

HEINL RADIO BUSINESS LETTER

2400 CALIFORNIA STREET

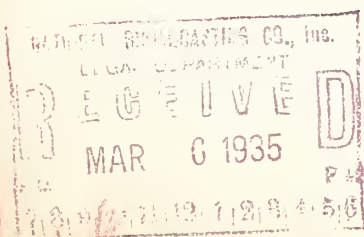
WASHINGTON, D. C.

CONFIDENTIAL — Not for Publication

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No. 804



March 5, 1935

BROADCASTERS WITHHOLD FOOD AND DRUG BILL ENDORSEMENT

Appearing at the Senate Commerce Subcommittee hearing, Henry A. Bellows, Chairman of the Legislative Committee of the National Association of Broadcasters told the Senators that the Association did not at this time desire to appear in support of, or in opposition to, any particular piece of legislation relating to foods and drugs.

"With the principle underlying the various proposals to amend the Food and Drug Act, as distinct from the enactment of wholly new legislation on the subject, the broadcasters are heartily in sympathy", Mr. Bellows said. "It is entirely natural that an industry which is operated under specific legal requirement to meet the public interest, convenience or necessity should be actively concerned to see that the public is fully and completely protected against any form of fraudulent exploitation.

"Our purpose in coming here is, first of all, to point out certain features of the Copeland Bill (S 5) which appear to us unjust, unreasonable or unworkable.

"The inclusion in a provision of the bill of the words 'other than by radio broadcasting' is a deliberate, and, as it seems to us, wholly unwarranted discrimination against radio broadcasting in favor of all other forms of advertising. It says, in effect, that a dealer doing a purely intra-state business may freely use any other advertising medium he desires, including the United States mails, but he cannot use radio broadcasting without rendering himself liable to the special penalties provided in this Act.

"The futility of such a provision seems to us apparent. If, in fact, the use of radio broadcasting by such a dealer results in a single interstate sale, he immediately becomes liable to the penalties provided for false advertising in interstate commerce. If he does no interstate business, there seems to be absolutely no legal or social justification for having the Federal Government undertake to tell him what advertising media he should and should not use.

"We cannot believe that it is a proper function for federal legislation to dictate to advertisers, and above all to advertisers in intra-state commerce, regarding their choice of media.*****The broadcasting industry, already subject to stringent general regulation by the Federal Communications Commission, and to equally strict regulation as to its advertising by the Federal Trade Commission, naturally looks with some misgiving

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at the prospect of further regulation, based on the broadest possible grant of authority, by another branch of the government. When the bill setting up this new form of regulation contains a provision specifically discriminating against broadcasting, although under the circumstances such discrimination seems absolutely unwarranted, this misgiving is necessarily much increased.

"The objection of the broadcasters to this particular provision in the Copeland Bill can be overcome by the elimination of the words 'other than by radio broadcast.'"

Mr. Bellows said that even with the slight modification made in the revised draft, the broadcasters feel that the definition of the term "advertisement" is still so broad as to be practically unworkable if literally applied. "It covers every form of verbal statement", Mr. Bellows said, "and we urge that the word 'commercially' be inserted after the word 'opinion' in line 15.

"Still another definition given in the bill concerns the broadcasters very directly. This is the definition of false advertising. The inclusion of the phrase 'in every particular' would make almost every advertisement now regarded as wholly legitimate open to attack, and the phrase 'substantial medical opinion' is rendered obscure by the definition of medical opinion already referred to. It is suggested that this second sentence might be stricken out."

Many of the difficulties to which Mr. Bellows referred in connection with the Copeland Bill he said are likewise to be found in the McCarran Bill (S580). "In both bills there seems to us to be the same underlying theory of complete federal regulation of every branch of the food, drug and cosmetic industries, the same tendency to throw away the structure which has been built up over a period of nearly thirty years on the basis of existing law, and the same delegation of vaguely defined powers to the administrative authority", Mr. Bellows declared.

"Both bills appear, so far as advertising is concerned, to create a new regulatory agency. It does not appear from the terms of either of them that the authority of the Federal Trade Commission will be materially reduced. The Commission will still act in all cases where there is the allegation that false advertising constitutes unfair competition. The bills before you simply double the machinery for the control and regulation of advertising, and do it in such a way that the new regulatory body can pretty nearly determine for itself the limits of its own power."

