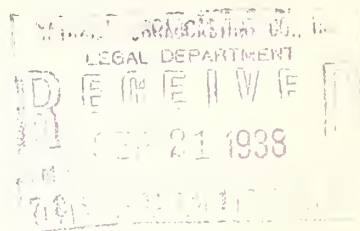


# HEINL RADIO BUSINESS LETTER

2400 CALIFORNIA STREET

WASHINGTON, D. C.

**CONFIDENTIAL — Not for Publication**



## INDEX TO ISSUE OF SEPTEMBER 20, 1938

Output And Sales Of Radios Far Below 1937. . . . .	2
Crosley May Enter Automobile Field. . . . .	5
KCMO Wins Three-Cornered Fight For 1450kc. . . . .	5
Minton Says Big Papers Would Muzzle Radio. . . . .	6
Father Curran Asks Removal Of McNinch. . . . .	6
Parley Held On Rules For Low-Wave Devices. . . . .	7
President Affirms Inter-American Radio Agreement. . . . .	7
Monopoly Hearings Set For October 24. . . . .	8
Trade Notes. . . . .	10
Calcutta Stations Opens Radio Market. . . . .	11
I.T. & T. Earnings Show Gain For Half Year. . . . .	11

no. 1159

Handwritten marks and signatures at the bottom of the page, including a large stylized "A", a signature "W", and other initials.

September 20, 1938

## OUTPUT AND SALES OF RADIOS FAR BELOW 1937

While broadcasters made substantial gains in time sales, radio set sales during the first half of this year fell far below 1937, according to a comprehensive survey made by Dun & Bradstreet, Inc., and released this week.

Concluding a dull half-year in all divisions except broadcasting, radio opened its 1939 season with outlook brightest in many months, the report states. Rising consumer incomes, the revival in home building, and improved prospects for automobile sales were counted upon to stimulate demand for all types of receivers. Extension of rural power programs promised a broadening on the potential market for electrically-operate sets. Reduced inventory holdings and more comprehensive price agreements testified to the industry's progress in putting its own house in order.

Results for the first six months of the year showed distributors' sales off as much as 60 per cent against 1937 totals, with the average drop between 25 and 45 per cent. Manufacturers' output reflected the severe curtailment in schedules instituted in the last quarter of 1937 in order to hold stocks to current ordering levels. Narrowing of the gap from the previous year's level during the latter part of the period failed to raise the half-year total to within 70 per cent of the 1937 comparative.

In contrast to the poor showing in the production and distribution divisions, broadcasting succeeded in chalking up sales gains over peaks established a year earlier. Billings of the major networks for the six-month period totalled \$37,947,000, an increase of 6 per cent over the \$35, 918,000 for the first half of 1937. Television drew a little nearer to the popular market, with the scheduling of regular broadcasts in several cities and retailing of home receivers for \$125 to \$150.

Against the peak levels recorded in early 1937, production figures for the first half of 1938 made poor comparisons. As new orders arrived slowly from dealers heavily stocked with new and repossessed models, producers held schedules to a minimum to avoid further inventory building. For the industry as a whole, output averaged 30 to 40 per cent below the same period of the previous year. Manufacturers in the low-priced field were able to report operations maintained at a somewhat higher rate than the average, but even in these lines production was down 10 to 25 per cent.

9/20/38

Dealer response to initial showings of 1939 models led many producers to revise upward working schedules planned for the Summer and Fall. Careful to keep operations in line with actual orders, however, manufacturers preferred to lose business, if necessary, than to build up reserve stocks against potential demand. On the basis of the improved trend in inquiries and orders, the trade estimated that approximately 4,000,000 sets would be produced between July 1 and the year-end.

Through advertising revenue evidenced a downtrend from month to month, cumulative broadcast billings from January through July still showed substantial gain over the 1937 period. Network sales for the seven months, compiled by Publishers' Information Bureau, totalled \$42,440,323, 4 per cent more than in the previous year. Billings in the first quarter, the highest three-month total ever recorded, were responsible for the year-to-year increase; from April through July only May chalked up a gain over the 1937 comparative.

