

# HEINL RADIO BUSINESS LETTER

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## INDEX TO ISSUE OF MAY 13, 1938

Radio Takes Spotlight As Congress Nears End.....	2
Senators' Bribe Charged As House Radio Hearings Open.....	3
Wheeler Bill Would Destroy RCAC, Says Manager.....	5
Mackay Holds Wheeler Bill Is Urgent.....	6
Paley's Salary And Bonus \$190,196.....	6
82% Of U.S. Families Own Radio, Survey Shows.....	7
Chavez Assails Rome-Berlin Radio Propaganda.....	8
Ex-Mayor Of Louisville Mentioned For NAB Chief.....	9
McDonald Entertains News Men On "Mizpah" .....	9
Television Set Ready For Market At "About \$125".....	10
Trade Notes.....	11
ASCAP To Appeal Takoma Decision.....	11
I. T. & T. Reports Net Gain Of 75%.....	12
NBC Billings Rise 1% In April.....	12

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MAY 14 1938

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W. J. P.

## RADIO TAKES SPOTLIGHT AS CONGRESS NEARS END

After being shoved to the background for almost the entire session of Congress, radio suddenly took the spotlight this week as Congress pondered demands for investigations and plans for a Pan American short-wave station and the Inter-Departmental Committee named by the President prepared to submit its report to the White House on international broadcasting.

The House Rules Committee, which had pigeon-holed resolutions for radio investigations, suddenly scheduled hearings and listened to grave charges (see story elsewhere in this issue) but deferred its decision.

With the White resolution on the Senate calendar, it appeared likely that the Senate would engage in a debate on the subject before it adjourns and possibly next week.

Meanwhile, the Inter-Departmental Committee headed by Frank R. McNinch, Chairman of the Federal Communications Commission, prepared to submit its factual findings regarding short-wave broadcasts to the Latin Americas by European nations, especially Germany and Italy, and the broadcasts emanating from privately-owned short-wave stations in the United States.

As forecast by the Heintz News Service, the report makes no definite recommendation as to what action the Administration should take to combat the foreign propaganda on the ether waves. It is understood to point to the possibilities but the choice is left to the President.

The Committee, it is understood, decided that it is a matter of policy that the President himself should pass upon whether or not the Government should construct and operate its own international station or utilize the services of privately-owned transmitters now using frequencies lent to them.

As the report was being completed, a sub-committee of the Senate Interstate Commerce Committee opened hearings on the McAdoo-Chavez Bill to authorize construction of a \$3,000,000 Government-owned Pan American short-wave station in California. Senator Bone (D.), of Washington, was presiding.

Another sub-committee of the Senate Interstate Commerce Committee was delving into the row between the Radio Corporation of America and the Mackay Radio & Telegraph Company over foreign radio communications permits.



On the outcome of this legislation will depend future of these companies and the national policy of the United States relative to international competition. Officials of both companies testified that the Wheeler Bill meant their life or death in the foreign communications field.

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## SENATORS' BRIBE CHARGED AS HOUSE RADIO HEARINGS OPEN

Members of the House who have been demanding a Congressional radio investigation for the past two years opened a hearing before the Rules Committee with a bang on Thursday by making charges that two unnamed former U. S. Senators had taken bribes to protect a radio monopoly in 1932.

The charge was made by Representative McFarlane (D.), of Texas, who has become the most persistent critic of the Federal Communications Commission and what he terms the "radio monopoly" since the death of Representative William Connery (D.), of Massachusetts.

The House Rules Committee, which is considering five resolutions calling for Congressional investigations of the radio industry, reached no decision and indicated it will hold further hearings next week.

Representative McFarlane told the Rules Committee that the Senators were paid money to "interfere" with the Justice Department case brought in the Federal courts in Wilmington, Del.

Excerpts from his statement, which later was inserted in the Congressional Record, follow:

"It has been my thought for some time to present to the House certain information including data in affidavit form which conclusively suggests the existence of a criminal conspiracy which not only debauched a large corporation, persons holding high public offices but also certain court officials. I have been in doubt as to whether to move impeachment proceedings, or to await action on the part of this committee.

