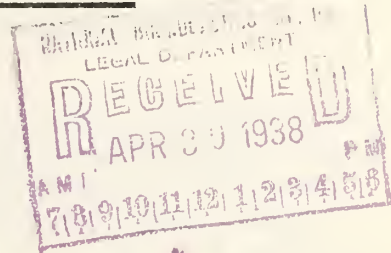


HEINL RADIO BUSINESS LETTER

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EXHIBIT SELL-OUT FORESHADOWS SUCCESSFUL RMA MEET

The annual conclave of the entire radio industry will occur again at Chicago during the week beginning Tuesday, June 7. The Fourteenth Annual Convention of the Radio Manufacturers' Association, opening that day, and the National Parts Trade Show beginning the day following, promise to rally all radio interests. Exhibit space for the parts show, sponsored jointly by the RMA and the Sales Managers' Club, has been sold out. The membership meetings will be held Tuesday and Wednesday. A "radio special" train will be run from New York.

Details of the convention are being arranged by President Leslie F. Muter and Vice-President Bond Geddes, who is now in Chicago at work on the preliminaries. A. S. Wells, of Chicago, is Chairman of the Entertainment Committee and will be assisted by the following RMA Directors: Paul V. Galvin, Peter L. Jensen, James S. Knowlson, Ernest Alschuler, J. J. Kahn, and Paul B. Klugh.

The tentative convention program follows:

Tuesday, June 7

- 10:00 A.M. - Meeting, RMA Board of Directors
- 10:30 A.M. - Meeting, RMA Sound Engineering Committee, Chairman Hugh S. Knowles
- 12:30 P.M. - Membership Luncheon Meeting followed by Annual Business Meeting of members.
- 2:30 P.M. - Set Division meeting, Chairman Arthur T. Murray
- 2:30 P.M. - Tube Division meeting, Chairman B. G. Erskine
- 2:30 P.M. - Parts and Accessory Division, Chairman Arthur Moss
- 2:30 P.M. - Amplifier & Sound Equipment Division, Chairman Peter L. Jensen

Wednesday, June 8

- 10:00 A.M. - Radio Parts Manufacturers' National Trade Show Opening, Exhibition Hall, Stevens Hotel
- 12:15 P.M. - Credit Committee, Luncheon Meeting, Eastern and Western Divisions, Chairman P. C. Lenz; Vice Chairman Victor Mucher and S. K. Hughes.
Business Session with National Credit Office following luncheon
- 12:30 P.M. - Luncheon Meeting, New Board of Directors - Election of President and other officers

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Wednesday, June 8 (Continued)

2:00 P.M. -- Volume Control Committee, Chairman Victor Mucher
7:00 P.M. -- Annual Cabaret and Industry Banquet.

Thursday, June 9

Radio Industries Golf Tournament, Calumet Country Club.
Luncheon at Clubhouse at 12:30 P.M. and dinner at 7:30 P.M.

Saturday, June 11

10:00 A.M. -- RMA Service Section, Western Division, Chairman J. N. Golten.

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PUBLISHERS JOIN FIGHT ON GOVERNMENT IN RADIO

American broadcasters this week received unexpected support in their fight against Government invasion of commercial radio from the country's newspaper publishers.

The Radio Committee of the American Newspaper Publishers' Association in a report, warned against the use of the ether waves by the Federal Government for political purposes.

"The inescapable task of the American press", the Committee said, "is to guard against encroachment upon American democracy by the Federal Government with radio as an instrument of political power.

"In the totalitarian countries", the report continued, "radio has been made an instrument of dictatorship by which not only the freedom, but the very soul of the press has been destroyed.

"* * * seeing that in other countries, radio has been used as a weapon to destroy liberty, we must solemnly undertake to see that it shall not happen here.

"* * * aside from the use of radio in our own country, the press of America must recognize the terrific potentialities of radio as an instrument of propaganda by which nation speaks to nation.

"The radio stations of Germany, Italy, Russia and Japan are being extensively and intensively used to influence the people of other countries."

The Committee expressed hope "that the vigilance of the American newspapers toward the developments in radio may be co-ordinated into a constant and effective opposition to all tendencies toward the misuse of radio, especially by any dominant political interest.

"Without any partisanship", it said, "it may be legitimately pointed out in this connection that the present national administration has made very extensive use of the radio to explain and defend its policies; and only recently the President of the United States made his eleventh 'fireside talk' to the Nation, using 400 out of the 700 radio stations in the country for the purpose.

"This is a precedent which, in future years, might encourage dictatorship."

The Committee suggested that future studies "be directed toward keeping the final control of radio in the hands of Congress, as the elected representatives of the people, rather than in the hands of the administration in power.