In the first six months of 1938, retail sales of radios ranged from 25 to 45 per cent below the corresponding period of 1937. Introduction of new models in July, combined with an improvement in consumer sentiment and purchasing power, helped to raise sales totals in most districts during July and August. Results for these months were generally the best so far this year. Some centers in the West and South reported volume substantially ahead of the 1937 comparative, but the average for the country as a whole remained 15 to 25 per cent under a year ago.

Price-cuts and consumer, emphasis on medium and low-priced merchandise were responsible for the sharp contraction in dollar volume in the first half of the year against the 1937 showing. Most dealers found unit sales up to or no more than 10 per cent below the previous year. Demand centered on table models ranging in price from \$20 to \$35, with low-priced combination radio and phonograph models next in popularity.

Refinements in remote control and automatic tuning were the chief sales attractions of the 1939 models. Time and energy savers in the form of program pre-selectors and remote control boxes were stressed in various lines. Further perfection of button-tuning models promised scientific accuracy in tuning. In television, new devices designed to improve both transmission and reception were featured.

Price reductions accompanied the improvements in styling and mechanization on the 1939 models. The average price of all models dropped to \$57.60 for 1938-1939, compared with \$67.50 in the season preceding, and \$65 two years ago, according to Radio Today. A separate compilation for consoles, showing an average price of \$100.50 against \$116 on 1938 lines, indicated that the larger volume of small table models was not alone responsible for the lower average price.



Stability in the price structure was counted upon through new fair trade contracts submitted to dealers by manufacturers. These established the maximum amount that might be deducted from the list price for trade-ins or any other reason. Following the price demoralization of the first part of the year, the new regulations were regarded by producers and dealers alike as a significant step forward.

More careful supervision of credits and an improvement in consumer income contributed to a quickening of retail collections during July and August. Repossessions fell off sharply. Manufacturers and wholesalers ~~el~~assed payments as fair to satisfactory, despite a continued sluggishness in some retail accounts.

During the first seven months of 1938, the number of applications by radio manufacturing concerns for reorganization under Section 77-B compared rather unfavorably with last year. There were 4 such applications this year in seven months, compared with 5 in all of 1937, 4 in each of the two preceding years (1936 and 1935), and 1 in 1934. Since the New Bankruptcy Act became operative, a total of 18 cases have been recorded.

Failures during the seven months also showed an increased rate, a total of 45 making the monthly average 6.4, compared with 4.3 per month in 1937. Approximately half of this year's failures, however, occurred during January and February, the monthly average from March through July dropping to 4.8

Complete insolvency record for the radio industry from 1930 to July, 1938, inclusive, as compiled by Dun & Bradstreet, Inc., shows:

#### MANUFACTURERS

Year	Number	Liabilities
1930. . . . .	40	\$3,522,400
1931. . . . .	35	4,088,445
1932. . . . .	39	2,039,000
1933. . . . .	31	3,705,529
1934. . . . .	12	1,244,000
1935. . . . .	7	156,000
1936. . . . .	6	274,000
1937. . . . .	5	109,000
1938* . . . . .	6	385,000

#### WHOLESALEERS AND RETAILERS

Year	number	Liabilities
1930. . . . .	217	\$2,071,392
1931. . . . .	160	4,979,359
1932. . . . .	164	1,969,000
1933. . . . .	109	1,813,980
1934. . . . .	48	2,296,000
1935. . . . .	48	450,000



Year	Number	Liabilities
1936. . . . .	48	\$ 547,000
1937. . . . .	46	517,000
1938* . . . . .	39	271,000

—(\*) January to July, inclusive

X X X X X X X X

#### CROSLEY MAY ENTER AUTOMOBILE FIELD

The Crosley Radio Corporation, Cincinnati, has called a special meeting of stockholders September 23 to vote on a proposed amendment of incorporation articles to permit possible entry in the automobile field.

