

Annual Report of the Directors
of
Radio Corporation
of America

to the

Stockholders for the year ended
December 31, 1923



New York, 1924

Annual Report of the Directors
of
Radio Corporation
of America

to the

Stockholders for the year ended
December 31, 1923



New York, 1924

RADIO CORPORATION OF AMERICA

BOARD OF DIRECTORS

OWEN D. YOUNG, Chairman

GORDON ABBOTT	JAMES G. HARBORD
ARTHUR E. BRAUN	EDWARD W. HARDEN
ALBERT G. DAVIS	EDWIN M. HERR
GEORGE S. DAVIS	EDWARD J. NALLY
HARRY P. DAVIS	EDWIN W. RICE, JR.
JOHN W. GRIGGS	JAMES R. SHEFFIELD
JOHN HAYS HAMMOND, JR.	GERARD SWOPE
GUY E. TRIPP	

OFFICERS

JAMES G. HARBORD, President	GEORGE S. DE SOUSA, Treasurer
EDWARD J. NALLY, Managing Director of International Relations	LEWIS MACCONNACH, Secretary
DAVID SARNOFF, Vice-President and General Manager	CHARLES J. ROSS, Comptroller
WILLIAM BROWN, Vice-President and General Attorney	MARION H. PAYNE, Assistant Treasurer
	JOHN W. GRIGGS, General Counsel

SHEFFIELD & BETTS, Patent Counsel

Report of the Directors of Radio Corporation of America

New York, March 21, 1924

TO THE STOCKHOLDERS:

The Directors of the Radio Corporation of America submit the following review of its operations for the year ended December 31st, 1923:

Your Corporation was organized in October, 1919, for the purpose of establishing American owned and operated radio communications. It has well met such purpose and the United States is now foremost among the nations of the world in international radio telegraphy, marine radio service, as well as in radio broadcasting and the development of radio apparatus.

The Corporation continues to benefit by the engineering and research organizations of the General Electric Company, the Westinghouse Electric & Manufacturing Company, the United Fruit Company, the Wireless Specialty Apparatus Company, the American Telephone & Telegraph Company and the Western Electric Company.

INTERNATIONAL RADIO COMMUNICATION

The following international radio communication circuits are now operated:

	<i>Commercial Service Started</i>
1. Great Britain	March 1, 1920
2. Norway	May 17, 1920
3. Germany	August 1, 1920
4. France	December 14, 1920
5. Italy	August 10, 1923
6. Poland	October 4, 1923
7. Japan	March 1, 1920
8. Hawaii	March 1, 1920
9. Hawaii—Japan	March 1, 1920

The service thus rendered to American business interests and the enterprise of the Corporation in developing new international radio connections mean much in facilitating foreign trade and in preserving friendly relations with other nations.

Within the year direct radio telegraph service has been inaugurated with Italy and Poland, neither of which had previously had any direct communication with the United States. During 1923 the Italian circuit was operated with the Italian Government. That Government has now turned over the operation to the Societe Italo-Radio with which we are negotiating a traffic agreement. Commercial service was started between the United States and Poland on October 4th, and the station was officially opened by the Polish Government on November 17th. The operation of the Polish circuit is under the direct supervision of our own traffic experts and engineers in Warsaw, and improved methods of handling traffic are used. Thus many handicaps attaching to a new service have been minimized and high efficiency has resulted. A similar policy will be followed in the new service to Sweden which will probably be opened about June, 1924. Swedish operating personnel is already in America for training at our Central Radio Office in New York and will assist in teaching a staff now being organized in Sweden. All the material covered by the contract between your Corporation and the Swedish Government has now been delivered and the installation is 90 per cent. completed.

An exchange of operating personnel has been effected with Great Britain, Norway, Germany and Japan. This policy is bound to result in improved cooperation and efficiency and consequently with increased service and traffic.

Successful tests have been carried on with our consortium wireless station at Monte Grande, Argentine, and with that of the Compagnie Generale de Telegraphie sans Fils at Saigon (French Indo-China). The results of these tests are encouraging. Commercial radio communication with the Argentine will begin early in 1924. Plans have been approved for high power Trans-oceanic stations in Brazil.

