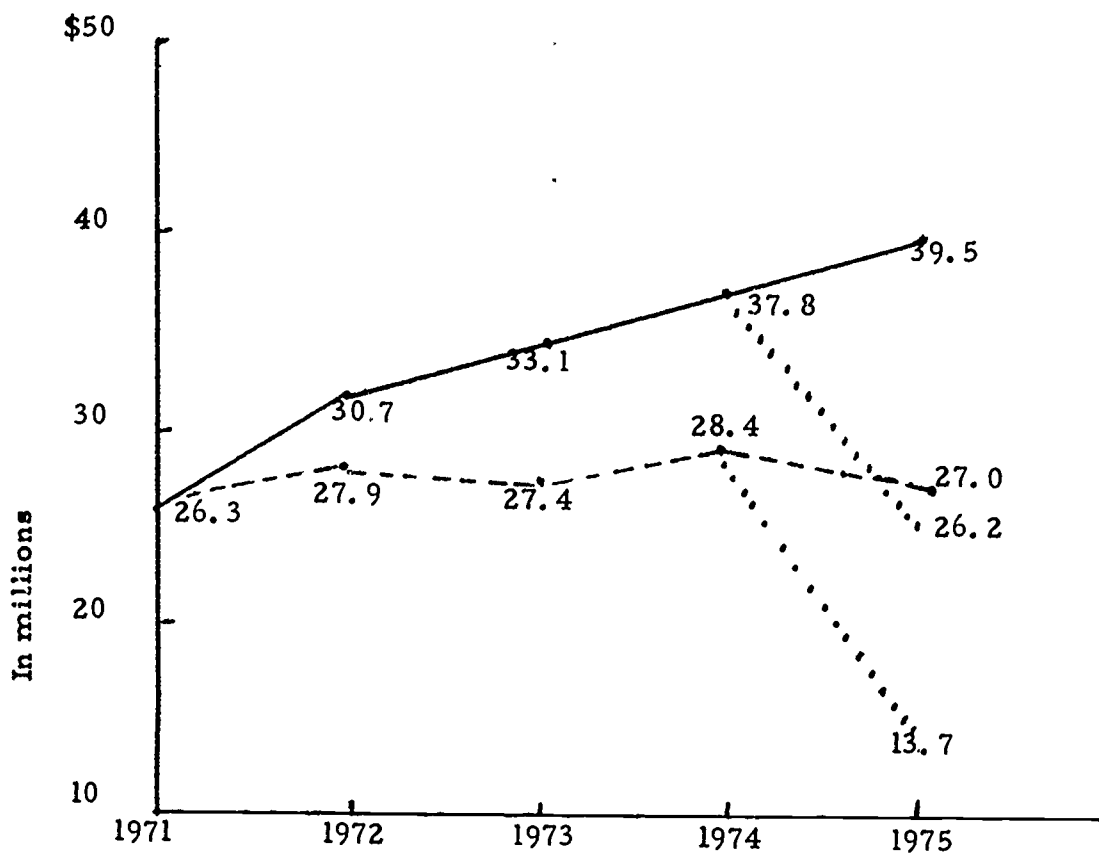
TABLE I
Selected Past and Projected
CPB Funding Allocations

Total Allocations (in millions)	<u>1971</u> \$22	<u>1972</u> \$35	<u>1973</u> \$35	<u>1974</u> \$47.75	<u>1975</u> \$60
Community Service Grants	2.9	4.7	5.0	15.2	24.0
TV National Programming	8.7	11.4	13.3	12.4	11.2
PBS Interconnection Costs	6.6	9.8	9.3	8.1	9.8
Public Radio	2.3	4.5	5.1	6.8	9.0

Source: Corporation for Public Broadcasting Annual Reports

FIGURE I

Total National PTV Program Production Funds



KEY: _____ Current Dollars
----- Constant 1971 Dollars Calculated on a 10% Annual Inflation Rate
..... Total Dollars without SPC (\$13.3 million)