Letters sent to shareholders said the purpose of the amendment was to "broaden the activities in which the company is authorized to engage, so that the company will be able if conditions warrant, to enter the automobile industry, when \* \* \* such entry appears desirable."

The amendment proposes to drop the name "radio" from the company title.

X X X X X X X X

#### KCMO WINS THREE-CORNERED FIGHT FOR 1450kc.

KCMO, of Kansas City, Mo., this week won a three-cornered scrap for 1450 kc. when the Federal Communications Commission granted its application for a construction permit to change from 1370 to 1450 kc., install a directional antenna for night use, and increase power from 100 watts to 1 kw., unlimited time.

At the same time the FCC denied the applications of L.L. Coryell & Son, and KFOR, both of Lincoln, Nebr., for the same wave-length.

In its grounds for decision the Commission said:

"The granting of the Cornbelt Broadcasting Corporation KFOR application would not have the effect of establishing or augmenting competitive conditions. Under such circumstances, the Commission will not authorize additional facilities unless a compelling public need is shown. This applicant failed to show a compelling need for the service proposed to be rendered on the frequency applied for.

"The showing made by L.L. Coryell and Son as to the public need in the Lincoln area for the service proposed on the frequency

1450 kilocycles was not sufficiently strong as to justify the Commission in departing from its allocation values.

"Granting the application of KCMO Broadcasting Company will not result in interference to any existing station nor will it cause impairment to the service of existing Kansas City stations.

"Although the service of KCMO, operating at nighttime as proposed, will be limited within the 4.1 millivolt per meter contour, a compelling need exists to afford the people of the Kansas City area the meritorious program service of this existing station and granting the application will tend toward a fair, efficient and equitable distribution of radio facilities."

X X X X X X X X

#### MINTON SAYS BIG PAPERS WOULD MUZZLE RADIO

Senator Minton (Democrat), of Indiana, speaking at Louisville last week renewed his criticism of newspapers and their publishers, saying that "big town papers like the Chicago Tribune" had sought "to censor free speech on the radio."

Minton announced his speech as a reply to a radio address three weeks ago by Col. Robert R. McCormick, publisher of the Tribune. Col. McCormick called Senator Minton "the outstanding spokesman for a Government censorship of newspapers."

X X X X X X X X

#### FATHER CURRAN ASKS REMOVAL OF MCNINCH

The Rev. Edward Lodge Curran, president of the International Catholic Truth Society, 407 Bergen Street, Brooklyn, sent a telegram Sunday night to President Roosevelt asking him to remove Frank R. McNinch, chairman, from the Federal Communications Commission on the ground that he had failed to conduct a forthright investigation of "the radio monopoly" and was "purging" from his staff commission aides determined to press the investigation.

"The loyal members of the commission, to whom Chairman McNinch objects, are determined not to be a party to his subtle efforts to minimize and, if possible, to nullify your own public demands for a thorough and genuine investigation of the admitted unsavory conditions existing in radio broadcasting," Father Curran said in his message.

X X X X X X X X

The World Wide Broadcasting Corporation, of Boston, which operates WIXAL, has applied to the FCC for a construction permit to build a new international broadcast station for operation on 11730 and 15130 kc. with 20 kw. power.

X X X X X X X X

9/20/38

## PARLEY HELD ON RULES FOR LOW-WAVE DEVICES

Chief Engineer E. K. Jett, of the Federal Communications Commission, held a conference this week with representatives of the Radio Manufacturers Association and various manufacturers on proposed FCC regulations to cover the numerous low frequency radio devices. The objective of the proposed rules is to prevent the growing use of low frequency radio devices from causing interference with radio reception.

The Radio Manufacturers Association was the first organization called on at the conference. G. E. Gustafson, of Chicago, chairman of a special RMA engineering committee, expressed approval of the proposed rules and regulations. Other members of the committee were J. E. Brown, E. T. Dickey, L. C. F. Horle, David Grimes, and A. F. Van Dyck.

About seventy-five engineers, scientists and commercial representatives attended the conference. There were representatives of the National Association of Broadcasters, telephone diathermy, railroad signal and other interests. Chief Engineer Jett and Assistant Chief Andrew Ring conducted the conference.