Since its inauguration, the Radio Corporation has been the pioneer in moderate rates for Trans-Atlantic messages. From the pressure of our competition undoubtedly resulted the reduction in rates to Great Britain and France, which was announced by the Cable Companies in April, 1923. Their rates were reduced to agree with those already maintained by us and similar reduction was soon made to other European points. The subsequent operation of our Trans-Atlantic circuits indicates that

competition with the Cables on even terms is being successfully met.

On the Pacific Coast our rates remain somewhat lower than those of the Cables. Message traffic with Japan shows a substantial increase. Our traffic contract with that country has recently been renewed for a long term. During the year, modern receiving equipment was installed and tested satisfactorily for the Imperial Japanese Government.

In the Annual Report for 1922, mention was made of the formation of the Federal Telegraph Company of Delaware to establish international radio communications with China. It is expected that the erection of stations in China by that Company and the interchange of traffic with the Republic of China, will prove profitable, besides doing much to foster trade between that country and the United States.

Our system of centralized operation and control has during the year been adopted by Marconi's Wireless Telegraph Company, Ltd. (England) for all of its radio circuits. Both transmission and reception are now accomplished at Radio House in London, thus eliminating relay stations. This system has also been adopted in France, Germany and Poland and direct radio communication between the United States and the capitals of those countries is now a daily fact.

To meet the expansion of our Trans-Atlantic business our Central Radio Office at 64 Broad Street, New York City, has been enlarged and rearranged, and now affords facilities for handling traffic by twelve distinct circuits.

The great value of radio communications over other methods in emergencies, has again been demonstrated, on various occasions. During five days in March, when severe storms interrupted the land lines to the Pacific Coast, we assisted the news associations and successfully handled a large volume of press matter between New York and San Francisco. In October, during the World's Series baseball games in New York, wires to San Francisco were again interrupted and, for the first time, a baseball game was described play by play, by radio from New York to San Francisco. During the Japanese disaster in September, uninterrupted radio communication was maintained with the stricken Empire and the worry of an anxious world was allayed by our service. Interruption to the Trans-Pacific cable threw an additional load on the Japanese radio circuit, but we were able to handle the extra traffic with the facilities at hand.

During the year the transmitting facilities of the French and German stations were considerably increased, enabling your

Radio Central regularly to receive two messages simultaneously from France and three messages simultaneously from Germany. Direct communication from Hamburg to New York was introduced in December, resulting in improved service between those cities.

The Radioletter service maintained to Great Britain and Germany in 1922, was extended in June, 1923, to Norway, with free mailing privileges to other Scandinavian countries.

OPERATION AND MAINTENANCE OF PLANT HIGH POWER STATIONS

Continuous service has been given during the year on the international radio circuits of your Corporation. All high power station equipment has been kept up-to-date. The paralleling of antennæ which was developed at Radio Central has proved useful and economical. It increases antenna current and reduces monthly power bills. The facilities at our receiving stations at Riverhead, L. I. and on the Pacific Coast have been improved. The erection of a fireproof building for the equipment at the Riverhead Receiving Station was started during 1923 and is almost completed. Maintenance work at all of your high power stations is up-to-date.

Through the high power station of your Corporation at Rocky Point, L. I., your engineers, in cooperation with those of the American Telephone & Telegraph Company, have on different occasions during the year, successfully transmitted the voice to England in experiments in Trans-oceanic Radio Telephony. There has not yet been an exchange of conversation in both directions.

MARINE RADIO COMMUNICATION

Our radio service between ships and shore, has undergone considerable change during the year. Improved types of apparatus have enabled us to permanently close our coastal stations at New London, Conn. and Siasconsett, Mass. The service formerly rendered by them is now performed with greater efficiency by the Chatham, Mass., station. It is provided with the most modern equipment and is a thoroughly efficient coastal station, giving greater efficiency at reduced costs. The closing of the stations mentioned is pursuant to our policy of eliminating interference with radio broadcast programs, caused by marine spark transmitting apparatus, by using only continuous wave and interrupted continuous wave tube transmitters in shore to ship service.

Radio Corporation of America marine coastal stations are now located at

Chatham, Mass.
New York, N. Y.
Cape May, N. J.
San Francisco, Calif.
Los Angeles, Calif.