"The information I refer to concerns the payment of money in cash to elected representatives of the people for interference with the activities of the Department of Justice; activities which brought forth a consent decree from a District Court. This action benefitted officials of this radio corporation dependent for its existence upon the gratuitous radio licenses which it has received from the Government of the United States.

"I want to say, Mr. Chairman, that I have checked the contents of this affidavit in two separate manners, and while I have not made nor been in a position to make the type of an

investigation which is necessary, I want to say that both checks verified the statements made in the affidavit. That a monopoly exists there can be no doubt. You, Mr. Chairman, on the floor of Congress, admitted that you knew such monopoly existed. All forty clear channels, almost all regional high power stations, almost all radio stations that extend beyond the jurisdiction of one community are owned, controlled or operated in the interest of, or by the radio monopoly.

"An illustration of the legal hi-jacking indulged in by this particular corporation is evidenced by the manner in which they black-jacked the American Telephone & Telegraph Co., another monopoly, into permitting them to share the profits of the sound motion picture field.

"I have here a photostatic copy of the Bill of Complaint wherein the attorney for RCA printed a bill of complaint alleging monopoly and illegal restraint of trade on the part of the A.T.&T. and instead of filing it in the courts as was presumably intended, sent it to the attorneys for the A.T. & T. which resulted in the attorneys for both monopolies agreeing to share the field. The allegations of monopoly and restraint of trade contained in this photostatic copy of the bill of complaint prepared for use of RCA is just as true today in the case of telephone, as it was and is today in the case of RCA.

"Mr. Chairman, I hold in my hand a very exhaustive financial analysis of the financial set-up and condition of RCA as of May 28, 1936.

"The signer of this document is recognized as competent and has or had a good standing in the financial world. His work was considered so sufficiently good, that following this analysis of RCA, I understand, that Mr. Sarnoff, who in this report is indicted most severely, as incapable and inefficient, has hired him as a financial analyst for RCA. This auditor's report indicates that RCA officials have defrauded common stockholders to an extent of millions of dollars; have issued false financial reports to stock holders and to the public; have paid preferred stock holders dividends of \$28,000,000 on earnings of only \$11,700,000; that 6,580,375 shares of stock with a value at date of issue of \$290,000,000 were issued to General Electric and Westinghouse for assets stated to have been worth \$39,900,000. This \$39,900,000 was subsequently written down to some \$24,000,000; that preferred stock with redemption value of \$80,000,000 and an annual dividend rate of more than \$4,000,000 was issued by RCA in consideration of some \$17,000,000. That dividends have been paid on preferred stock when the corporation's earnings had been dissipated and prior surplus had been wiped out and capital impaired to the extent of some \$16,000,000.

"This report also shows that RCA issued \$2,000,000 shares of stock to General Electric and Westinghouse in supposed consideration of a valuable exclusive contract. When RCA put over the infamous so-called consent decree in the Federal Court at



Wilmington, November 21, 1932, they found it necessary to cancel this agreement. But there is no indication that the 2,000,000 shares of stock issued in consideration of this supposed valuable agreement has ever been returned to RCA for their stockholders."

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# WHEELER BILL WOULD DESTROY RCAC, SAYS MANAGER

Enactment into law of the Wheeler Bill to require the Federal Communications Commission to foster competition in foreign radio communications as a national policy would cause the eventual destruction of the R.C.A. Communications, Inc., W. A. Winterbottom, Vice-President and General Manager, told the Senate Interstate Commerce Committee this week.

"If you pass this bill", he said, "you blaze a new trail which will inevitably lead to the destruction of the RCAC service."

Mr. Winterbottom outlined at some length the history of the row between RCA and the Mackay Radio & Telegraph Company over foreign communications permits.

"Remember that R.C.A. Communications is a small company as compared with either the International System or the Western Union", he said, "and that it is exclusively a radio company. Remember, too, that we serve only 12 cities in the United States, and that we are dependent upon the landline systems of our competitors, to pick up and deliver our messages at all other points.

"RCAC is solely a radio company and is neither controlled nor dominated by the wire line or cable companies, of which it is a natural competitor. Neither directly nor indirectly does it have any directors in common with Western Union, with the American Telephone & Telegraph Company, or with any of the International System companies. Nor, is there any joint stock ownership.