"The present system of Federal licensing for a six-month period should be carefully studied", it said. "There is always the possibility that the short-term license makes the broadcasters unduly sensitive, if not subservient, to the administration in power. * * *"

"Advertising revenue chiefly supports American broadcasting. For 1937, this revenue was estimated at \$141,000,000", the report continued. "The question is whether the broadcasters should enjoy the use of a domain which belongs to the people without paying for the privilege."

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RADIO-WIRE RATE INCREASE DENIED

The Federal Communications Commission this week denied requests for increases amounting to 15 percent in radio and telegraph rates.

Petitions for the increases had been filed by the Postal Telegraph and Cable Co., Mackay Radio and Telegraph Company of California, Mackay Radio and Telegraph Company of Delaware, Western Union Telegraph Co., and R.C.A. Communications, Inc.

Chairman McNinch and Commissioners Payne, Sykes, Brown and Walker voted to deny the petitions, while Commissioners Craven and Case voted for the increases on a temporary basis for one year.

The Co-operative Committee of the National Association of Railroad and Utilities Commissioners concurred in the denial of the petitions, it was announced.

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SARNOFF DEFENDS PROFITS OF RADIO STATIONS

David Sarnoff, President of the Radio Corporation of America, assailed "the attitude in some quarters of the Government" against earnings from broadcasting this week in an address at the Town Hall luncheon in the Hotel Astor, New York City.

Citing methods of indirect censorship that the Federal Government may exert over radio, despite the prohibition against direct censorship, Mr. Sarnoff said:

"Fear of disapproval can blue-pencil a dozen programs for every one that an official censor might object to. While practically nobody advocates a pre-program blue-pencil in the hands of Government, few realize that post-program discipline by the Government can be a form of censorship that is all the more severe because it is undefined.

"Another aspect of government supervision over broadcasting which is in effect a form of censorship is the attitude in some quarters of the Government toward the profits earned by broadcasters.

"While stations and networks represent substantial investments, broadcasting is essentially a personal service business. The earnings of stations cannot be judged on the basis of their investment any more than those of a lawyer, doctor, theatrical producer or publisher. Income results, not from studios and transmitters, but from programs.

"It is a strange assumption that the less money a broadcasting company makes, the better the public will be served. This attitude is contrary to all sound business principles and experience. In what way is it conceivable that the public will be given better programs if the broadcaster is deprived of both the incentive and the means to improve his facilities and service?

"Adequate profits mean the continuance of private investment and increased enterprise. Losses mean poorer programs, and, when private resources fail, government ownership. If Government regulation of the economics of broadcasting results in a no-profit industry, investors may prefer to exchange their broadcasting equities for government securities. Then we shall have government ownership and 100 percent control of broadcasting. Any further discussion of censorship would then be purely academic. We would have broadcasting of the government, by the government, and for the government.

"We have but to look to the autocracies of Europe to see what such governmental control of broadcasting may mean."

Mr. Sarnoff also said that the present system of granting six-months licenses to broadcasting stations leaves the door open "for an indirect and insidious censorship."

He pointed out that, while the law empowers the Federal Communications Commission to license broadcasting stations for periods not exceeding three years, the Commission, in practice, grants licenses for only six months. Twice a year, therefore, the owner of the station, Mr. Sarnoff said, finds his investment in jeopardy.

"Freedom of the air is inseparable from the freedom of thought, of speech, of worship, of education and of the press. These are the cornerstones of our American democracy. What helps one helps all; what injures one is an encroachment upon all; what destroys one destroys all, and thereby destroys democracy itself.

"A free system of broadcasting can survive only under a democratic form of Government, but it is no less true that democratic government itself will survive only if broadcasting is kept free,

"American broadcasting asks no special privileges. It deserves none. It needs none. All it asks is the preservation of the American spirit of freedom."

In a democracy, Mr. Sarnoff said, it is the power of public opinion rather than a Government tribunal which enforces standards of public expression.

"If freedom means anything", he said, "it means freedom to make mistakes as well as to do the right thing. Broadcasters have made mistakes, plenty of them. That is the way they learned to be broadcasters. I want them left free to make more mistakes. That is the way they will learn to be better broadcasters.

"There should be no censorship by intimidation or economic pressure. The station license should carry a longer term than six months. It should be revocable only for cause, and these causes should be clearly defined in advance."

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Jesse L. Lasky, according to an Associated Press report, has announced that effective next Saturday he would resign as associate producer for the RKO studio to devote his time "to other activities in both the fields of motion pictures and radio."

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POWER HEARING BROADENED TO COVER NEW RULES

The Federal Communications Commission on Thursday postponed the date for the super-power hearing from May 16 to June 6, delayed indefinitely the hearing on 15 requests for 500 KW permits, and broadened the inquiry to cover the new regulations just completed by the FCC engineering staff.

