

# HEINL RADIO BUSINESS LETTER

2400 CALIFORNIA STREET

WASHINGTON, D. C.

**CONFIDENTIAL — Not for Publication**

## INDEX TO ISSUE OF JUNE 11, 1935.

Karol Defends Columbia Statistics Government Used.....	2
Americans Overcome Jap Radio Competition In Manchuria.....	3
Right Denied To Officers To Serve More Than One Company....	4
FCC Head Denies Station Speech Gum-Shoeing.....	6
WTMJ Throws Out Patent Medicine Advertising.....	7
If Demosthenes Had Had A Radio.....	7
Plenty Of Radio Regulations In Russia.....	8
Composers Trial Proceeds.....	9
Auto Radios Make Hit In France.....	9
European Correspondent Sues Transradio.....	10
Doctors Rap Radio Ads.....	11
Copyright Bill Consideration Goes Over.....	12
NBC Engineers Meet.....	12
WMCA Opens Chicago Branch Office.....	12

No. 833

*[Handwritten signature]*

June 11, 1935.

## KAROL DEFENDS COLUMBIA STATISTICS GOVERNMENT USED

There was a spirited defense of the figures on radio homes, compiled by the Columbia Broadcasting System and used in a recent Government publication, by John J. Karol, Columbia's Director of Market Research.

Wallace Witmer, Manager of Arkansas Dailies, Inc., questioned the statistics which appeared in the annual statistical number of "Electric Foreign Trade Notes" issued by the Bureau of Foreign and Domestic Commerce in Washington. Mr. Witmer stated that he had made no effort to check the estimates outside of Arkansas but that insofar as that State was concerned, there could be no question but that the estimate was greatly exaggerated.

"It is conservatively estimated that there are 4,300,000 battery-operated sets in the U. S. Certainly the state of Arkansas is one of the best markets for battery-operated sets", Mr. Karol declares.

"It should be borne in mind that the figures on wired homes are as of January 1930, while the figures on radio homes are as of January 1935. Undoubtedly if a new survey of wired homes could be made in 1935, the totals for Arkansas would be considerably higher.

"These two factors should certainly account for the very slight discrepancies which Mr. Witmer points out.

"As you know, we were careful to explain that the breakdown of the figures by counties and principal cities was based on the sampling method and was not an actual count. We feel confident that the state figures are accurate and that the finer breakdowns are as reliable as can be adduced from all the information at hand. It is quite possible, of course, that there may be inaccuracies in the breakdown by cities, but certainly the data which Mr. Witmer provides serves to corroborate rather than to contradict the findings of the nation-wide study conducted for CBS by Daniel Starch and Staff. You will recall that this study comprised 125,000 personal interviews and included every state in the U. S."

Mr. Witmer asserted that in Hot Springs, Columbia claimed 3,100 radio homes when the total number of homes electrically wired in that city is but 3,015.

6/11/35

Replying to this, Mr. Karol said:

"I just noticed that the U. S. Department of Commerce report on wired homes as of August 1930 reveals a total of 4,318 for Hot Springs, Arkansas instead of the 3,015 which Mr. Witmer quotes. Since our estimate of radio homes in Hot Springs is 3,100, this appears quite reasonable and conservative."

X X X X X X X X X

#### AMERICANS OVERCOME JAP RADIO COMPETITION IN MANCHURIA

Notwithstanding severe Japanese competition, American radio receiving sets have been able to maintain a strong position in the Manchurian market, according to advices from Vice Consul Arnold Van Benschoten, Dairen.

Japanese 3 and 4-tube sets in this market, it is pointed out, are sold at prices markedly under similar American sets, but starting with 5-tube sets Japanese prices are only approximately 10 per cent lower.

Prices for Japanese models range from 18 to 200 yen for the 3 and 4-tube sets and from 45 to 230 yen for sets from 5 to 8 tubes. The highest priced sets, it is pointed out, are phonograph combinations (Japanese yet equals approximately \$0.30).