"RCA has pioneered and struggled for twenty years to establish an independent system of radio telegraph communication competing with the entrenched cable companies so that the people of the United States might enjoy the advantages of cheaper communication with the rest of the world. It now operates to some 45 foreign capitals and thence to all other cities in the world. There is no place where RCA service does not now reach directly or indirectly. We reach directly but few points in the United States and usually but a single point in any foreign country but our services are not inefficient by reason of the fact that they are for the most part indirect."

Loyd A. Briggs, European Communications Manager of RCAC, who came to the United States especially to testify at the Senate hearing, said among other things:

"It seems evident to me that the only result possible and inevitable from forcing competition between American companies in dealing with a single foreign agency must be that the American companies in their competition will be compelled in self preservation to give way financially and strategically to the demands of the foreign administration, not only to the point of operating unprofitably but even beyond that to the point of operating such circuits at an actual loss.

"Such forced competition benefits only the foreigner, it brings no advantages to the American user, it weakens the American companies individually and collectively, not only financially but also in their independence of foreign domination, and it impairs their ability to act in accordance with American policy and in the public interests of the United States."

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#### MACKAY HOLDS WHEELER BILL IS URGENT

The Mackay Radio and Telegraph Company told the Senate Interstate Commerce Committee this week that immediate legislation was necessary to prevent the concern from being eliminated as a competitor in the foreign radio communications field.

Howard L. Kern, general counsel for Mackay, testifying at hearings on the Wheeler Bill, urged enactment of legislation which would declare competition in foreign radio communication to be "in the public interest."

He said R.C.A. Communications, Inc., held a "monopolistic position" in the foreign communications field which Mackay could not invade without a direction from Congress to the Federal Communications Commission.

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#### PALEY'S SALARY AND BONUS \$190,196

William S. Paley drew salary and bonus of \$190,196 as President of the Columbia Broadcasting System in 1937, a Columbia report to the Securities Exchange Commission disclosed this week. Included in the sum was a bonus of \$149,295.

Edward Klauber, Vice-President, drew aggregate remuneration of \$80,540, including a bonus of \$39,840.

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## 82% OF U.S. FAMILIES OWN RADIO, SURVEY SHOWS

The number of families in the United States owning radio sets as of January 1, 1938, is estimated at 26,666,500, or 82 percent of the families of the nation, according to tabulations of the Joint Committee on Radio Research released this week.

This is an increase of 17 percent over the 1936 estimate of the Committee, which was organized jointly by advertisers, advertising agencies, and broadcasters. Its first report was made in 1936.

The 1938 count "does not represent the total number of radio sets in use", the report states, "there being many more than one radio in many homes, and sets in automobiles, and in stores, restaurants, institutions, etc. The figure 26,666,500 represents the number of homes having at least one radio."

"Families with radio sets out of order for more than six months are not defined as radio families and therefore are not included in the figure presented. Sets temporarily out of order (less than six months) amount to approximately 4% and are included in the figure of 26,666,500."

The Committee in making its estimate utilized new radio ownership information, collected by two surveys during 1937. One of these was the rural survey conducted by the Committee in the Fall of 1937 and financed by the Columbia Broadcasting System and the National Broadcasting Company. The other, an urban survey made for the Columbia Broadcasting System by Daniel Starch, was made available to the Committee.

"These data were in sufficient detail to permit of directly estimating state and county figures", the report stated, "without resorting to multiple correlation. Although this represents an improvement in method of estimating, the Joint Committee emphasizes that the figures of radio families published herewith are estimates with which there are no actual figures to compare. They constitute approximations at best and should not be looked upon as being exact measurements.

"In analyzing these data, the Committee has had the cooperation of various individuals and organizations who have conducted research in the number and distribution of families owning radios, particularly Dr. George Gallup and the Institute of Public Opinion, Fortune Magazine's Quarterly Survey, Dr. O. H. Caldwell of the publication Radio Today, the publication Radio Retailing. Several individual city surveys covering radio ownership were also available."

The Committee released figures of radio families by State and county. State figures are presented by census classifications - urban (cities over 2,500 population) and rural (farms and villages under 2,500 population).

