would exceed the annual direct operating costs of a typical UHF station

Thus, assuming that a UHF station had no other source of income, such as from conventional advertising-sponsored programs, the time charges allocated to stations in our projections would cover the direct operating costs of such stations. This estimate receives support from the fact that the direct operating costs of WHCT in Hartford for the twelve months July 1963-June 1964 (except for certain conventional film library amortization which was atypical rather than representative) were $225,639. Further, an analysis of the UHF construction permits outstanding or pending before the Commission as of February 7, 1964, as listed in *Television Factbook,* 1964 Edition, page 858b, *et seq.,* discloses the following estimated operating expenses for UHF stations being submitted by applicants for various size markets:

| Market Size | Number of UHF CP's | Average Operating Expense |
|---|---|---|
| 100,000 or less | 2 | $146,500 |
| 100—200,000 | 3 | 115,000 |
| 200—300,000 | 3 | 186,000 |
| 300—400,000 | 1 | 140,000 |
| 400—500,000 | 7 | 254,000 |
| 500—600,000 | 4 | 404,000 |
| 600—700,000 | 3 | 207,000 |
| 700—800,000 | 1 | 410,000 |
| 800—900,000 | 3 | 431,000 |
| 900—1,000,000 | 4 | 380,000 |
| 1,000,000 and over | 29 | 341,000 |

These estimates, which have been accepted by the Commission in determining UHF applicants' financial ability, indicate that UHF stations in markets up to 500,000 may operate at an annual expense of $300,000 or less and that in markets above 500,000 operating expenses of $400,000 are adequate.[20]

[20] The above estimates of operating costs set forth in UHF applications pending with the Commission must be further weighed in light of the method of projection which we have utilized herein. The estimates of operating expenses set forth in the UHF applications *include* the cost of obtaining program product. In our breakdown, we have allowed a cost equal to 35% of gross program revenue as the cost of program product, which would be *in addition* to the payment for station time. Thus, the time payments which we have allocated to stations represent an even more favorable spread than that reflected by simple comparison of the allocated time charges and the estimated operating expenses contained in UHF applications pending with the Commission.