Imports of radio sets and parts into Manchuria during 1934 were valued at approximately \$192,000 against \$115,000 in the preceding year. During the first two months of the current year imports declined to \$35,700 compared with \$38,600 in the corresponding period of 1934, statistics show.

The increasing popularity of American radio receiving sets in Manchuria, the report states, is due to the fact that there is a growing tendency on the part of prospective buyers in that market to insist on radios capable of satisfactory reception rather than seeking price concessions on low-grade makes.

X X X X X X X X X



# RIGHT DENIED TO OFFICERS TO SERVE MORE THAN ONE COMPANY

Ten prominent officials of communications companies who sought permission of the Federal Communications Commission to serve as officers or directors of more than one carrier subject to the Communications Act, were denied that right yesterday (Monday, June 10) by the Commission en banc, presided over by Chairman Anning S. Prall.

The petitioners, whose applications were denied, were:

Sosthenes Behn, of the International Tel. & Tel. Co.; Newcomb Carlton, W. U.; Edwin F. Carter, A. T. & T.; John J. Halpin, Postal; David Sarnoff, RCA, Lewis MacConnach, RCA; Edwin F. Chinlund, Postal; E. Y. Gallaher, Western Union; Walter S. Gifford, A. T. & T. and Frank L. Polk, Commercial Cable.

Commissioners Walker, Payne, Case, Sykes and Prall voted in the negative, Commissioners Stewart and Brown voted in favor of granting the petitions.

The order was made effective August 9, and the following telegram was ordered dispatched to each of the individuals named:

"Your petition to hold the position of officer or director of more than one carrier under Section 212 of the Communications Act of 1934 was today denied by the Commission, the Commission's order to be effective August 9, 1935."

The opinion was ordered to be issued on June 17th.

Section 212 of the Communications Act reads:

"After sixty days from the enactment of this Act it shall be unlawful for any person to hold the position of officer or director of more than one carrier subject to this Act, unless such holding shall have been authorized by order of the Commission, upon due showing in form and manner prescribed by the Commission, that neither public nor private interests will be adversely affected thereby. After this section takes effect it shall be unlawful for any officer or director of any such carrier to receive for his own benefit, directly or indirectly, any money or thing of value in respect of negotiation, hypothecation, or sale of any securities issued or to be issued by such carrier, or to share in any of the proceeds thereof, or to participate in the making or paying of any dividends of such carrier from any funds properly included in capital account."



6/11/35

On December 31, 1934, the Commission issued the following order:

"1. It is ordered, That persons who did, on or before December 15, 1934, file personal application with the Commission for authority to hold the positions of officer or director of more than one carrier, under Section 212 of the Act and orders and regulations of the Commission, are authorized to hold the positions of officer or director of more than one carrier pending final order by the Commission on their respective applications, subject to all of the limitations set out in orders heretofore issued.

"2. It is Further Ordered, That the applications, under Section 212 of the Act and orders and regulations of the Commission, by and in behalf of the persons requesting authority to hold positions of officer or director of more than one carrier, being under consideration, there being no affirmative showing in their respective applications sufficient to convince the Commission that public and private interests will not be adversely affected thereby, each of said persons hereinafter named will be given a hearing at the office of the Commission in Washington, D. C., on Monday, January 21, 1935, at 10 o'clock, A.M."

Interested parties were given an opportunity to present their cases to the full Commission at the hearings held the first part of February having been postponed until that time from the original date set.

Some of those affected by the Commission's order to confine their official connections to a single company are:

David Sarnoff, President and Director of the Radio Corporation of America Communications and of Radio-Marine Corporation of America; Walter S. Gifford, President and Director of American Telephone & Telegraph Co., and a Director in 21 other companies (communication companies); Sosthenes Behn, President of the International Telephone & Telegraph Co., and Director in 3 other such companies; Edwin F. Carter, Vice-President of the American Telephone & Telegraph Co., and a Director in two other communications companies and Lewis Maconnach, Secretary of the Radio Corporation of America Communications and Radio-Marine Corporation of America.

