

# HEINL RADIO BUSINESS LETTER

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No. 1100

## BALDWIN REPORT FORESHADOWS ROW AT NAB MEET .

A bitter inter-organization fight over the proposed NAB reorganization was foreshadowed this week as a highly critical report by the retiring Managing Director, James W. Baldwin, was circulated privately among members.

While marked with a release date of next Monday, when the convention opens in Washington, the Baldwin report was published in part in trade papers and immediately stirred up a hornets' nest within the broadcasting industry.

Meanwhile, other obstacles to immediate reorganization of the National Association of Broadcasters loomed because of the lack of funds to put the expansive administration in operation. Indications are that even though the plan is approved, it will be some months before it is on a working basis.

Though the name of Philip G. Loucks, Washington attorney and counsel for the Reorganization Committee, continued in the lead as the most likely choice as temporary head of the organization, broadcasters and politicians alike were interested in a report that Marvin McIntyre, one of President Roosevelt's secretaries, might be named President of the NAB.

Mr. Baldwin in his final report not only assailed the Loucks report as impractical and cumbersome, but he turned his guns on the networks as well and charged them with imposing on independent broadcasters in the recent musician negotiations. He likewise asserted that the North American treaty drafted at the Inter-American Conference in Havana threatened the independents with further domination by the networks.

Finally, he criticized the general run of NAB members for their failure to adopt self-censorship of radio programs to forestall stringent FCC regulation and for their refusal to support the Federal Radio Education Committee and the NAB Copyright Bureau.

Proposing that a Board of Review be set up to examine network programs before they are broadcast, Mr. Baldwin chided the broadcasters for allowing the advertising agencies to gain control of program policies.

"Through the fault of no particular person", he said, "the large advertising agencies have more and more been allowed to assume control over the hiring of talent, preparation of script, and rehearsal of radio shows.

"These agencies have isolated the network companies to too great a degree to mere vehicles through which the programs are presented to the American people. This is a dangerous trend because it amounts to a delegation of authority and responsibility which in the final analysis can attach only to the licensees of the broadcasting stations."

Citing the responsibility that goes with possession of a station license, Mr. Baldwin said:

"My belief is that the failure by the broadcasters to accept their full responsibility in this matter will be ample justification for the Federal Communications Commission to adopt regulations governing this subject."

Mr. Baldwin's chief criticism of the North American agreement was that it opens the door for the creation of super-power outlets, which, he charges, would be controlled by the two major networks - NBC and CBS.

Citing an engineering study by Jansky & Bailey, the report asserts that the treaty would make possible the licensing of nine NBC and four CBS 500 KW stations.

"I hold that herein lies one of the greatest dangers that has ever faced the American broadcasters", Mr. Baldwin added. "The possibilities of a monopoly in broadcasting by the NBC and CBS are obvious."

Reviewing the prolonged negotiations with the American Federation of Musicians, Mr. Baldwin charged that the independent stations were led into accepting heavy operating expenses by the networks.

"Through the means of negotiations restricted primarily to a certain class of stations (a class of stations that enjoys the best economic position in the industry) an agreement has been reached whereby minimum expenditures for musicians are imposed upon all stations participating in the negotiations", the report said.

"The stations participating in these negotiations are affiliated with the national networks. The number of musicians to be employed is determined by one group of men and the wages and working conditions of the musicians are determined by another group of men. The stations are denied the right to submit their disputes for arbitration. . .

"It has always been understood that the same demands which have been made upon the network affiliated broadcasting stations are to be made upon all stations in the industry. It is obvious that any part of an industry that has the economic power to establish labor standards for that industry as a whole has the power to destroy its competition."



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As an alternative to the Loucks plan for reorganization, Mr. Baldwin suggested a National Federation of Group Organizations representing the varied conflicting interests, such as networks, clear channel stations, locals, regionals, etc.

If the NAB attempts to broaden its field of enterprise, he said, it will get on dangerous ground because of the rival economic interests and must either take sides or be ineffectively neutral.

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#### CANADIAN OFFICIAL DEFENDS U. S. PROGRAMS

A proposal by private Canadian broadcasting companies that the publicly-owned Canadian Broadcasting Corporation be displaced by an independent nation-wide radio network, with license fees reduced from \$2.50 to \$1 a year, was countered by a government statement in Parliament this week that the C.B.C. was being attacked "not because it is a failure, but because it is a success", according to an Ottawa correspondent of the New York Times.

C. D. Howe, Minister of Communications, defended not only the Canadian Broadcasting Corporation against the charge that it was using too many United States programs, but also the American programs themselves. Of ninety-eight hours in a week of C.B.C. chain broadcasting, he said, only eight and three-quarter hours of paid American advertising was carried.