That the proposed rules and regulations for operation of low power radio frequency devices would be temporary, to gain experience in actual operation, was stressed by Chief Engineer Jett. He also stated that the proposed regulations did not include diathermy equipment, for which new legislative authority has been recommended by the Commission. Mr. Jett also explained that there will be no requirement for compulsory inspection and approval by the FCC of low power devices but provision only for cooperative consideration with manufacturers of such apparatus.

X X X X X X X X

## PRESIDENT AFFIRMS INTER-AMERICAN RADIO AGREEMENT

The agreement reached by the Inter-American Radio Communications Convention in Havana last December has been affirmed by President Roosevelt for the United States.

The agreement provides for establishment of an inter-American radio office to prepare radio conferences, publish the conference discussions and exchange radio data and general information.

The State Department said it was designed "for a better understanding and a raising of the standards of radio communications in the American Continent and for the improvement of engineering practice." It calls for arbitration of disputes among



9/20/38

the signatory States involving radio.

In addition to this country the following notions participated in the convention; Brazil, Canada, Colombia, Cuba, Chile, Dominican Republic, Guatemala, Haiti, Mexico, Nicaragua, Panama, Peru, Uruguay and Venezuela.

X X X X X X X X

#### MONOPOLY HEARINGS SET FOR OCTOBER 24

Monday, October 24, has been fixed as the date for the commencement of hearings in connection with the Federal Communications Commission's investigation into chain or network broadcasting, monopoly in the broadcasting industry. The hearings will be held at the Commission's offices in Washington, D. C.

At the hearings, it is expected that there will be represented not only the networks, licensees individually or by organizations representing various groups, such as the network affiliates and the so-called independent stations which have no network affiliations, etc., and the transcription companies, but also many persons, organizations and groups having a special interest in the investigation because of the present and future importance of radio broadcasting. It will not, therefore, be possible to estimate how long the hearing will take until after all of the responses to the notice of hearings have been filed and analyzed. As soon as possible thereafter the order in which matters will be gone into and appearances called will be decided by the committee in charge of the hearings.

The three so-called national networks, NBC, CBS, and Mutual, as well as some 15 regional networks, have been directed by letter, mailed with notices of the setting of the date of the hearings, to appear at the hearing and present evidence through qualified witnesses covering their corporate and financial history, all phases of network operations, including relations with affiliates and with each other, with advertisers and advertising agencies and with telephone and telegraph companies, as well as facts as to their ownership and control.

Companies engaged in the production and distribution of electrical transcriptions and recordings for broadcasts purposes have been requested to produce evidence at the hearing with respect to their relations with, and the extent to which they control or are controlled by, (through stock ownership, contract, or otherwise) broadcast stations and networks. The quality of such recordings and transcriptions both from the technical and the program standpoint will also be investigated. The monopoly hearings Committee believes that the growth and the extent of use of this type of program is a matter not only of interest but of great importance in broadcasting today and should be given attention in its study of the industry.

9/20/38

With the notice of hearings mailed today (Tuesday) to each broadcast station licensee, a letter was sent advising all licensees that in addition to other matters to be covered the committee planned to make an exhaustive inquiry into the question of contracts, agreements and other arrangements with third parties affecting the management, operation, or control of broadcast stations. This phase of the investigation which will explore the field of so-called "lease" and "management" contracts under which persons other than authorized licensees may exercise influence over station management, operation, or control, is deemed most important. Licensees are directed to supply the Commission by September 30 with a complete verified statement as to this matter and during the course of the hearing many of them will be interrogated fully about it.

All licenses are also directed to furnish the Commission with detailed information with respect to their use of electrical transcriptions and other recordings for broadcast purposes.

Multiple ownership and concentration of control of stations in the same or affiliated interests will also be a subject of inquiry at the hearing. By direction of the Committee a questionnaire was recently sent to corporations shown by Commission records to own an interest in or exercise control over broadcast stations. Returns from this questionnaire as well as these records are expected to provide a basis for the introduction of revealing evidence bearing on this subject.