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BELIEVES MORNING AUDIENCES ARE LARGER THAN ANY OTHERS

Do you know that from 8:00 to 8:30 AM in the Eastern Time zone, the potential radio audience is larger than at any other time of the day or night? This, at least, is the contention of E. H. P. James, Advertising and Sales Promotion Manager of the National Broadcasting Company.

"We have just concluded a convincing demonstration of the value of broadcasting in this early morning period", Mr. James said. "In November of last year, we started a broadcast between 7:45 and 8:30 in the morning, featuring B. A. Rolfe in a new and unusual type of program for the morning period. The program was continued until January 24, and the complete figures just furnished us present this interesting analysis of the audience mail received:

"1. An offer of a picture of the RCA Building mentioned on only three programs late in December, brought 8500 requests.

"2. Over 4,000 out of some 7,800 questionnaires sent with these pictures, have been returned to date and are being analyzed and evaluated from a qualitative standpoint, to reveal the nature of the audience that listens in the early morning hours.

"3. Mention of the program's termination on January 24 brought over 800 letters expressing regret. Similar regret was expressed in over 700 questionnaires from people who returned them after the termination of the program.

"We believe that the B. A. Rolfe program has demonstrated the fact that there is a listening audience early in the morning, which is large, receptive and responsive."

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ATTENDED ROOSEVELT NATIONAL PRESS CLUB PARTY

Many prominently identified with the communications industry attended the party given by the National Press Club, in Washington, last Saturday night to celebrate the 2nd Anniversary of President Roosevelt's membership in the club, also the famous press organization's 27th birthday. The President, Cabinet members and other distinguished guests were present.

Among the entertainment features provided by John F. Royal and Frank M. Russell, of the National Broadcasting Company were Joe Cook, Hoosier comedian, Armand Girard, Donald Novis, The Cavaliers Quartet and Gould and Shefter. Joe Cook created

considerable merriment by inviting President Roosevelt to spend a week in Evansville, Ind.

Congratulations went to Oswald F. Schuette, a member of the Entertainment Committee, and a past President of the National Press Club who was credited with having considerable to do with the success of the party generally conceded to have been one of the best the Club has ever given.

Those present in one way or another connected with the communications industry were:

M. H. Aylesworth, President, National Broadcasting Co., New York City; Kenneth H. Berkeley, National Broadcasting Co., Washington; Vincent F. Callahan, National Broadcasting Co., Washington; Thomas P. Dowd, Postal Telegraph Co., Washington; F. P. Guthrie, Manager, R.C.A. Communications, Washington; Edwin F. Hill, American Telephone & Telegraph Co., Washington; L. M. Lamm, radio writer, Washington; Philip G. Loucks, Managing Director, National Association of Broadcasters, Washington.

Also, Frank E. Mason, Vice-President, National Broadcasting Company, New York; Richard C. Patterson, Jr., Vice-President, National Broadcasting Co., New York City; John F. Royal, Vice-President, National Broadcasting Company, New York City; Frank M. Russell, Vice-President, National Broadcasting Company, Washington; David Sarnoff, President, Radio Corporation of America, New York City; Oswald F. Schuette, Washington; Paul D. P. Spearman, General Counsel, Federal Communications Commission and G. Franklin Wisner, Chief, Information Service, Federal Communications Commission.

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WAR ON MAN-MADE INTERFERENCE BEGINS IN EARNEST

A meeting of the recently formed Committee on Interference of the Radio Manufacturers' Association has been called by its Chairman, Dr. Alfred N. Goldsmith, for March 8th in New York City. Representatives of the numerous leading electrical and radio organizations which have accepted membership on the Committee, are expected to be present.

The increasing acceptance by the public of short-wave broadcast reception and the advent of the new high-fidelity receivers have brought man-made electrical interference particularly to the attention of the public. The gradually approaching use of ultra-short waves, for facsimile and television broadcasting, similarly require that all reasonable steps be taken to reduce electrical interference so as not to impede the growth of these interesting and important developments in the radio field. The various organizations which have been approached by the

Committee on Interference have displayed a cooperative attitude and it is believed that steady progress can be made.

The March 8 meeting of the Committee on Interference which will be an organizing and executive session will be devoted to such of the following topics as the Committee may decide to consider at this time. It is planned, according to Bond Geddes, Executive Vice-President of the Radio Manufacturers' Association, to assemble information on all known sources of radio interference. Methods of measuring the susceptibility of radio receivers to interference, both by incoming waves and over the power lines, will be considered. In addition, methods of measuring electrical noise, the development of standard portable equipment for the purpose, and conveniently available methods for measuring the field strength of radio signals in the neighborhood of the receiving stations will have attention.