X X X X X X X X

## FCC HEAD DENIES STATION SPEECH GUM-SHOEING

An absolute denial was made by Anning S. Prall, Chairman of the Federal Communications Commission that Dr. C. B. Jolliffe, Chief Engineer of the Commission had the field offices throughout the country to deliver secret reports on any attacks which had been made on Government officials or Government Departments over the radio. Chairman Prall said that he did not consider "the instructions which were issued in any way tended to restrict free speech or limit the lawful activities of any broadcast station."

Although Chairman Prall did not explain this angle, it was said that the instructions for inspectors to keep an eye on what the stations were saying was inspired by the speeches of Dr. Brinkley, thrown off the air in both the United States and Mexico, but now broadcasting by proxy in the latter country, and who up to a short time ago succeeded in having these talks rebroadcast in the United States.

Critics of the FCC declared that Dr. Jolliffe was "gum-shoeing" for evidence to cancel the licenses of those stations which had launched political attacks on President Roosevelt and the New Deal.

An official explanation issued by Chairman Prall follows:

"The Federal Communications Commission frequently receives reports and complaints from outside sources of questionable programs being broadcast, such as alleged lotteries, medical talks, etc. In order that the Commission might be promptly advised of such irregularities in the programs or operation of broadcast stations which may be construed as possible violations of the law or rules of the Commission, on January 3, 1935, the Chief Engineer, Dr. C. B. Jolliffe, in charge of the Field Service, issued instructions to the inspectors to report to the Commission any information which they might obtain concerning illegal programs or programs of doubtful public interest.

"Programs concerning which information was requested were those containing obscene or indecent language, lotteries, programs originating in the United States and broadcast from foreign stations without authorization, objectionable medical talks, schemes involving fraud, fortune telling, programs attacking religious faiths or creeds, libelous or slanderous attacks upon individuals, officers or Government officials, programs involving a large amount of time spent on selling and advertising, programs not considered to be of good moral content, advertising and soliciting business for professional men and boycotts.

"The Commission has 23 field offices in the United States and Hawaii to assist it in the administration of the radio provisions of the Communications Act of 1934. The men assigned to these offices keep the Commission informed on all phases of radio activity, including broadcasting, in their respective districts. These instructions were concerning one of their routine duties."

X X X X X X X X X X

#### WTMJ THROWS OUT PATENT MEDICINE ADVERTISING

Harry Grant, Milwaukee Journal publisher, has recently announced cancellation of offensive radio advertising sought to be broadcast over the paper's radio station WTMJ. The publisher's announcement states: "Because the advertising of internal patent medicines was not deemed to be in the public interest, convenience nor necessity, WTMJ has cancelled all such contracts in an effort to clean up the air and rid it of offensive advertising matter. From now on products which claim to be universal cures and others which cannot support the claims made for them will be barred from the air by WTMJ. Network programs presenting offensive advertising will also be cancelled for the same reasons if conditions warrant."

X X X X X X X X X X

#### IF DEMOSTHENES HAD HAD A RADIO

Owen D. Young, Chairman of the General Electric Company, while at the annual Alumni Day exercises of his alma mater, St. Lawrence University, encountered one of his old professors, Charles Kelsey Gaines, under whom he studied forty years ago, and proceeded to discuss with him a comparison of the democracies of Greece, Rome and America. One thing led to another when finally Mr. Young asked Professor Gaines:

"What do you think Demosthenes could have done for Greece if he had had a radio?"

"Why, he would have changed all of history", Dr. Gaines answered. "He almost accomplished miracles by his own voice and eloquence. The larger the audience an orator has, the larger his influence. I think the newspapers are even more influential today than the radio."

X X X X X X X X X X



## PLENTY OF RADIO REGULATIONS IN RUSSIA

As shown by a compilation just made public by the U. S. Department of Commerce, radio regulations in Russia are complicated and very strict for listeners, broadcasters and all concerned.

A preliminary authorization by the People's Commissariat for Communication is required in case of foreign citizens within Russia installing tube or detector receivers and for those listeners generally who install receivers within 100 kilometers from the Russian land or sea frontiers.

Installation of radio transmission stations and their operation is permitted only with the preliminary authorization of the local organs of the People's Commissariat for Communication.