Further improvements are being developed so that our increasing traffic between ship and shore may be expeditiously handled. The traffic through our coastal stations in 1923 was 36 per cent. greater than in 1922. Over fifty per cent. of all marine messages through our coastal stations was accepted at or delivered by our own offices, the remainder being handled by connecting land lines.

The free medical service made available on ships at sea through measures inaugurated by your officers in cooperation with the U. S. Public Health Service, and the Seamen's Church Institute of New York, has rendered urgent emergency aid on many occasions during the year.

The press service furnished to great ocean liners throughout their voyage is becoming an important part of the marine communication system. Approximately 75 passenger vessels are now regular subscribers to the nightly press service.

All of the marine coastal stations are in good condition and there have been no service interruptions.

SALE AND RENTAL OF RADIO TRANSMITTING AND RECEIVING EQUIPMENT FOR USE ON SHIPS OF AMERICAN REGISTRY

At the beginning of the year your corporation furnished radio apparatus on a rental and service basis to 705 ships. By the close of the year these had increased to 759. Reorganizations and readjustments among the shipping companies resulted in a considerable turn over of vessels, and the losses and gains involved more activity than would ordinarily be reflected in a net gain of 54 ships. A feature of the year's activity was the contract for furnishing the S.S. "Leviathan" with radio equipment, and its operation by your Corporation. The radio service thus carried on during the trial trip of that great ship, and its subsequent voyages has elicited much favorable comment.

During the year 1923, we maintained the radio apparatus on a large number of vessels of the United States Shipping Board and a new contract was negotiated with it for the coming year.

The desirability of equipping all ships with modern radio apparatus has been clearly demonstrated on many occasions during the year 1923. Radio communication has done more to eliminate the perils of ocean travel than any other agency.

The gross income from rentals, sales, service fees and ship tolls on message traffic during the year 1923 from the Marine Division was \$738,140.

The Radio Institute of America is maintained by your Corporation in New York City for the training of radio operators. Selected graduates of this institute are employed by us. There are day and night classes with a good attendance. A similar training school is located at San Francisco.

SALE OF RADIO TRANSMITTING AND RECEIVING EQUIPMENT

Public interest in radio broadcasting has continued through 1923, as shown by our sales of radio apparatus. Gross sales amounted to \$22,465,090.

Our Warehouse facilities in New York, Chicago and San Francisco have been increased.

One hundred and sixteen distributors, with 57 branches, have been appointed, making a total of 173 distribution points for RCA apparatus. Many thousands of retail dealers are selling our apparatus in the United States.

The increasing amount of interference in the ether, a problem for inventors and scientists, has forced the development of our new line of radio broadcast receiving sets, combining selectivity, improved quality of reproduction and elimination of radiation from receivers. The new types of apparatus will be offered to the public early in 1924.

During the year a service and repair department was inaugurated to assist distributors and dealers in their efforts to deliver and maintain RCA apparatus in perfect condition.

A feature of the sales promotion work has been the demonstration of radio apparatus at Radio Shows. During the year, the Corporation exhibited apparatus at a number of Radio Shows, held in various parts of the United States.

RADIO BROADCASTING

On May 15th, 1923 your twin Broadcasting Stations in the Aeolian Hall Building, East 42nd Street, New York City, were opened for a broadcasting service, which has been continued without interruption. These stations are known as "Broadcast Central." To the radio broadcast listeners they are known as Stations WJZ and WJY. We have transmitted from these stations the best available programs for culture and entertainment.

Similar broadcasting service was inaugurated at your Washington Broadcasting Station on August 1st, 1923. This station is known as Station WRC.

There are still many problems to be solved in the Broadcasting situation, and your engineers are devoting themselves to their solution with the ambition of perfecting the service to the satisfaction and benefit of the American public.

During the year 1923, about 450 radio broadcasting stations have been in operation in the United States. The development of non-radiating receiving apparatus of greater selectivity will make this great number of stations a real asset to the radio broadcast listener, pending the time when natural evolution of the art may bring fewer stations more effectively distributed and of better grade and higher power.

The considerable expense incidental to the broadcasting activities of your Corporation has been justified because it is essential to the sale of its radio apparatus, that the best possible broadcasting service shall be rendered. In proportion to improved radio broadcasting service will be the sale of radio apparatus. Radio Broadcasting promises permanency.