He admitted that seventeen and one-half hours of sustaining programs from the United States were used, but upheld these on the ground that the opera and symphony concerts, which formed a prominent feature of them, were broadcasts of music international in character.

Canadians, he said, should be grateful that Toscanini concerts, for which the NBC paid their conductor \$40,000, should be made available for them at such low cost.

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## HOME TOWN WOULD NAME STATION AFTER WILE

As an honor to Frederic William Wile, veteran political radio commentator and Washington correspondent, applicants for a radio station permit in his home town, La Porte, Ind., have requested permission to use WILE.

Formal application for a license to establish a 250-watt broadcasting station with a frequency of 1,420 kilocycles for daytime operation already has been approved by one of the Commission's Examiners. Approval by the Commission sitting as a final court of review now is necessary. Pending the decision, Gerald A. Travis, license applicant, has been notified that if and when the application is granted, the letters WILE will officially designate the station.

Such a designation is rare. Station WEVD, in New York City, is a memorial to the late Eugene V. Debs, Socialist leader, who was also from Indiana. The call letters of the station include only the initials of Mr. Debs (EVD), whereas the proposed call letters of the La Porte station spell out Mr. Wile's name.

Mr. Wile's radio career began in August, 1923, when Calvin Coolidge became President. With the National Broadcasting Co. at that time, Mr. Wile became associated with the Columbia Broadcasting System six years later and has remained on the CBS staff since that time.

The veteran political commentator, student and honorary LL.D. of Notre Dame, entered newspaper work 40 years ago.

When President Coolidge was inaugurated on March 4, 1925, Mr. Wile became the first private citizen ever permitted to talk from the inaugural stand, giving a historical review of the presidency and a description of the inaugural scene.

Mr. Wile's varied career took him to London in 1930, where he broadcast periodical news summaries of the International Naval Conference by trans-Atlantic radio and introduced prominent delegates, including Secretary of State Stimson and Secretary of the Navy Adams.

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## FCC AUTHORIZES STATION AT U.S.-MEXICAN BORDER

A construction permit was issued this week by the Federal Communications Commission for the erection of a broadcasting station just across the border from one of Mexico's famed high-powered outlets catering to American audiences.

The FCC granted the permit to Mervel M. Valentine, of Laredo, Texas, which is just across the border from Neuvo Laredo, Mexico, where Norman Baker's XENT is located. It is not far, moreover, from the two stations of Dr. John R. Brinkley, notorious "goat gland specialist", who operates XERA at Villa Acuna and XEAW at Reynosa.

The American station, which will broadcast on 1500 kc. will use only 100 watts power, however, so will scarcely be effective in disturbing the high-power Mexican stations.

The Commission, in awarding the permit, suggested that the station will have an audience in the Mexican territory as well as in Texas.

"According to the 1930 United States Census, the population of Laredo, Texas, was 32,618", the report states. "It is estimated that since 1930 there has been an increase in population of approximately 5,000; that in Neuvo Laredo, Mexico, which is across the river, there are approximately 37,000 more inhabitants and that approximately 70,000 persons reside within a radius of 8 miles of the proposed location of the station's antenna. The only broadcast service available in this area from a station located in the United States is that of WOAI, San Antonio, Texas, 140 miles distant. The signal of WOAI is not sufficient to render primary service in residential areas of Laredo."

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## BRITISH PLAN TO COUNTERACT S-W PROPAGANDA

Great Britain is speeding preparations for broadcasts soon to South America to combat Italian and German propaganda in that field, which it is feared is hurting British prestige and trade, according to a London correspondent of the New York Times. It is reported the government will discuss plans for counteracting German and Italian activities in South America in Parliament next week.

It is possible the discussion will reveal points contained in the report by Felix Greene, the British Broadcasting Corporation's representative in New York, who made a survey of the South American situation. This report was said to be behind the move to start broadcasts as soon as possible.

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## GALLUP FINDS LISTENERS OPPOSED TO U. S. CENSORSHIP

The majority of radio listeners are opposed to any sort of Federal censorship of programs, regardless of the Mae West incident or any other slips, according to the findings of Dr. George Gallup, Director of the American Institute of Public Opinion, who this week announced the results of a cross-section survey.

The complete report of Dr. Gallup, as published in various newspapers, follows:

"With Senator Herring of Iowa now preparing a bill on stricter control of radio broadcasts, a Nation-wide survey by the American Institute of Public Opinion shows that Government censorship of programs is opposed by a majority of radio owners.

"A movement toward Federal censorship was started among Congressmen after the National Broadcasting Co. was severely criticized by the Federal Communications Commission last month for permitting a broadcast by Mae West which the Commission thought 'vulgar'.

"The Institute survey found that 59 per cent of radio owners feel Government censorship of programs would be harmful, while 41 per cent think it would do good. Applied against the 24,500,000 estimated radio owners, the poll indicates that 14,500,000 prefer to have no Federal censorship, while 10,000,000 favor it.

