

time sales of owned and operated stations \$4,174,526 and miscellaneous sales of lines, talent, etc., \$1,909,611.

Ramifications of the CBS financial structure consumed all of the session Jan. 12, with Mr. White still on the stand. He was subjected to detailed questioning by Mr. Porter and to a lesser extent by acting Chairman Brown and Commissioner Sykes on phases of CBS ownership from its inception.

Opening the testimony, Mr. White brought out that he had estimated that CBS and its key stations during 1937 spent approximately \$3,200,000 for sustaining programs or an average of about \$100,000 per week. While records of this character were not kept on regular ledgers, he said he felt this was a "fair and reliable estimate".

The manner in which CBS computes depreciation of its physical assets was outlined by Mr. White, after he had explained that current rates are in conformity with percentages established by the Internal Revenue Bureau for tax purposes. These depreciation rates were fixed after conferences with Internal Revenue officials in 1926, and reserves for depreciation have been adjusted retroactively to bring the accrued depreciation into line with Bureau rulings, he declared.

#### Data Sought on Personal Holding Company

In 1932, furniture and fixtures were depreciated at 15% but now are 12½%, he said. Improvements to leased premises have been depreciated over the terms of the lease; rearrangements of improvements are depreciated at 33% for 1932 and 1937; studio technical equipment, 20% in 1932 and 16% in 1937; remote or field equipment 20% in 1932 and 33% in 1937; photographic equipment, no figure for 1932 and 16% for 1937; general engineering equipment, no figure for 1932 and 50% in 1937; transmitter technical equipment, 25% in 1932 and 16% in 1937; ground antenna 33% in 1932 and 16% in 1937; towers 20% in 1932 and 16% in 1937; transmitter buildings, 15% in 1932 and 16% in 1937; shortwave equipment, 25% in 1932 and 25% in 1937.

Introduced along with the depreciation exhibit was another showing a summary of annual charges in reserve for depreciation from the fiscal years 1928 to 1937. This figure has grown from approximately \$37,000 at the end of 1928 to \$2,216,553 at the end of 1937.

Taking up cross-examination of Mr. White, Assistant General Counsel Porter first pursued the corporate history of CBS from its origin through the present. He sought to establish when the Paley family acquired control and how the Paramount-Famous Lasky Corp. figured in the ownership as had been related in the direct testimony of the witness.

It was in September, 1926, the Paley family acquired 2,515 shares of the 5,000 shares then outstanding to procure control, Mr. White reiterated. At that time Isaac D. Levy had 473 shares and Leon Levy 120 shares.

In breaking down the stockholdings, Mr. Porter dwelt particularly on the Park Corp., personal holding company for President Paley. Ralph F. Colin, general

counsel of CBS and member of the law firm of Rosenberg, Goldmark & Colin, was listed as treasurer of this company. Mr. Porter asked that he be called as a witness to testify in connection with certain stock transactions involving the company and also in connection with a company identified as Parcol Corp., which apparently had been a separate corporation holding stock at the time Paramount was half owner of CBS preferred stock. Mr. Burns declared that Mr. Colin would be called to testify sometime before CBS concluded presentation of its case.

#### Voting Control by Stockholders Reviewed

Mr. Porter, concluded cross-examination of Mr. White at the morning session Jan. 13, questioning him further on the status of CBS stock issues and accounting details. Mr. Porter led the CBS treasurer through a detailed analysis of portions of CBS exhibits on its financial setup, largely amounting to a recapitulation of previous testimony. Mr. Porter's queries extended to the consolidated balance sheet and the treatment and disposal of items like goodwill and depreciation for subsidiary companies, along with payments to affiliates.

Asked by Commissioner Brown if there was any distinction in accounting practice between "goodwill" and "going concern" treatment, Mr. White finally said he was "a little inclined to the going concern angle".

Mr. Porter, concluding his cross-examination, reviewed his requests for additional information on CBS's transactions with Paramount, along with exhibits on stockholdings in CBS from 1933 to 1938 and a breakdown of the tabulation of good will items. Upon agreement of counsel, an appearance was set Jan. 17 for Mr. Colin, who is to testify on dealings with Park Corp. and Parcol.