ENGINEERING ACTIVITIES

An important development of the year by your engineers was the "Broadside Antenna System." Initial tests indicate that it will make a great increase in the capacity of our circuits. A radio relay circuit has been installed at Belfast, Maine, to assist the receiving station at Riverhead, L. I. Much has been accomplished in the development and testing of new types of radio transmitting and receiving apparatus, radio broadcasting apparatus, and the general reduction of interference with radio reception.

RADIO CORPORATION OF AMERICA MEDAL

In the last Annual Report, your Directors had the pleasure of calling your attention to the heroic service performed by the

radio operators on the S.S. "Honolulu" when the vessel burned at sea 700 miles off the California Coast on October 12th, 1922. On March 9th, 1923, they awarded the RCA medal to Operators Bell, Hancock and Kumler for their meritorious service and devotion to duty.

On November 2nd, 1923, with the permission of the Imperial Japanese Government, the RCA medal was awarded to Mr. Kai-chiro Yonemura, Superintendent of the Iwaki Radio Station, Tomioka, Japan, for meritorious service performed by him during the earthquake disaster.

PREFERRED STOCK TO EMPLOYEES

Your Directors authorized the purchase of a block of shares of the preferred stock of the Corporation and offered to its employees the privilege of purchasing such stock on an installment basis, feeling that it was to our mutual interest that they should be, not only employees but stockholders. Practically all employees availed themselves of this privilege and all shares offered were subscribed.

PERSONNEL

During the year, Mr. Harry P. Davis, Mr. John Hays Hammond, Jr., and Mr. Gerard Swope were elected Directors.

Mr. Lewis MacConnach was elected Secretary, vice Mr. John W. Elwood resigned.

Your officials and employees have displayed marked loyalty and devotion to duty, without which the achievements of your Corporation for the year 1923 could not have been accomplished.

FINANCIAL

Balance Sheet

Your Corporation's capital stock consists of 3,955,974 shares of 7 per cent. preferred stock of \$5.00 par value and 5,777,000 shares of common stock of no par value, against which latter there is shown on the balance sheet an equity of \$15,411,182, which is approximately \$2.67 per share.

The 7 per cent. dividend on the preferred stock became cumulative January 1, 1924, amounting to \$1,384,591, which amount has been set aside as a reserve out of Net Income for the year of \$4,737,774.

The Corporation's financial position has been further strengthened during 1923. Current assets have increased \$3,531,791, and exceed the current liabilities by \$8,000,467.

The current liabilities amounting to \$4,218,231 represent in-

debtedness for merchandise, materials and Federal Income Tax. The Corporation has no bonded debt or notes outstanding.

The total of Plant and Equipment stands at \$12,373,177, and the Reserve for Depreciation and Obsolescence of Plant amounts to \$1,575,242. The Amortization of Patents Reserve, after charging patents expired, now stands at \$2,912,836, and represents the depreciation to December 31, 1923, indicated by the schedule founded on the life of such patents.

OPERATIONS

After providing for Depreciation of Plant and Inventory, the operations for the year resulted in a net profit of \$4,737,774. Of this \$1,709,265 has been allocated to Reserves for Patents, Federal Income Tax and Organization Expense, and \$1,384,591 for Preferred Stock Dividend, the balance of \$1,643,918 having been credited to Surplus Account.

The gross revenue from Trans-oceanic service showed an increase of 9.5 per cent. and marine service of 17 per cent. over the relative totals for the previous year.

GENERAL

Though not pertinent to the report of operations for 1923, it will not have escaped your notice that the Corporation has recently been made the object of a complaint by the Federal Trade Commission. The position of the Corporation, with regard to this, has been that it welcomes the opportunity to make a complete review of its history, organization and policies to that body. As a matter of fact we have, during 1923, already opened our records, correspondence, files, minutes of the meetings of our Board of Directors, together with all our contracts and agreements to the representatives of the Federal Trade Commission. The Commission has reported the result of that survey to Congress in a report which is in many respects highly complimentary to the Radio Corporation.

Your Directors are confident that when the investigation is fully completed and finally considered, the position of the Radio Corporation will be found to be entirely sound and proper.