"The question put to a representative cross-section of radio owners in the survey was: 'Do you think Government censorship of the radio would do harm or good?'

"The Commission put teeth into its rebuke of the National Broadcasting Co. by warning that the Mae West affair would be taken into consideration when licenses of the stations broadcasting the program come up for renewal. 'Of all means of entertainment', declared the Commission's Chairman, Frank R. McNinch, in a press interview, 'I believe radio must have the highest standard.'

"To determine whether radio listeners are satisfied with the moral standards of radio programs, the Institute survey asked:

"'During the past year have you heard any broadcast that has offended you by its vulgarity?'

"An overwhelming majority replied in the negative. Only 15 per cent said they had been offended, while 85 percent said they had not.



57,117,000

"At present, radio broadcasters operate under a system of self-imposed censorship, with each station or chain exercising editorial veto power over programs submitted to them. The Federal Communications Commission, while it controls station licenses, does not attempt to censor programs in advance of broadcast.

"Apparently satisfied with the present system, the majority of voters in the survey give several reasons for opposing Federal control over broadcasts. The main objection, judging by comments from voters, is that direct Federal censorship would be a dictatorial usurpation of power which would soon lead to censorship of other media besides radio.

"Impairment of free speech is given as another reason. 'Censorship would be used as a political expedient', declared one voter. 'Whichever party was in power would choke off the opposition party for its own advantage.'

"Many others declared that both public opinion and the broadcasting companies themselves were now exercising a sufficiently effective censorship.

"Those who, on the other hand, favor greater control by the Federal Government declare that better programs might result. 'It would eliminate misleading advertising', said one typical voter. Vulgarity of programs was not mentioned as a leading reason by those who favor censorship.

"An analysis of the vote by income groups shows that Federal censorship is particularly opposed by radio owners in the upper levels, whereas those of below average income are divided about evenly. In the average and above average group, 64 per cent say censorship would do harm, and 36 per cent say it would do good. Among radio owners of below average income the vote is 51 per cent against censorship, 49 per cent in favor."

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#### U. S. RADIO EXPORTS FOR 1937 HIT NEW HIGH

For the fourth consecutive year, American radio exports in 1937 reached a new peak, with an increase of 14.4 percent over 1936 exports, according to a compilation by the Radio Manufacturers' Association. Total 1937 exports were \$32,357,417, compared with \$28,284,251 in 1936, \$25,454,188 in 1935, and \$24,856,592 in 1934.

Radio parts and accessories accounted for the larger portion of the increased exports in 1937. In dollar volume there was an increase of 34.9 percent in parts and accessory exports; 25.7 percent increase in loud speakers; 15.7 percent in tubes; 1.9 percent in receiving sets, and 47.6 percent in transmitting apparatus. While the larger portion of exports occurred during the last half of 1937, previous percentages of increase were not maintained.

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#### FOUR POINT SHORT-WAVE PLAN SUGGESTED FOR CAIRO

A four-point plan for easing the international congestion in the short-wave broadcasting band was set forth in a recent article by Dr. Arno Huth, writer of note on broadcasting, in World-Radio, BBC organ.

Citing the present crowded condition in the short-waves, Dr. Huth suggested that the world conferees at Cairo, now in session, might consider the following four proposals "for an easing of the critical situation and for the avoidance of interference":

"(1) Use of a common wave by several stations. This possibility is, however, relatively limited, since short waves have a great range and therefore cause mutual interference not only in neighboring countries, but in different continents.

"(2) Division of transmitting times between the stations operating on the same wavelength. This remedy, favored, moreover, by the difference in time, would undoubtedly bring about considerable improvement. But against that it seems that some countries would not be satisfied with a limited service; rather do they desire to transmit for the whole 24 hours.

"(3) General use of directional aerials. This would probably not be of much value, because in industrial transmission it is not possible to suppress a fair amount of radiation in other directions which would be sufficient to cause interference.

"(4) Setting a lower limit to the power of transmitters would eliminate numerous very low-powered local service transmitters, which on the short-wave band are capable at times of causing interference at varied ranges."

Modestly, Dr. Huth adds:

"All the above-mentioned suggestions are only partial solutions, and their realization will meet with great opposition, since no country is willing voluntarily to give up the right of unlimited use of the possibilities of radio. The short-wave problem is made considerably more complicated by the fact that it is not a question of technique, but, in many cases, one of prestige, so many stations serving predominantly political, cultural, and religious propaganda."

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 :::: TRADE NOTES ::::  
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Washington radio stations are preparing to broadcast local traffic court proceedings as part of a Congressional-inspired campaign to reduce traffic accidents.

