

drawn to the STV productions. Also it appears unrealistic to assume that most major sports events of nationwide interest would not be shifted to a subscription basis as quickly as the proposed FCC ruling would permit.

It is the sincere desire of Farm Bureau that new techniques be applied to broadcasting whenever those techniques will improve the service now available to farmers and residents of small towns in rural areas. We do not favor changes in the present broadcasting practices which will reduce or impair this service.

We respectfully recommend that you and Members of the Subcommittee consider carefully the effect upon service available to rural America of any alteration in the present system of broadcasting. It is our firm belief that decisions of such far-reaching significance as authorization of a system of subscription television necessarily must rest solely with the Congress.

We request that this letter be made a part of the hearing record.

Sincerely,

JOHN C. LYNN,
Legislative Director.

E. F. HUTTON & Co., INC.,
Los Angeles, Calif., September 15, 1967.

HON. TORBERT MACDONALD,
House of Representatives,
Washington, D.C.

DEAR MR. MACDONALD: In view of your interest in pay television, I am enclosing a copy of my recent radio broadcast on the subject.

If your committee should hold public hearings, I would appreciate an opportunity to appear as an informed witness on behalf of the poor, long-forgotten public.

Very truly yours,

ALLAN MACDOUGALL, Jr.,
West Coast Research.

LABOR DAY BROADCAST, SEPTEMBER 4TH 1967

Telephone rings . . . girl's voice: Good morning, E. F. Hutton and Company. Good morning, Charles Stone speaking for E. F. Hutton . . . In observance of Labor Day, all major stock exchanges are closed today, and instead of the usual Business News, E. F. Hutton & Company brings you a special transcribed program prepared by Allan MacDougall, Jr., of our West Coast Research Department.

Some time ago we devoted two of our holiday broadcasts to the subject of pay television, and many listeners expressed an interest in our explanation of this controversial but potentially-dynamic new industry.

Last July 14th the pay television subcommittee of the Federal Communications Commission issued a report and a second Notice of Proposed Rules-Making which envisage the creation of a national pay television system by the end of 1967 . . . Therefore, this seems an appropriate time to discuss further the potential of pay television, and, specifically, the rules under which the Commission proposes to let it operate.

First, by way of review, let me explain that our previous broadcast discussed over-the-air pay television, which really bears no relationship to the local ill-fated cable television venture of a company called Subscription TV, Inc.

The rules of the Federal Communications Commission are the result of a five-year experiment conducted in Hartford, Conn., by Zenith Radio, its licensee, Teco Inc., and the RKO Division of General Tire. Under this system, the broadcast station sends out a scrambled television signal. A subscriber leases a decoder which is attached to the antenna terminals of his set. When he wishes to watch a program, he adjusts certain dials on the decoder and the program is then received in the clear. A built-in recording device keeps a record of the programs watched, and the customer is billed only for those programs that he actually dialed for viewing.

This all sounds very simple, but setting up the rules for a new type of broadcast service is very complicated. Furthermore, pay television has been fought at every turn by the theatre interests, who realize what formidable competition it would be for the public's entertainment dollar. In addition, the television networks, who have prospered under the status quo, have opposed pay television.

It has been a shocking lesson in the procedures of bureaucracy and the political power of pressure groups to realize that pay television has been tech-