

HEINL RADIO BUSINESS LETTER

2400 CALIFORNIA STREET

WASHINGTON, D. C.

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June 30, 1939.

MORE THAN THIRD OF STATIONS OPERATE AT A LOSS

A comprehensive statistical analysis of the broadcasting industry, released this week by the Federal Communications Commission, reveals the following surprising facts:

More than a third, or 240 out of 660 stations, operated at a loss in 1938.

Net income of three major networks and 660 stations from all sources was \$62,010,215, of which only \$20,153,115 related to broadcasting.

The 419 stations reporting profits had an income of \$16,728,195.

The three major networks and 660 stations had \$72,961,659 invested in broadcasting assets and total assets of \$1,068,339,901.

One of the surprising features of the report, drawn up by the Accounting, Statistical and Tariff Department from information supplied by the licensees in response to questionnaires, was that \$53,672,999 in aggregate income was derived from business or activities other than broadcasting.

The tables show that there were 764 licenses and construction permits outstanding at the end of the year, classified as follows:

- 660 station reports used in the tabulations
- 40 construction permits
- 38 non-commercial stations
- 12 located in territories
- 14 not used because of defects in reporting

The 660 stations reported in the tabulation include 240 stations from which not enough revenue was derived during the year to pay their actual expenses, including depreciation. Those 240 stations showed losses in the aggregate amounting to \$2,223,195. The 419 stations reporting profits showed broadcast income of \$16,728,533. One station reported neither a profit nor a loss for the year.

The tabulations include 175 stations each of whose time sales were less than \$25,000. As a group these 175 stations showed a loss, their aggregate broadcast revenues being \$2,520,026 and their aggregate expenses (inclusive of depreciation, taxes other than income taxes, etc.) \$2,870,729. However, certain of these stations showed a profit.

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Other compilations from the reports show that 658 of the stations and networks had a payroll for the year amounting to \$45,663,757. Of this amount, \$4,239,470 was paid to officers of the licensee companies. As of December 31, 1938, these stations and networks employed a total of 23,060 persons, including staff musicians and other artists on the regular payroll.

During the week beginning December 11, 1938, there were 18,359 full-time employees with a total payroll for the week amounting to \$830,003. During the same week there were 4,377 part-time employees, drawing a total for the week in the amount of \$103,134. The average compensation for the week beginning December 11 was \$45.20 (18,359 employees), compared with \$45.12 (17,085 employees) for the week beginning March 6, 1938. For part-time employees, the average compensation was \$23.55 (4,377 employees) for the week beginning December 11, 1938, compared with \$18.97 (5,820 employees) for the week beginning March 6, 1938.

The combined income statement of the three major networks and 660 station licensees showed the following revenue and expenses from broadcasting activities:

(a) Revenues

1. Network portion of network time sales		\$ 35,455,510
2. Time sales by stations	\$82,669,401	
Less: payments to other stations	<u>745,452</u>	<u>81,923,949</u>
3. Total time sales by networks and stations		117,379,459
4. Deduct: Commission to agencies, representatives, and brokers		<u>16,487,200</u>
5. Net revenue received from sale of time		100,892,259
6. Sale and placing of talent		6,081,344
7. Recoveries by networks from others on communication line charges		1,085,469
8. Miscellaneous sales and revenue services		3,278,836
9. Sustaining programs sold to stations		<u>20,470</u>
10. Total revenues of networks and stations		<u><u>111,358,378</u></u>

(b) Expenses

1. Technical expenses		13,048,588
2. Program, talent, and communication line expense (including sustaining programs purchased, royalties, and similar items)		38,196,994
3. Advertising, promotional, and selling expenses		9,963,136
4. General and administrative expenses		15,088,718
5. Other direct broadcast expenses		5,209,099
6. Indirect broadcast expenses (depreciation, amortization, taxes, uncollectible revenue, and rents)		<u>10,997,059</u>
7. Total broadcast expenses		<u><u>92,503,594</u></u>

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Assets listed for the three major networks and 660 licensees, including one major network not the licensee of any station, were:

Assets:

Current assets		\$408,133,556
Investment(at cost) in broadcast assets	\$72,961,659	
Less: depreciation to date	<u>26,183,672</u>	46,777,987
Investment in assets other than broadcast plant (after depreciation and amortization)		561,274,054
Other asset side items		<u>52,154,304</u>
	Total assets	<u><u>\$1,068,339,901</u></u>

Liabilities:

Long-term debt		\$ 61,997,823
Current liabilities and accruals		80,784,658
Net worth		821,536,191
Other liability side items		<u>104,021,229</u>
	Total liabilities	<u><u>\$1,068,339,901</u></u>

Included in the amount of \$46,777,987 shown above as the net amount of broadcast assets there were reported by licensees the following:

Goodwill	\$11,526,179
Excess of purchase price of broadcast plant over its net book value in the hands of vendors	<u>714,326</u>
Total	\$12,240,505

The condensed general balance sheet of the major networks at the close of the year 1938 showed:

Assets:

Investments - broadcast	\$13,411,102
Investments - nonbroadcast	627,722
Total investments (net) (sum of lines 1 and 2)	14,038,824
Current assets (net)	13,048,668
Prepaid payrolls and other service charges	497,225
Deferred charges and unclassified debit balances	115,447
Assets not classified above	<u>219,583</u>
Total assets	\$27,919,747

(more)

Liabilities:

Long-term debt		\$1,959,200
Current and accrued liabilities		10,040,413
Provisions for deferred payments, deferred credits and unclassified credit balances		181,025
For a corporation		
(a) Capital stock issued and outstanding	\$6,997,697	
(b) Capital surplus	43,462	
(c) Earned surplus	<u>8,697,950</u>	<u>15,739,109</u>
	Total liabilities	\$27,919,747

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S-W RULES HEARING POSTPONED TWO DAYS

The Federal Communications Commission this week on its own motion postponed from July 12 to July 14th, the hearing set by order of the Commission on June 15th, for consideration of Section 42.03(a) of the rules governing International Broadcast Stations. Section 42.03(a) states:

"A licensee of an international broadcast station shall render only an international broadcast service which will reflect the culture of this country and which will promote international good-will, understanding and cooperation. Any program solely intended for, and directed to an audience in the continental United States does not meet the requirements for this service."

No action was taken on the petition filed by the National Association of Broadcasters in connection with the hearing because of a request from its counsel that action on the petition of the National Association of Broadcasters be deferred until appearances had been filed on behalf of the licensees of several international broadcast stations.

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TWO NEW STATIONS AUTHORIZED BY COMMISSION

Construction permits for new radio stations in Kentucky and Florida were granted this week by the Federal Communications Commission. The applicants were the Bowling Green Broadcasting Co., Bowling Green, Ky., for a permit to operate on 1310 kc. with 100-250 watts power, unlimited time, and the Panama City Broadcasting Co., Panama City, Fla., for a permit to use 1200 kc., 100 watts power, unlimited time.

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FCC DROPS PRESS ISSUE; GRANTS ALLENTOWN PERMITS

With Chairman Frank R. McNinch still away, the Federal Communications Commission this week settled the Allentown (Pa.) newspaper-radio case and thereby avoided a scheduled hearing and the establishment of a precedent in acting on newspaper control of radio stations.

The hearing had been scheduled in the cases of Stations WCBA and WSAN, Allentown, to transfer to the Lehigh Valley Corporation, which is controlled by the Chronicle & News Corp., which publishes Allentown's two newspapers. Chairman McNinch had contended that a question of "local monopoly" was at issue.

The FCC action was seen as putting at rest, for the time being at least, to any further attempts to deprive newspapers of ownership of radio stations on any other basis than that applied to other applicants.

Commissioner T. A. M. Craven's strong dissent from the action in setting the Allentown applications for hearing brought the whole issue into the open. Commissioner Case voted with him. Pointing out that the applications arise from a relatively small city in one State and do not provide a satisfactory setting for a decision on the policy questions involved, he said a general public hearing of a legislative character is necessary if these policies are to be decided. He said, however, that he saw no necessity for such a hearing since he saw no reason for changing policy with respect to newspaper ownership.