The order was issued, however, before the draft of the new proposed rules, which will be the basis for one phase of the hearing. FCC officials said the regulations would be released within a few days.

Notices will be sent to all broadcasters of the June 6 hearing on the new regulations as soon as they are released.

The effect of the FCC order is to postpone indefinitely the establishing of regularly-licensed super-power stations over the country until a thorough investigation of the economic phases of such action.

Immediately following the hearing on the new regulations the special FCC committee headed by Commissioner Norman Case will consider the application of WLW, Cincinnati, for renewal of its experimental 500 KW. license.

The FCC broadened the authorization of the special committee, which includes Commissioners T.A.M. Craven and George Henry Payne and Chairman Frank R. McNinch as ex-officio member, to conduct the inquiry on the new regulations as well as the revision of Rule 117 and the experimental super-power licenses.

The Commission in a formal announcement of the June 6 hearing stated that it had decided to combine the hearings on new regulations and Rule 117 in order "to conserve expense and facilitate progress".

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RADIO OCCUPIES MUCH OF ANPA'S ATTENTION IN N. Y.

Radio and its effect on the press occupied much of the time and attention of the nation's newspaper publishers during the convention of the American Newspaper Publishers' Association in New York this week.

Besides releasing a lengthy criticism of the radio set-up, the publishers frequently discussed radio as a business rival but insisted that freedom of the air as well as freedom of the press should be maintained.

Elish Hanson, counsel of the ANPA, assailed the recent FCC rebuke of the NBC for the Mae West broadcast.

"There may have been a question of taste", he said, "but the listener who was offended could have turned off that station just as an irate subscriber could turn down his future subscriptions to your paper. If sufficiently offended, the listener could have objected to buying the particular product which was advertised or could have refused to listen to the station in the future.

"But I see no occasion for any official Pecksniff in Washington issuing an order which was equivalent to a command, or threatening to issue such an order, to bar Mae West or any other person forever from the radio channels of this country.

"I would like to see a Radio Commissioner or a Communications Commissioner or any other Government agency tell any newspaper publisher sitting in this room he couldn't run an editorial or article by any outstanding correspondent or writer at any time in the future - or else."

Frank E. Tripp, General Manager of the Gannett newspapers, urged the publishers to give greater support to the Bureau of Advertising of the ANPA as a "united front" for the purpose of "selling" newspaper advertising in both large and small newspapers. Charging that radio had "raided" newspaper advertisers instead of developing new business, he warned that the newspapers must adopt new methods of showing advertisers how newspaper advertising can be used successfully.

J. M. Bunting, General Manager of The Bloomington (Ill.) Daily Pantagraph, asserted that newspapers, by publishing free radio programs and publicity, were helping the radio take millions of dollars in advertising away from the newspapers. He urged that this free publicity be discontinued. He said that his paper had not printed a free radio program for six years, but that its circulation had increased whereas the average circulation of its competitors, which do print the programs, had decreased in comparison with previous high marks.

Merlin H. Aylesworth, publisher of The World-Telegram (New York) Scripps-Howard paper, and former President of the National Broadcasting Company, took issue with Mr. Bunting. According to Mr. Aylesworth, radio is a complementary medium, and is neither a menace nor a dangerous competitor to the newspapers. He said he was not at all alarmed by the situation when he moved from radio to the newspapers himself.

Lorrin P. Thurston, President and General Manager of The Honolulu (Hawaii) Daily Advertiser, and A. L. Miller, publisher of The Battle Creek (Mich.) Enquirer and News, both of which own their own radio stations, said the stations were helpful rather than detrimental to the papers.

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NEWSPAPER-PRESS DISSOLUTION REVIVED IN SENATE

On the heels of a reversal of policy by the Federal Communications Commission regarding newspaper ownership of radio stations, agitation for divorcing the two means of news dissemination was revived in the Senate this week.

Despite the change in the attitude of Senator Wheeler (D.), of Montana, the idea of enacting a law to prevent newspaper from monopolizing the broadcasting industry is by no means dead, Senator Minton (D.), of Indiana, a spokesman of the Administration, indicated in an attack on the press Thursday.

Senator Minton's chief fire was directed against the report of the Radio Committee of the American Newspaper Publishers' Association (see story elsewhere in this issue) and at the alarm of the press that the Government might control broadcasting.

Senator Norris (Independent), of Nebraska, interrupted Senator Minton's tirade, to suggest:

"Since radio is rapidly getting into the hands of the newspapers, I wonder if the Senator has given any thought to whether it would be a wise move on the part of Congress to prevent one of these news agencies from acquiring ownership of the other; in other words, to prevent a newspaper from owning a radio station. That could be very easily determined by Congress, so that we would have at least two means of getting the news to the people."

Senator Minton remarked that such a bill, the Wearin measure, is now pending in the House, and added: "And I think it is probably more justified now that the press is trying to strangle radio."