All the owners of radio transmission stations, radio transmission points, and radio receiving sets must without hindrance admit controllers of the People's Commissariat for Communication both for the purpose of technical investigation of these installations and their auxiliary equipment and for the purpose of verifying in necessary cases permits registration documents.

The People's Commissariat for Communication has the right to exempt separate categories of radio transmission stations from the duty of obtaining preliminary authorization for installation and operation and also from the registration of separate categories of radio transmission stations.

The People's Commissariat for Communication may charge the owners of radio transmission stations a special fee for the registration of these radio transmission stations, for the issuance of permits, for technical control and for other actions performed by the organs of the People's Commissariat for Communication.

For stations of 200 to 500 watts, a fee of 500 rubles a year is charged, for stations above 500 watts, 750 rubles is the fee.

A fine of a half a year's subscription's fee for the radio set of a corresponding type shall be imposed upon the listener for failure to pay subscription fees in the periods fixed and for payment of such fees according to the wrong category.

A fine for the failure to pay the subscription fee is collected on the expiration of 15 days from the date the radio set was installed or from the date of the termination of the preceding period for which the subscription fee was paid.

The subscription fee for the radio reception is charged to the owners of the tube and detector receiving sets in the following amounts:

- a. For detector receiving set, 3 rubles a year;
- b. For tube receiving set used by individual persons, 24 rubles a year;
- c. For tube receiving set used collectively, 24 rubles a yr.
- d. For tube receiving set of public use (without a radio transmission station), 50 rubles a year.

A fiolation of the present resolution and a violation of the instructions issued by the People's Commissariat for Communication in pursuance of the present resolution entail liability under the laws of the constituent republics.

The Russian regulations comprise 5 pages multigraphed, single-spaced and a copy may be secured by sending 25 cents to the Bureau of Foreign and Domestic Commerce, Electrical Division, in Washington, and asking for "Radio Markets - Russia; Radio Regulations."

X X X X X X X X X

#### COMPOSERS TRIAL PROCEEDS

When the Government anti-trust suit against the American Society of Composers was called for trial Monday morning, Nathan Burkan, representing the Composers, asked that the case be adjourned until Fall. Following this the Court recessed and Judge Goddard indicated that he might make a decision in the matter today (Tuesday, June 11). This he did, deciding against a postponement, and the trial got under way.

The National Broadcasting Company, Columbia, Stations WOR, Newark, and WCAU, Philadelphia, in the meantime have signed a 5-year extension of their contracts with the ASCAP.

X X X X X X X X

#### AUTO RADIOS MAKE HIT IN FRANCE

Taxis equipped with small radio sets which appeared recently in Paris have met with great success. At present there are 5,000 of these taxis running, and many others are being prepared, Assistant Trade Commissioner Lestrade Brown, of Paris, estimates. One hundred francs per year is paid by the taxi companies to the government for each one of these radio sets installed in their taxis.

X X X X X X X X

## EUROPEAN CORRESPONDENT SUES TRANSRADIO

Wythe Williams, European correspondent for the Transradio Press Service, has sued that organization for \$5,000 for news reporting "for which defendant agreed to compensate plaintiff".

In the meantime, without referring to the suit, the following statement was given out by the radio press organization:

"Herbert Moore, President of Transradio Press Service, Inc., June 1, denied emphatically that he was in negotiations with the United Press, or anyone else, for the sale of any interest whatsoever in Transradio or Radio News Association. Such a rumor has been given circulation this week through Variety and has orally been asserted in trade channels. Mr. Moore added that several months ago Mr. Karl Bickel, then president of United Press, initiated some conversations with him on the subject of the purchase or exchange of Transradio stock, which conversations could hardly be termed negotiations, as Transradio was not then, and never has been, interested in selling any part of its properties. With equal emphasis Mr. Moore stated that he was in no way interested in current rumors that Transradio was receptive towards compromise settlements with some of the defendants in the pending action of Transradio against the press associations and broadcast chains."

Columbia was still reported to be negotiating with the United Press for the privilege of broadcasting the latter's news.