In his memorandum on the Allentown case, Commissioner Craven declared that the only question possibly involved is that of newspaper ownership policy, since there is no opposition to the consolidation of the stations and since better service obviously would result. The fact that the applications have been set for hearing means that a majority of the Commission have already adopted "in their own minds" or contemplate adopting a principle that ownership of broadcast stations by newspaper publishers or by certain kinds of classes of them is contrary to public interest and justifies or requires the denial of any application involving such ownership, he said.

Pointing out that as of January 15th, 238 broadcast stations in the country had newspapers identified with their ownership, Commissioner Craven strongly defended the operation of such stations and classified them as among the pioneers and the most progressive outlets in the industry.

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FCC GRANTS LICENSE FOR NEW N.Y.C. STATION

The Federal Communications Commission this week announced its proposed findings of fact and conclusions proposing to grant the application of Greater New York Broadcasting Corporation for a license to operate a radio-broadcast station in New York City on the frequency of 1100 kc., with power of 5 KW, unlimited time.

Station WPG in Atlantic City, N.J., which now operates on the frequency 1100 kc., with power of 5 KW, and shares time with Station WBIL in New York City, will cease to operate in Atlantic City, and a station in New York City, (WOV), now operating on 1130 kc., with power of 1 KW, will also cease operation and instead a station will operate in New York City on 1100 kc., with 5 KW power, unlimited time.

The Commission's proposed conclusions follow:

"1. The authority requested by the Greater New York Broadcasting Corporation will provide for the people in the service area of the station a better service than is now being rendered by Station WBIL and Station WOVI. The people of Atlantic City have indicated a willingness to have the City of Atlantic City sell the facilities of WPG and cease operating that station in Atlantic City and through their duly authorized representatives have agreed to assist in the consummation of the proposal of the Greater New York Broadcasting Corporation to establish a full time station to operate on 1100 kilocycles, with 5 KW power, unlimited time in New York City, despite the fact that this will mean that Atlantic City will no longer have a station on that frequency operating specified hours with 5 KW power.

"2. The establishment in New York City of a radiobroadcast station to operate on the frequency 1100 kc., with 5 KW power, unlimited time, to be operated by the Greater New York Broadcasting Corporation in lieu of the operation of Station WBIL on the same frequency with the same power, specified hours, and the operation of WOVI daytime only on the frequency 1130 kc., with power of 1 KW, will not, so far as the record shows, adversely affect the interest of any existing radiobroadcast station by reason of interference or otherwise.

"3. The contract between the City of Atlantic City and the Greater New York Broadcasting Corporation insofar as it deals with the purchase of the facilities of Station WPG is a matter of private concern between the City of Atlantic City and the Greater New York Broadcasting Corporation and does not require Commission consent or approval. Insofar as the application by the City of Atlantic City for assignment of license to the Greater New York Broadcasting Corporation is concerned, the same is dismissed for the reason that, in the view which the Commission takes of this case, the application for a construction permit of the Greater New York Broadcasting Corporation does not involve a transfer of

license now held by the City of Atlantic City to operate a radio-broadcast station on 1100 kc., with 5 KW power, specified hours, in Atlantic City, but in substance and effect involves a request for authority to establish a radiobroadcast station to operate on the frequency 1100 kc., with 5 KW power, unlimited time in New York City. Insofar as the application for construction permit is concerned, no opposition has been filed by any party whose interest would be adversely affected by the granting of the application, and the City of Atlantic City, licensee of WPG, has indicated its desire to sell its broadcast station equipment to the Greater New York Broadcasting Corporation and to discontinue operation of Station WPG in Atlantic City.

"4. The granting of the application of the Greater New York Broadcasting Corporation will serve public interest, convenience and necessity. The Greater New York Broadcasting Corporation should be authorized to commence operation of a radiobroadcast station in New York City on 1100 kc., 5 KW power, unlimited time, upon the surrender for cancellation by the City of Atlantic City of the license of Station WPG."