On redirect Judge Burns pointed out in the record a statement previously made by Mr. White that

#### New Production Firm

TESTED Radio Productions is the name of a new organization announced by Philip Fuhrmann, president, located at 122 W. 42d St., New York, established to produce, sell and distribute programs which have been tested on the air commercially. First of these successfully tested programs is to be *Calling All Cars*, sponsored by the Rio Grande Oil Co. on CBS Pacific stations for the last five years, and recently given the Institute of Audible Arts award for the finest drama on the West Coast during 1938. Axton-Fisher Tobacco Co., Louisville, Ky., has bought the recorded version of *Calling All Cars* for a test campaign for Twenty Grand cigarettes to be presented twice weekly on half-hour programs through McCann-Erickson, New York. The series, a gangster show, will start on Jan. 19 on WJR, Detroit, to be heard on Thursdays and Sundays, and on KMOX, St. Louis, on Tuesdays and Thursdays.

Mr. Paley, by his control of 52% of the Class B stock, as of Jan. 1, 1938, could "control the board". Mr. White explained that the proper statement of the situation was that these holdings amounted merely to "control of voting" for Class B stock. He pointed out that with seven directors each for Class A and Class B stockholdings, although Mr. Paley in effect could vote the seven class B directors, he still did not hold enough Class A stock—11.4%—to elect a single Class A director, and hold a majority on the board.

From this Mr. Porter drew the conclusion that if Mr. Paley did not want something done, he could see that it was not done, through his voting control, while Judge Burns and Mr. White countered with the observation that conversely he could not insure acceptance of something else he did want done, through his voting power alone.

Responding to another question by Acting Chairman Brown, which could not be answered by Mr. White, Judge Burns explained that separate proxy committees are appointed for Class A and Class B stock. Quotations on the A and B stock run very closely together, with little comparative fluctuation and neither standing consistently above the other, Mr. White answered to a further query by Commissioner Brown.

#### Operations in Europe

##### Explained by Murrow

Edward R. Murrow, European director of CBS, took the stand Jan 13 to describe briefly the CBS operations abroad. As soon as transoceanic relays became feasible in 1930, CBS began to take advantage of this mode of program transmission, he explained, and now maintains a European staff, including part-time representatives in every major capitol of the continent, working under his direction.

In 1938, he declared, there were 241 broadcasts from abroad, of which 204 originated in Europe. Placed in the record were two publications produced by CBS, one dealing with the Austrian coup by Germany and the other with the Czechoslovakian crisis, both of which were extensively covered by CBS.

Mr. Murrow recited that there was only one instruction he received from CBS when he took over the European assignment in April, 1937, and that was to follow the same principles that govern CBS operations in this country. He was advised that CBS has no editorial policy and that there should be no interpretation and nothing that would reflect a given point of view or opinion.

Under cross-examination by Mr. Porter, Mr. Murrow said that on several occasions he has experienced difficulty in obtaining land-line facilities from certain European points. These difficulties generally occur during a crisis when the communications facilities are overloaded, he asserted.

When Mr. Porter asked whether any preference was given to any other American companies in connection with facilities for rebroadcast, Mr. Murrow said he could recall of no instance where such preference had been given to any of CBS's competitors insofar as transmission facilities were concerned.

#### Handling of Traffic

##### Explained by Cowham

Hugh A. Cowham, CBS commercial manager in charge of its traffic department, called as the next witness, outlined the manner in which CBS traffic is handled. He placed in the record CBS contracts with the AT&T dating back to its origin and explained the various types of AT&T service. CBS at present spends about \$130,000 per month for transmission facilities, he declared. In 1936, he explained, the basis for charging for lines was changed by AT&T from circuit line mileage to air line mileage but the charges at the same time were altered to compensate in part for this change.

In 1938 CBS disbursed an aggregate of \$1,835,568 for all transmission facilities, which figure was about \$3,000 higher than that for 1937 but more than \$100,000 below the 1936 figure of \$1,952,003.

For permanent lines, CBS spent \$1,549,000 in 1938. Temporary lines involved an expenditure of \$158,750; overseas service disbursements to RCA \$20,862.31; overseas service to AT&T \$18,820.09 and the balance for Western Union, Postal, RCA and teletype messages.

Wire mileage used on its program service network as of Dec. 1, 1938 totaled 12,812 miles of Schedule A or high grade permanent lines, and 751 miles of Schedule C, or permanent service speech circuits. In 1931 Schedule A lines aggregated 11,977 miles.

Mr. Cowham estimated that in addition approximately \$100,000 per year is expended by CBS for remote pickups.

Mr. Cowham said he also made arrangements for shortwave facilities with AT&T and RCA. Asked if any preference was shown as between the two, Mr. Cowham said that at times facilities are available only from one company or the other while on other occasions both companies will have facilities. He said there were no priorities in effect as between CBS and its competitors and that only the business necessities and the availability of the service were the determining factors. Facilities were bought on the basis of tariffs filed with the FCC, he said.



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