For the Directors:

OWEN D. YOUNG, *Chairman of the Board*
JAMES G. HARBORD, *President*

Printed by order of the Board
LEWIS MACCONNACH,
Secretary

RADIO CORPORATION OF AMERICA

BALANCE SHEET—DECEMBER 31, 1923

ASSETS

PLANT AND EQUIPMENT:

Comprising High Power Stations in operation with the necessary equipment together with Ship Stations and Sundry Machinery, Tools and Furniture.....	\$12,373,177.48
PATENTS, PATENT RIGHTS, CONTRACTS, AND GOODWILL.....	17,900,071.55
INVESTMENTS IN AND ADVANCES TO SUBSIDIARY AND ASSOCIATED COMPANIES.....	3,150,023.80
DEFERRED CHARGES.....	474,353.03
INSTALLATION WORK FOR FOREIGN CUSTOMERS.....	314,060.73

CURRENT ASSETS:

Cash at Banks and on Hand.....	\$4,093,274.17
Accounts and Notes Receivable.....	3,720,537.73
INVENTORIES: Merchandise..	\$3,284,456.26
Ship, Shore and High Power Apparatus..	870,050.62
	4,154,506.88

Investments at Cost (Market Value Dec. 31, 1923 \$235,508.62).....	250,380.00
--	------------

TOTAL CURRENT ASSETS..... 12,218,698.78

\$46,430,385.37

LIABILITIES AND CAPITAL

CAPITAL STOCK:

3,955,974 Shares 7% Preferred, \$5 par value	\$19,779,870.00
5,777,000 Shares Common (no par value).	13,767,263.56

TOTAL CAPITAL STOCK \$33,547,133.56

CURRENT LIABILITIES..... 4,218,231.31

RESERVE For Preferred Stock Dividend..... 1,384,590.90

ADVANCE COLLECTIONS FROM FOREIGN CUSTOMERS..... 144,166.67

DEFERRED LIABILITIES..... 560,000.00

RESERVES:

For Amortization of Patents after writing off Patents expired.....	\$2,912,835.62
For Depreciation and Obsolescence of Plant.....	1,575,242.46
Other Reserves.....	444,266.54

SURPLUS..... 1,643,918.31

\$46,430,385.37

RADIO CORPORATION OF AMERICA

SUMMARY OF OPERATIONS

YEAR ENDED DECEMBER 31, 1923.

(WITH COMPARATIVE FIGURES FOR 1922 AND 1921)

	Year Ended December 31,		
	1923	1922	1921
GROSS INCOME FROM OPERATIONS:			
Gross Sales	\$22,465,090.71	\$11,286,489.41	\$1,468,919.95
From Trans-oceanic Communication	3,191,558.73	2,914,283.11	2,138,625.83
From Marine Service	738,140.14	630,084.24	553,298.71
	<u>\$26,394,789.58</u>	<u>\$14,830,856.76</u>	<u>\$4,160,844.52</u>
DEDUCT:			
General Operating and Administration Expenses, Depreciation and Cost of Sales	21,833,039.93	12,126,464.71	3,762,231.48
	<u>\$4,561,749.65</u>	<u>\$2,704,392.05</u>	<u>\$398,613.04</u>
OTHER INCOME	176,024.11	270,187.72	28,186.55
NET INCOME FOR YEAR	<u>\$4,737,773.76</u>	<u>\$2,974,579.77</u>	<u>\$426,799.59</u>
APPLIED AS FOLLOWS:			
Reserve for Amortization of Patents	\$931,459.78	\$2,480,576.25	\$426,799.59
Reserve for Federal Income Tax	500,000.00	270,000.00	
Proportion of Organization Expense written off	277,804.77	224,003.52	
Reserve for Preferred Stock Dividend	1,384,590.90		
Transferred to Surplus	1,643,918.31		
	<u>\$4,737,773.76</u>	<u>\$2,974,579.77</u>	<u>\$426,799.59</u>

CERTIFICATE OF AUDITORS

We have examined the books and accounts of the RADIO CORPORATION OF AMERICA for the year 1923, and we certify that, in our opinion, the foregoing Balance Sheet and Summary of Operations correctly set forth, in brief, the financial position of the Corporation at December 31, 1923 and the operations of the year ended that date.

ARTHUR YOUNG & COMPANY,
Members American Institute of Accountants.

New York, February 28, 1924.