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MBS TRANSMISSION TO CANADA APPROVED

The Federal Communications Commission this week announced its proposed findings of fact and conclusions, proposing to grant the application of the Mutual Broadcasting System, Inc., Chicago, for renewal of permit to transmit programs to broadcast stations in Canada.

The Commission pointed out that the programs proposed to be transmitted are of the sustaining and commercial type usually and regularly broadcast within the United States and are of entertaining and cultural value to listeners within the United States.

The receiving stations in Canada are all of the Canadian stations regularly licensed, and of those stations, CKLW may be consistently heard within the United States. The method of transmission of programs is by wire line to Station CKLW for distribution to other Canadian stations over wire lines of the Canadian Broadcasting Corporation.

"This record does not disclose sufficient facts to justify station WJBK's claim that it has been impaired by unfair practices", the report stated. "Therefore, at this time, consideration of the maintenance of a free interchange of programs with stations licensed by the Government of Canada outweighs the present suggestion of possible adverse effect upon the service rendered by the American station."

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WHEELER DECLINES BID FOR FDR RUNNING MATE

Senator Wheeler (D.), of Montana, who handles radio legislation in the Senate, will not be a candidate for Vice-President on any ticket, he declared this week after reports were published this week that New Dealers had offered him a place as running mate of President Roosevelt.

Senator Wheeler, who is Chairman of the Senate Interstate Commerce Committee, said he will seek reelection to the Senate in 1940.

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WALKER CONFIRMED AS MEMBER OF FCC

The Senate on Thursday confirmed the renomination of Commissioner Paul A. Walker, of Oklahoma, as a member of the Federal Communications Commission for a seven-year period beginning July 1, 1939.

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FCC APPROPRIATION ON LAST LAP; EMPLOYEES ANXIOUS

While employees of the Federal Communications Commission awaited anxiously, Senate and House conferees were rushing the FCC appropriation for the next fiscal year through the last legislative stages on Friday.

The \$1,800,000 appropriation, along with other last-minute supply bills, was expected to be signed by President Roosevelt before midnight tonight (Friday) when the fiscal year ends.

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The long-wave wireless station at Caernarvon, England, completed in 1914, is being dismantled. Preliminary tests were being made with America when the World War broke out. During the war the station passed under the control of the Post Office for war purposes and was used for both transmitting and receiving. Latterly, the station has been used for transatlantic traffic and subsidiary services in European and other countries. It was also extensively used for the transmission of pictures to America. Letters could be flashed across the Atlantic at 100 words per minute. The original aerial was 3,900 ft. in length and a second was added subsequently.

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RADIO MONITORING STATION PROPOSAL APPROVED

The Senate Interstate Commerce Committee this week reported favorably a bill asked by the Federal Communications Commission to authorize construction of a radio monitoring station in Massachusetts at a cost of \$30,000.

Explaining the reasons for its approval, the Committee said:

"The monitoring station of the Federal Communications Commission, now located at Hingham, Mass., which is used for the monitoring of all classes of radio stations, including ships on the Atlantic Ocean, is no longer suitable for efficient operation in the broadcast band and is not adequately equipped to cover the extension of radio communication in the frequency spectrum above 30 megacycles. The station is now located in the naval ammunition depot by arrangement with the Navy Department and restrictions are required to be imposed as to the antenna structures, as well as to the amount of weight that can be placed on the floors of the building. Also, the configuration of the naval reservation precludes the erection of a suitable type of directive antenna for efficiently monitoring the broadcast bands.

"The increased activity at the ammunition depot, the lack of adequate space for the accommodation of personnel, as well as the factors mentioned above, make necessary the immediate relocation of this monitoring station in order that the Federal Communications Commission may carry out the responsibilities placed upon it by law.

"An investigation has been made and it has been determined that a suitable site can be acquired near Millis, Mass., together with a useable building and other structures, for the sum of \$10,000. An additional \$5,000 would be required for the removal and reinstallation of equipment, necessary improvements to existing buildings, and small items of additional equipment.