"The rural survey conducted by the Joint Committee on Radio Research in November, 1937", the report stated, "consisted of 20,763 personal interviews distributed in every State of the United States. A report of this survey is being prepared for release and in it a description of the method will be set forth. In the interpretation of this information, weighting has been given economic classification of families, Negro families in the South, the number of families on farms and in rural towns of less than 2,500 population to produce State estimates. The uniform application of State rural radio ownership percentages to county rural family estimates produced county figures.

"In order to interpret the findings of the two surveys it was necessary to establish an up-to-date estimate of the number of families in the United States. Members of the Committee contacted Census, Department of Agriculture and other government officials to obtain their advice as to the best procedure in making such an estimate."

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#### CHAVEZ ASSAILS ROME-BERLIN RADIO PROPAGANDA

Assailing propaganda broadcasts to the Latin Americas from Rome and Berlin, Senator Chavez (D.), of New Mexico, urged construction of a \$3,000,000 Government-owned Pan American short-wave station in California, this week as hearings opened before a sub-committee of the Senate Interstate Commerce Committee.

A similar bill to authorize construction of an international station near Washington, D. C., is pending before the House Naval Affairs Committee.

"Italy and Germany every day and every night are sending propaganda to South America in the Spanish and Portuguese languages", said Senator Chavez, "and they are telling the people of South America how much they love them and their culture. They are undermining everything the United States is doing to create good-will in the South American countries."

Senator Bone converted the hearing into a conference in which Senators McAdoo and Chavez, representatives of the Federal Communications Commission, the Navy Department and other agencies of the government whose functions involve in one way or another radio activities participated.

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## EX-MAYOR OF LOUISVILLE MENTIONED FOR NAB CHIEF

"Neville Miller, Mayor of Louisville, Ky., during the 1937 flood and now a member of the faculty of Princeton University, is favored by insiders for the post of President of the National Association of Broadcasters", according to James McMullen, writing for the McClure Newspaper Syndicate. "Among others mentioned are Dean James M. Landis of the Harvard Law School and Senator Wallace H. White, of Maine.

"This job, held temporarily by Mark Ethridge, constitutes a kind of czarship over the whole radio industry. The pay will be \$25,000 a year, the powers plenary. The NAB has been newly organized to produce order out of a situation which was pretty chaotic.

"No appointment of a permanent president was expected until Fall. But Ethridge's eagerness to quit his temporary post is likely to hurry it along, and the Executive Committee will meet this week or next. Miller is a dark horse whose name has not appeared in any of the published lists of possibilities. But home-town association with Ethridge makes him a good bet, although the president pro tem is backing none of the fifty-odd candidates."

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## McDONALD ENTERTAINS NEWS MEN ON "MIZPAH"

Commander Eugene F. McDonald, Jr., President of the Zenith Radio Corporation, Chicago, entertained members of the Gridiron Club, members of the Federal Communications Commission, and other friends Wednesday night on a four-hour cruise down the Potomac River aboard his 185-foot yacht, the "Mizpah".

Commander McDonald brought his yacht to the Washington Navy Yard especially for the trip en route to Chicago after a Winter tour in Southern seas.

Commissioners Eugene O. Sykes, T.A.M. Craven, Thad H. Brown were particularly interested in the elaborate radio equipment aboard the yacht.

Among other guests, besides newspaper men, were Minority Leader Bertrand Snell, of New York; Representative Kent Keller (Democrat), of Illinois; Gutzon Borglum, the sculptor and Maj. Gen. Thomas Holcomb, Commandant of the Marine Corps.

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5/13/38

## TELEVISION SET READY FOR MARKET AT "ABOUT \$125"

The first television receiver to be placed on the market in this country was demonstrated in New York City this week by Charles H. Sternfeld, Vice-President of Communications Systems, Inc., which produced the model to sell for "about \$125".

That the demonstration was successful was attested to by the New York Times, which stated:

"A 9-tube television set of simplified design that intercepts pictures but not the accompanying sound was demonstrated yesterday afternoon for more than an hour as it clearly tuned in a test broadcast from the Empire State Building television transmitter.