A procedure for dealing with patent and copyright questions, insofar as they affect the broadcasting industry, is now being studied by the Committee in cooperation with the Temporary National Economic Committee which was organized pursuant to the recent Congressional resolution authorizing a general monopoly investigation.

X X X X X X X X

(More see next page)

9/20/38

TRADE NOTES

The Pennsylvania State Democratic Committee is sponsoring a series of radio broadcasts for the rest of the 1938 political campaign to give "the people's side of the news."

Chairman David L. Lawrence sent cards to registered Democrats which said, in part, that "since many of our newspapers refuse to give the Democratic side of any story, the Democratic State Committee will inaugurate a four-a-week radio program which will give the people's side of the news."

Following encouraging experiments with facsimile transmissions to airplanes in flight, W. G. H. Finch, president of the Finch Telecommunications Laboratories Inc., has increased the engineering staff at his Bendix, N.J., plant and has announced the purchase of a single motored monoplane to continue facsimile tests. Experimental facsimile tests between airplane and ground have been expected to be used by commercial air lines.

Beginning this week, the Chicago Herald & Examiner which recently changed from standard to tabloid size, went on the air with a daily sponsored broadcast designed to introduce Herald & Examiner feature writers to the listening public. The broadcast is heard each evening over WMAQ. With Ulmer Turner, radio editor and newscaster for the paper, handling introductions, the program will introduce many of the paper's by-line writers.

General Electric Company's Fall campaign for its Beam-a-scope radios will start the latter part of this month, using more than 100 newspapers. Maxon, Inc., is the agency.

Allegedly disseminating false advertisements for the purpose of inducing the purchase of Kolynos tooth paste, Kolynos Company, New Haven, Connecticut, is named respondent in a complaint issued by the Federal Trade Commission. The respondent company advertises in newspapers and magazines and by means of continuities broadcast from radio stations.

X X X X X X X X



9/20/38

## CALCUTTA STATIONS OPENS RADIO MARKET

With the opening of the remodeled Calcutta radio station scheduled this month, more interest in radio is being shown in that section of India that ever before, according to the American Trade Commissioner. Dealers report that while this is definitely a bad period for radio sales, inquiries are more prevalent than they have been for some time. They are building up a prospect file which will, no doubt, result in increased sales during the coming cool weather months. They also state that American radios are very popular but place a lot of emphasis on the fact that American manufacturers are still trying to sell receiving sets in India without the proper wave lengths. With the completion of All-India Radio programs sometime next year, sets with the ordinary broadcast band will be useless, according to most contacts. Therefore, it is proper to again stress the fact that American manufacturers offer only those sets on the Indian market having a range from 13 to 556 meters, except, of course, those of short wave for the short wave fans.

According to one authority, the Commissioner said, automobile sets will become very popular in India in the next several years, if the various road schemes now under consideration and construction materialize as planned. However, he is of the opinion that it is much too early to embark on such a venture at this time as many of the plans cover a period of 5 to 7 years and in view of this, automobile travel across and throughout India has not become a popular everyday occurrence.

X X X X X X X X

## I.T & T. EARNINGS SHOW GAIN FOR HALF YEAR

Consolidated net income of the International Telephone and Telegraph Corporation and subsidiaries for the six months ended June 30, last, amounted to \$4,379,757 as compared with \$4,285,854 for the first half of 1937, according to a statement sent to stockholders this week by Sosthenes Behn, President.

Gross earnings included gross profit on sales amounted to \$32,792,649 for the six months ended June 30, 1938 as compared with \$30,071,973 for the corresponding period in 1937. However, taxes increased \$1,024,199 and foreign currency variations caused a charge to the income account for 1938 of a net exchange loss of \$895,241 as compared with a net exchange profit of \$385,516 for the same period in 1937. These exchange items result mainly from the translation of net current assets of foreign subsidiaries from foreign currencies into terms of U.S. dollars. Other items of expense and interest charges showed a net increase of \$321,817.

X X X X X X X X