The Committee may consider methods of determining a permissible minimum field strength of signals which would justify complaints of interference by listeners, and possibly the permissible maximum strength of electrical noise under such circumstances which would warrant objection.

On the definitely constructive side, detailed methods for the elimination or reduction of interference will be assembled and tabulated and plans for utilizing such methods will be developed. It is hoped to secure the cooperation of the electrical industry and certain associated groups in working out means for eliminating the future manufacture and sale of electrical devices which may cause radio interference. A number of special plans for reducing interference, possibly through the cooperation of owners or lessors of real estate will be considered.

It is likely that certain phases of the extensive program which is involved will be assigned to special sub-committees who will be able to give intensive study to these problems and effectively to work out their solutions. As originally planned, the work of the Committee on Interference will be primarily along educational lines and will be based on cooperative effort of all the groups and individuals involved. The idea of the Committee is the clear reception by the public of all radio signals of reasonable field strength.

The RMA Interference Committee consists of the following:

Federal Communications Commission - Dr. C. B. Jolliffe;
U. S. Bureau of Standards - Dr. J. H. Dellinger, Washington;
Canadian Department of Marine - H. O. Merriman, of Ottawa, Ontario, Canada; RMA of Canada - Ralph A. Hackbusch, of Toronto, Ontario, Canada; National Association of Broadcasters - J. C. McNary, Washington, D. C.; Society of Automotive Engineers - P. J. Kent, Detroit, Mich.; National Electrical Manufacturers' Association (to be selected); Institute of Radio Engineers (to be selected).

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Also, Radio Wholesalers' Association - Benjamin Gross, New York City; American Radio Relay League - James J. Lamb, West Hartford, Conn.; Institute of Radio Service Men - Moe Asch, of Brooklyn, N. Y.; Radio Club of America - L. C. F. Horle, New York City; O. H. Caldwell, New York City - Member at Large; R. D. Duncan, Jr., of Amperite, N. J. - Guest Member.

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HUEY LONG TURNS FIRE ON PETTEY

Senator Huey P. Long, of Louisiana, in pursuing his campaign against Postmaster General Farley, has charged in a letter to the Federal Communications Commission that Herbert Pettey, Secretary of the Commission, and friend of Farley, had received \$1,000 for writing a series of articles for a newspaper which was seeking a radio license. At this writing, Senator Long's letter had not been acted upon by the Commission, but E. O. Sykes, Chairman, said they were "looking into the matter". Judge Sykes did not divulge the name of the newspaper involved.

Pettey's closeness to Farley has been brought out on various occasions. He was in charge of the Radio Division of the Democratic National Committee under Chairman Farley during the 1932 campaign, it was recalled, and subsequently displaced James W. Baldwin as Secretary of the old Radio Commission when that job was removed from Civil Service status by the administration. Baldwin was a Republican with Civil Service rating.

When the Communications Commission absorbed the old Radio Commission, Pettey became secretary of the new board. Moreover, in the Fall of 1933, Farley designated Pettey his representative in radio matters arising through the Democratic National Committee.

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CHILDREN APPROVE TEST BROADCAST

More than 1,500 New York school children agree with their contemporaries in the Scarsdale, N. Y. schools that the experimental radio broadcast of the Scarsdale Woman's Club Feb. 19 was interesting, and most of them asked for a continuance of similar programs. A survey of reactions to the program was just made public.

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The reactions upon New York children were gathered from five schools by Harold G. Campbell, Superintendent of Schools. Mr. Campbell's report, together with scores of letters from parents throughout the metropolitan area and letters from Scarsdale school children, was studied by Mrs. George C. Ernst, Chairman of the Radio Committee of the local woman's club.

The program was made possible by the Columbia Broadcasting Company, which sought to provide an opportunity for the Scarsdale women, who had reviewed more than 150 children's programs in the last two and one-half years, to put on the kind of program they wanted their children to hear.

In summarizing the reactions to the program, Mrs. Ernst declared that letters from many communities indicated that groups "in other sections of the country, like us, are dissatisfied with what radio offers our children.

"Some", she said, "have indicated that the program which satisfied us as good for our younger children would also satisfy them. We are amateurs, but there must be something of what we want apparent to the professionals whose business it is to satisfy us and our children."