"In this 'video' receiver, which is of the table model type, housed in a cabinet twenty-two inches high, the television pictures were viewed on a 3-inch cathode ray tube. Also demonstrated was an 11-tube console receiver having a 5-inch cathode tube as a viewing screen. Mr. Sterenfeld said the larger set would be sold for 'about \$175 to \$225'.

"Explaining that hitherto television sets had been regarded as 'very expensive pieces of equipment', Mr. Sterenfeld said the purpose of his concern was to 'provide inexpensive equipment for viewing television images for those who would "look in" periodically and keep abreast of the television art.'

"Louis W. Parker, chief engineer, explained that the circuit employed was a simplified one, using the fewest number of tubes possible and incorporating features which 'make for marked simplicity of construction'. Only five control knobs are used on each receiver.

"The programs from the Empire State were intercepted on ten feet of wire, one end of which was attached to the set and the other end thrown out a window.

"Also demonstrated was a three-tube 'sound' receiver, which was employed separately to intercept the audio component of the image-sound test broadcast from the Empire State, which Mr. Sterenfeld said 'might be sold for as little as \$15.' It was less than half the size of the average midget broadcasting set."

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 :::: TRADE NOTES ::::  
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General Electric will inaugurate its new 625-foot antenna tower, built on its 53-acre transmitter laboratory plot just outside of Schenectady to carry programs from WGY, with an elaborate ceremony Saturday, May 14th.

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The Columbia Broadcasting System this week issued a new rate card (No. 24) bringing up-to-date the charges for the network since the addition of ten stations and other improvements.

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The French Government has created a new Ministry, the Ministry of Propaganda, and L. O. Frossard holds the title of Minister of Propaganda. He will from now on administer all propaganda divisions of the press, the cinema, radio, publicity and tourism and among his attributions will be the propagation of French thought and the upholding of French interests abroad.

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Copies of addressed by Frank R. McNinch, of the Federal Communications Commission, to the NAB convention in February, and of David Sarnoff, President of the Radio Corporation of America to the Town Hall meeting in New York were inserted in the Congressional Record this week by Senator Capper (Republican), of Kansas

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# ASCAP TO APPEAL TAKOMA DECISION

The American Association of Composers, Authors and Publishers will appeal to the U. S. Supreme Court from the Federal statutory court's decision handed down in Tacoma this week denying the Society's petition for an injunction to restrain Washington officials from enforcing the State's anti-ASCAP law, according to Louis D. Frohlich of Schwartz & Frohlich, ASCAP counsel.

The court dismissed the petition for lack of jurisdiction, contending that it had not been shown that the required pecuniary interest of \$3,000 was involved. The case was argued 14 months ago and the court had it under consideration since. Two other Federal statutory courts in similar cases involving Nebraska and Florida anti-ASCAP laws granted injunctions to the Society, although Florida officials will appeal the decision in their case to the U. S. Supreme Court. A similar action is still pending in Montana where hearings were held more than a year ago without a decision as yet having been handed down by the Federal statutory court.

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5/13/38

# I. T. & T. REPORTS NET GAIN OF 75%

The International Telephone and Telegraph Corporation this week reported gross earnings from telephone and radiotelephone operations, excluding Mexican and Spanish subsidiaries, amounted to \$32,749,694 for 1937, compared with \$26,931,704 for 1936. Net income from such operations was \$8,786,818, a gain of \$3,787,222, or 75.8 percent.

The I. T. & T. has acquired since Jan. 1, \$984,000 of ten-year convertible 4½ percent debentures, due on Jan. 1, 1939, at a cost of \$844,600, and has reduced its bank loans by \$403,485, according to the annual report issued yesterday by Sosthenes Behn, President. In addition, \$290,047 in cash has been added since January 1st to the fund to retire debentures of the above issue.

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## NBC BILLINGS RISE 1% IN APRIL

Continuing for the fifth successive month the regular gains which raised figures for each of those months to a record high, expenditures by clients for time on the National Broadcasting Company in April rose one percent over April, 1937, to \$3,310,505. Last year's April billings were \$3,277,837.

The increase brought the cumulative total for the first four months of 1938 to \$14,408,905, up 4.9 percent over the previous record of \$13,729,901, for the same period in 1937.

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