Commenting on the suggestion of the publishers that the six-months licensing system of the Communications Commission "should be carefully studied", the Senator said:

"Yes, it should be studied carefully in order to see that the 33-1/3 percent of the stations which are now owned by the newspapers are cleaned up, and the newspapers are put out of the radio business."

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Purchasers of radio sets in Canada are now required to produce or buy a license before they can obtain delivery from the manufacturer. A Government order also makes it an offense for a person to install or operate more than one set in his home, without obtaining extra licenses; and dealers and service men are prohibited from servicing or repairing sets unless the owners produce their licenses.

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FTC PLACES BAN ON TELEVISION INSTITUTE

Prohibiting certain unfair methods of competition in the sale of correspondence courses of study in radio and television, and in the sale of equipment for radio and television, an order has been entered by the Federal Trade Commission against American Television Institute, Inc., 433 East Erie St., Chicago, and its officers, U. A. Sarabria, R. B. Fullerton and A. H. Zamotany.

Under the order the respondents are barred from representing in advertisements inserted in classified advertising pages of newspapers and magazines, under such headings as "Help Wanted" or "Men Wanted", that employment will be offered to persons who answer such advertisements.

The order prohibits the respondents from making other representations, including the following.

That they select and train a limited number of persons for positions in radio television and that students are trained at the respondents' expense; that they operate a widespread employment agency or that students are placed in paying positions upon graduation; that they operate radio television broadcasting stations and that there is a shortage of radio television operators; that their place of business is larger or that they have greater business facilities than actually is the case, and that any of the respondents or their agents or employees are engineers of television broadcasting stations.

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WEEKLY INDUSTRY STATISTICS TO AVOID RADIO DUMPING

Prevention of over-production of receiving sets is the major object of a plan adopted by the Board of Directors of the Radio Manufacturers' Association at its New York meeting to provide for exchange between members of weekly production and inventory statistics. It will be instituted as soon as possible.

The statistics project was planned by a special committee of which Henry C. Bonfig, of Camden, N. J., is Chairman, and including James M. Skinner, of Philadelphia; James S. Knowlson, of Chicago, and S. T. Thompson, of Long Island City, N.Y. Weekly statistics will be gathered, covering factory production periods from Saturday morning through each Friday night, inclusive. The statistics will include figures on weekly sales to retailers; wholesalers and branch inventory; factory finished goods inventory, and factory shipments to wholesalers and wholesale branches, together with total factory cabinet commitments.

Manufacturers will be enabled to check their production with the market requirements more closely and avoid merchandising difficulties, including "dumping", which have occurred in former years.

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TRADE NOTES

Frank D. Scott, Chicago radio manufacturer, has "perfected a new device which gets radio programs in such a way that the listener hears only the music - eliminating all advertising blurbs", according to Leonard Lyons, New York columnist.

One of Washington's recent visitors was Gladstone Murray, General Manager of the Canadian Broadcasting Corp., "czar" of Dominion radio. Until Mr. Murray (whose full name is William Ewart Gladstone Murray) entered upon his present post at Ottawa, he was Director of Public Relations for the Government-controlled British Broadcasting Corp. at London. He once did newspaper work in this country.

The Crosley Radio Corp., of Cincinnati, reported this week net loss of \$25,774 for the three months ending March 31, compared with net profit of \$218,440 during the comparative quarter last year, before deduction of \$250,000 flood loss.

The possibilities of radio facsimile transmission as an agency of the daily press were explained and demonstrated at Radio City Thursday by Major Lenox R. Lohr, President of the National Broadcasting Company, after a luncheon to publishers attending the current ANPA meetings. The newsmen were taken to NBC's studio 3C where facsimile reproduction was in progress, and where samples of experimental facsimile broadcasts by RCA transmitters and receivers were hung on the walls for inspection.

The Federal Communications Commission has directed that all licenses for radio stations in Alaska expiring June 1, 1938, be extended to January 1, 1939; that licenses expiring June 1, 1939, be extended to January 1, 1940; that licenses issued between now and January 1, 1939, be issued for the period ending January 1, 1940, and that the normal expiration date for licenses for stations other than broadcast and amateur in Alaska be January 1st hereafter.

A preliminary conference for consideration of a minimum wage in the radio manufacturing industry under the Walsh-Healey Act was held this week at the Department of Labor by L. Metcalfe Walling, Administrator of the law providing for minimum wages under Government contracts in excess of \$10,000.

A meeting of the special RMA Committee of which Octave Blake of South Plainfield is Chairman, having charge of the negotiations relating to the Walsh-Healey Act will be held in New York on Thursday, May 19. The questions involved then will be reported to the RMA Board of Directors at its meeting on June 7 in Chicago. The formal public hearing is expected to be scheduled later in June.