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TELEGRAPH RATE HEARINGS EXPECTED TO BE LENGTHY

The rate hearings before the Telegraph Division of the Federal Communications Commission apparently will last sometime. Opening statements were made Monday by Frank C. Page, Vice-President of the International Telephone and Telegraph Company, W. A. Winterbottom of the R.C.A. Communications Company and others.

Mr. Page urged consolidation of Postal and Western Union on the ground that they are engaged in such intense competition with each other and with the A. T. & T. that they have paid no dividends for years.

He charged that both companies give big customers preferred service, and accused A. T. & T. of unfair competition with the telegraph companies.

J. C. Willever, Vice-President of Western Union, disputed his testimony.

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A. T. & T. PROBE ORDER AWAITS PRESIDENT'S SIGNATURE

The resolution for an investigation of the American Telephone & Telegraph Company, sponsored by Senator Burton K. Wheeler (D), of Montana, and carrying \$750,000 for the inquiry, having passed the House yesterday (Monday) needs only the signature of President Roosevelt to become effective. It embraces all telephone companies but is directed chiefly at the vast communications system of the A. T. & T. This was brought out by Representative Rayburn (D) of Texas, who said in reply to a question from Representative Snell, (R), of New York,

"They can do it under this resolution, but as far as the independent telephone companies are concerned, I have asked about that, and I am assured that no independent company will be investigated in anywise, except and unless it has a contract with the American Telephone & Telegraph Co. or the Bell Co., or one of the large systems. In that instance, and usually, that contract would be filed with the big company, and the little company would not be harassed by any additional expenditure. There are some of the so-called 'independent companies', however, which are rather large companies and which do an interstate business, and, in all probability they would be brought into this. But I am talking about the local telephone systems. I do not think they will have to spend an extra dollar of money or bring into their employ any extra employees on this account."

In reply to a question from Representative Hook, of Michigan, as to whether or not the A. T. & T. would be called upon to pay for the investigation, Mr. Rayburn replied:

"No, but, to be entirely frank, it will in all probability cost them more than this \$750,000."

"We asked in the course of the hearings before the Committee a number of those gentlemen who appeared in favor of the bill if there was any nation in the world which had as good a system of telephone communication at such low rates as the United States; everyone said no", Representative Merritt (R) of Connecticut said.

"The very nature of the telephone business is such that the needs of the country could not be served by a variety of telephone companies; from the very nature of the business it must be a monopoly; and I think it is agreed that for such a company there never has been one so well managed as this; open, no stock manipulation, no kiting, no water. To investigate this company at this time, when we are spending money so lavishly, is wasteful. For this investigation, which, in my personal opinion, cannot yield any good, we are taxing the United States \$750,000, and we will tax the American Telephone & Telegraph probably twice this amount. It is fair to say that the cost to the company and to the United States together will be very close to \$2,000,000."

This seems to me, as a business man, to be a waste. As I said a moment ago, I think the fever for investigating and the gathering of all sorts of useless information is appalling. I think every Member of Congress, when he sees the amount of printing alone that comes to his office containing useless facts, feels that it ought to be stopped at some time; and I cannot imagine any better time to stop it than now with a company like the American Telephone & Telegraph Co."

"Here is the Communications Commission, supposedly a semi-judicial body, about to embark upon an investigation of the immense telephone structure of the United States, the greatest thing, the largest thing of its kind in all the world, with more subscribers than all the rest of the telephone systems of the world put together, for indeed, our telephone development here in this country is the wonder of the world", interjected Representative Wadsworth (R) of New York.

"The Committee did not draft this resolution, neither did any Member of the Congress. This is what gives it its significance to me. This is why we protest in our minority report against its style and against its spirit, for it is filled with innuendoes and insinuations, and purposely so. There is no necessity whatsoever in the drafting of a resolution to bring about a thorough investigation to point the finger of suspicion at any person or company, and the mere fact that this commission decides to point the finger of suspicion before it begins to investigate destroys, in my mind, any confidence I might otherwise have in its fairness. This is why we protest against the spirit in which this thing was drawn. *****

"Today you can go into the most remote corner of this huge continent and step into a telephone booth of a tiny little farmer line and call up New York or San Francisco and get prompt service. How is it done? Not through the instrumentality alone of the little farmer line but through the instrumentality of the contract which the little farmer line has with the great toll line. It will be absolutely imperative upon the Commission to go into all those contracts, and, having gone into those contracts, it must go into the assets, the business, the rates, and the charges of all the companies involved.