"The growth of the use of the higher frequencies for commercial communications, and the increase in long-range radio interference, have given rise to a need for a long-range method of determining the location of sources of interference of unlicensed or other irregular communications. The Commission, at the present time, has no apparatus suitable for this purpose. In connection with the removal of the monitoring station from Hingham, Mass., to another location, it is desired to install a high-quality goniometer as the first unit of a direction-finding system capable of determining the location of any radio station within the United States. An estimate of \$15,000 for the installation of such apparatus is included in the request for appropriations.

"Inasmuch as the problem of the Commission in suppressing interference and operation of unlicensed stations closely ties in with the military activities of the Government in time of war in the suppression of clandestine communications, the desirability of establishing, on a peacetime basis, a system of this nature, has the approval of the War Department.

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 :::: TRADE NOTES ::::
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A device which eliminates the need for motor-generator sets for television receivers operated in districts served with direct-current power was announced this week by the General Electric Company. It is a new type of vibrator inverter for changing direct into alternating current.

The Federal Communications Commission this week adopted Part 34 of its Rules and Regulations constituting a Uniform System of Accounts for radiotelegraph Carriers having average annual operating revenues exceeding \$50,000. The new rules are effective January 1, 1940. This part of the rules will be published in the Federal Register. A copy will be available for inspection in the office of the Secretary on and after June 30, 1939.

Exports of radio transmitting sets, tubes, and parts and loudspeakers showed a gain during May while other electrical equipment foreign sales dropped, according to the Commerce Department. Transmitting sets and tubes jumped from \$135,916 to \$243,228, while loudspeakers rose from \$50,862 to \$65,301.

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DUE TO THE GOVERNMENT OFFICES BEING CLOSED OVER THE FOURTH OF JULY AND THE FACT THAT IT IS A LEGAL HOLIDAY, THERE WILL BE NO ISSUE OF THIS SERVICE ON JULY 4.

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DOCUMENTARY RADIO OFFERS POSSIBILITIES, WMCA REPORTS

For the past few months WMCA, New York, has been conducting experiments with a mobile recording unit which operates as a newsreel truck in covering events for radio. The system is termed "documentary radio" by virtue of the fact that it provides a permanent record of events. Although no arrangements have yet been made to include the system as a regular feature of broadcasting activities, WMCA this week released a statement of its experiences with documentary radio.

The greatest bar to adoption of "documentary radio" as a permanent institution, according to WMCA's report, is the technical difficulty of making recordings while in motion. The recording apparatus is a sensitive instrument and any sudden jar will upset the sound track and ruin the transcription. Accordingly, WMCA engineers are working on the gyroscope construction principle to keep the equipment stable under all conditions.

Against this defect are listed the following three advantages which, it is claimed, justify continued research:

1. Documentary radio makes it possible to condense several hours of continuous events into a fifteen minute or half-hour program eliminating all uninteresting material.
2. Mobile equipment can be taken into places not possible to reach with ordinary radio facilities.
3. Recordings are more adaptable to program schedules than live broadcasts.

Among the specific instances in which documentary radio has been successfully applied by WMCA are the Papal Coronation ceremonies, Easter Day in New York, Louis-Galento training camp interviews and the Gangplant programs. WMCA also plans to cover the United States Army manouvers at Plattsburg with documentary radio late in August.

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I.T.T. QUARTERLY INCOME \$1,219,425

Consolidated income of International Telephone and Telegraph Corporation and subsidiaries for the three months ended March 31, 1939, and 1938, amounted to \$1,219,425 as compared with \$2,299,336 for the three months ended March 31, 1938, Sosthenes Behn, President, this week reported to I.T.T. stockholders.

Gross earnings and net income of most of the subsidiaries showed improvement in their respective local currencies during the first quarter of 1939 as compared with the corresponding period of 1938.

There was an aggregate of 789,809 telephones in service (excluding Spain) at March 31, 1939, an increase of 17,212 since the first of the year.

Orders on hand of the manufacturing and sales subsidiaries aggregated the equivalent of approximately \$67,100,000 at March 31, 1939, as compared with approximately \$66,300,000 at the end of 1938.

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