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Alleging the use of unfair methods of competition in the interstate sale of merchandise, including radios, electric razors, dishes, and silver-ware and grill sets, the Federal Trade Commission has issued complaints against two Chicago concerns, John Milton Bregstone, trading as J. M. Bregstone & Co., 538 South Clark St., and Charles M. Bregstone, trading as The Veltrola Co., 180 North Wacker Drive, and against Thomas R. Moss, Dyersburg, Tenn., trading as Okeena Novelty Co., and Manufacturers Sales Co.

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Morris S. Novik, Secretary to the New York County Committee of the American Labor party, was sworn in by Mayor La Guardia at City Hall this week, as Director of WNYC, the municipal broadcasting station, at a salary of \$7,500 a year.

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Radio facsimile was successfully demonstrated by WOR engineers this week in a special facsimile test over the station's regular broadcast channel. The tests, acclaimed highly successful by the engineers, were conducted from 2 to 6 A.M., Thursday morning, when WOR had completed its regular day's program of broadcasting activities.

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Guy T. Helvering, Commissioner of Internal Revenue, said this week he had been informed that radio stations in the north-central area "had leased time to certain persons to engage in the wrongful activity of seeking to induce producers of hogs and consumers of different articles to file claims for refund of the processing tax imposed during the effective period of the Agricultural Adjustment Act."

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The new \$300,000 studios of WTAM, the National Broadcasting Company's owned and operated station in Cleveland, Ohio, will be formally dedicated Saturday, February 19th. Climaxing a week of activities in connection with the dedication a special half-hour broadcast will be presented from the new studios over the coast-to-coast NBC-Red Network at 9:00 P.M., EST.

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An order to cease and desist from certain unfair methods of competition involving the use of lottery methods in the sale of radio receiving sets and other merchandise to ultimate consumers, has been issued by the Federal Trade Commission against Max Schreiber, Philip W. Simons and William Klompus, trading as DeLuxe Manufacturing Company, 173 West Madison St., Chicago, Ill.

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# DATA ASKED ON RADIOTELEGRAPH TRAFFIC BY FCC

The Federal Communications Commission, which on Monday will open hearings on the applications of wire and radio communications companies for an increase in rates, this week called upon all radiotelegraph carriers to furnish detailed data on traffic done and business affiliations.

The carriers are instructed to furnish the information by May 1 and to set forth the amount of traffic handled and to specify why inactive points of communication should be discontinued.

The FCC also scheduled a hearing for April 11th with regard to objections filed to the recent frequency allocations in the bands from 30,000 to 300,000 kc. by several communications services.

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## EXIT TAM'S HAT

A muse was awakened when Bond Geddes of the Radio Manufacturers' Association took the hat of FCC Commissioner T.A.M. Craven, following a party at the home of Harry C. Butcher, Vice-President of Columbia Broadcasting System. The next morning Commissioner Craven got his hat back by special messenger with the following verse from Mr. Geddes:

"WHO PULLED A BONE IN BUTCHER'S HOME?"

(To music (recorded) of - "Where Did You Get That Hat?" )

I think somebody's ravin',  
I think his name is Craven,  
(Maybe he won't give a damn)  
(Because his name is TAM).  
For here's the hat.  
And that's that.

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## SARNOFF REPORTS RCA PROFIT OF \$9,000,000

An estimated profit for 1937 of \$9,000,000 was reported to the stockholders of the Radio Corporation of America in an advance statement mailed to them this week by David Sarnoff, President. While the final audit is not yet completed, this preliminary estimate indicated an increase of approximately \$2,844,100 over the net profit of the previous year.

The preliminary earnings statement was issued with the call for the Corporation's annual stockholder meeting to be held in New York City, April 5th. The annual report containing the final figures and detailed information concerning the past year's operations will be mailed to stockholders later this month.

Gross income of RCA for the year was estimated at \$112,650,000, compared to \$101,186,300 in 1936. After cost of operations, net income before deductions was estimated to be \$15,400,000, compared to \$11,464,100 the previous year. Deductions for taxes, interest, depreciation and amortization of patents and goodwill, were estimated at \$6,400,000, leaving a net profit of \$9,000,000. After allowing \$3,230,000 to cover the year's dividends on preferred stocks the earnings applicable to the common stock are equal to 41½ cents a share.

In comparison with the previous year, 1936, the Radio Corporation's operations for 1937 showed an increase of 11% in gross income, while net profit increased 46% over the net profit in 1936 of \$6,155,900.

During the year the holds of First preferred stock received their regular dividends, the dividend arrears on the few remaining shares of "B" Preferred stock were paid in full and the holders of Common stock received a dividend of 20¢ a share. The total dividends paid by the corporation during the year amounted to \$6,409,226. This amount was paid to 11,790 holders of 916,142 shares of Preferred stock and 230,659 holders of 13,853,415 shares of Common stock.

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