Showing what a perplexing situation the radio news problem offers, is the following editorial from the Editor & Publisher:

"It seems to be a fact that the average publisher of a newspaper, whether it employs radio as an auxiliary function or not, is in an attitude of complete indifference to news broadcasting. There have been no protests, known to us, against the sale of press service to radio stations, although that practice involves prior 'publication', on the air, of newspaper news. We are assured that editors and publishers have taken no action, individually or collectively, even against broadcasting of the reports of the A.P., a cooperative publishers' association. The I.N.S. is selling its complete report to broadcasters and advertisers. The U.P. is selling a specially prepared report, made up from its day's grist to broadcasters. Some news is being broadcast by advertising sponsors. Trans-radio is, as usual, serving all comers, including a group of newspapers which maintain radio outfits. Nobody seems to object to any of this, at least audibly.



"There must be a reason for such an attitude. It would seem to be unnatural for a publisher to approve a prior publication of his news by a rival medium that is supported by advertisers. The debate on the question whether such prior broadcasting of news hurts or aids newspaper circulations has been long and fervid and it remains as doubtful as ever. Some statistics seem to show that circulations have not been hurt. From that fact some publishers hold that their newspapers can stand on their own feet regardless of what radio may do. Others, arguing logically, say that as the citizen does not need to be told twice that a given event has taken place, those who hear the stuff on the air will not read it in print, at least will only use print to confirm their impressions. The logician also asks if it is not true that the press must inevitably lose prestige, if not circulation, when the public begins to think that the place to get news first is by turning dials, rather than printed pages.

"Perhaps the reason publishers are not excited about the sale of radio-news is that they believe the present heavy use of news in broadcasting is only a flurry, that people will soon get fed up on serious current matter via radio and will start to demand more music, light feature and general entertainment on the air. There is serious doubt in routine news, except the more important break will hold the air audience after the novelty wears off. After all, we are subject to customs and habit and it is the American way to read, not listen to news. Besides radio does not accommodate the convenience of the public. News is read at certain fixed hours by most people.

"If these latter considerations are valid, and independent publishers are merely tolerating a condition which they think will soon adjust itself, the failure to protest against the broadcasting of newspaper news would be explained."

X X X X X X X X

#### DOCTORS RAP RADIO ADS

A report by the Bureau of Health and Public Instruction of the House of Delegates of the American Medical Association meeting at Atlantic City, said of radio advertising:

"The continued low advertising standards maintained by many broadcasting stations, with the resulting amount of fraudulent medical advertising that has gone out over the air, has been responsible for the bureau's receiving and answering thousands of inquiries about radio-advertised nostrum and quacks."

X X X X X X X X

## COPYRIGHT BILL CONSIDERATION GOES OVER

The meeting of the Senate Patents Committee scheduled for Tuesday morning for further consideration of the Copyright Bill, has been postponed until Thursday morning. The reason given was "rush of business on the Senate floor", but the real reason was that the Senators were probably watching the Shriners' Parade.

X X X X X X X X

## NBC ENGINEERS MEET

All divisional engineers of the National Broadcasting Company are meeting in New York this week for their first general conference since the company was founded in 1926.

The engineers will be entertained at a dinner Wednesday night at the Hotel Montclair.

They are A. H. Saxton, of San Francisco; R. H. Owen, of Denver; H. C. Luttgens, of Chicago; F. E. Leonard, of Cleveland; W. J. Purcell of Schenectady; A. E. Johnson, of Washington, D. C., and George O. Milne, of New York.

X X X X X X X X

## WMCA OPENS CHICAGO BRANCH OFFICE

Exclusive representation of WMCA in the mid-West has been assigned to Ray Linton, who will act as the station's representative in that trade area. The new WMCA offices are located at 360 North Michigan Avenue in Chicago.

Ray Linton has been prominent in station representation for several years. Five years ago he entered radio, joining the sales staff of the Columbia Broadcasting System's Chicago key station, WBBM. For the past two years, he has been associated with Gregg, Blair, and Spight, Inc., one of the largest of the mid-Western station representative firms.

X X X X X X X X X X