"So let us not underestimate the size of this undertaking, and let us not beguile ourselves into the belief that the farmer line is not going to be called upon to make reports, fill out blanks, answer questionnaires, file its rates, and give a general accounting of its business. But, as I said a moment ago, great as the undertaking is - and in many respects, in my humble judgment, unnecessary, for I have yet to encounter any wide-spread public demand for a general investigation of the telephone system of America; I have yet to encounter any wide-spread public protest against poor service; I think it is the most wonderful business achievement in modern times, this telephone system of ours - my principal protest is the spirit in which this resolution was drawn, and I would not make that protest did I not have the knowledge it was drawn in the office of the Commission which is going to make the investigation."

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"I believe the A. T. & T. has done a great service, but the principal thing I am interested in is that I think an uninformed commission ought not to start out to regulate a five billion dollar enterprise, and that we should have this investigation so that they may intelligently proceed to the regulation of this great industry", said Mr. Rayburn.

Mr. Rayburn said that Dr. Splawn had reported that it might take from \$500,000 to \$1,000,000 to find out all the facts.

"I am not one so squeamish about that word 'indictment' in connection with the telephone octopus and monopoly, and that is what we call it in our State of Ohio, and that means J. P. Morgan and the Telephone Trust", Representative Truax (D) of Ohio, declared. "The Telephone Trust and J. P. Morgan have been indicted in the minds of the citizens of Ohio. They remember that this trust defrauded them of \$13,000,000, which they kept for the period of 10 long years. Then at a belated hour the public utilities commission awarded this money and said it must be refunded to the consumer. I admire and respect our great telephone system, but it has been accumulated and centralized upon the blood and toil of the users, and I object to the price that I have to pay Mr. Morgan and the Telephone Trust for the period of securing this splendid service which the gentleman from New York speaks about."

When asked whether the A. T. & T. was owned by many or few people, Mr. Rayburn replied that there were between 600,000 and 700,000 stockholders.

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:::::INDUSTRY NOTES:::::
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A hearing will be held by the Telephone Division of the Communications Commission Monday morning, March 25th, for the purpose of hearing arguments by telephone companies claiming from jurisdiction of the Commission. Requests for oral arguments must be filed on or before the 20th.
exemption

Doubtless to put a quietus on exaggerated estimates which had been made, Mrs. Franklin D. Roosevelt announced the exact amount of money she had received for her radio broadcasts. Mrs. Roosevelt said that during 1934 she had been paid \$36,000. The money, the wife of the President added, had all been turned over to charity.

The Federal Communications Commission has inaugurated a monthly compilation of reports made by twelve radio-message companies in the United States. The November return showed an aggregate net loss of \$23,688 and of \$25,943 for the first eleven months of 1934. November operating revenues were \$619,657 and for the eleven months \$6,979,506.

Associates will be pleased to hear that after a courageous fight, Paul W. Morency, General Manager of WTIC, is again back on the job. His injuries date back to wounds received at Chateau Thierry during the World War.

During his entire confinement, Paul kept in constant touch with his office and is now reported to have recovered to such an extent that he may even be able to dispense with his crutches.

Twenty-five per cent reduction on radio receiving sets and tubes exported to Brazil is a substantial benefit proposed for the American radio industry under the tentative reciprocal treaty negotiated by the State Department with Brazil.

The trade agreement with Brazil has been approved by the U.S. and Brazilian official representatives. It will not become effective, however, until approved by the Brazilian Congress and will come into force thirty days after ratification by the Government of Brazil and the approval of President Roosevelt.

A bill placing radio broadcasts under the same libel laws as those pertaining to newspapers and periodicals was placed at Olympia, Wash. before the State Senate of Washington last week. The House passed the measure, 51 to 40.

The RMA, through the cooperation of the Canadian RMA, is advised that total radio industry sales of receiving sets in Canada during 1934 aggregated 168,833, valued at \$16,771,222.04. Total A.C. sets amounted to 132,190, battery sets 23,408, and automobile sets 13,235.

The General Electric Company had a net profit in 1934 of \$17,151,000. After all prior deductions it was equal to 59 cents a share on 28,845,927 no-par shares of stock, according to the preliminary report issued, and compared with \$10,854,682, or 38 cents a share in 1933.

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