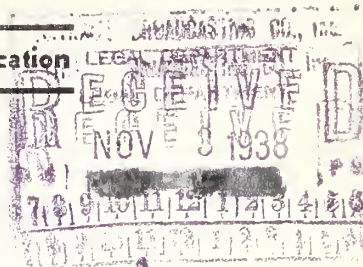
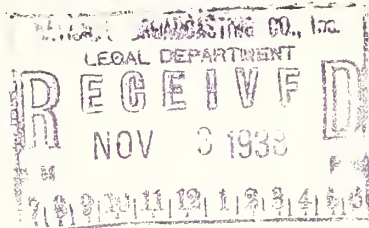


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November 1, 1938

MCDONALD RAPS MOVE TO SELL TELEVISION SETS

The proposal of the Radio Corporation of America and other members of the Radio Manufacturers' Association to offer for sale next Spring, television receivers brought forth a stinging rebuke and a warning to the public from Commdr. Eugene F. McDonald, Jr., President of the Zenith Radio Corporation, of Chicago.

Commander McDonald, who has consistently opposed all moves to place television sets on the market said that "the offering for sale of television receivers at this time in view of the present state of the art is, in my opinion, unfair to the public, and premature, both for economical and technical reasons."

The complete text of Commander McDonald's statement, made in a letter to Zenith stockholders, follows:

"The recent publication in the newspapers of the country of a statement to the effect that television receivers will be put on the market for sale to the public before the opening of the New York World's Fair next Spring has brought many inquiries from our stockholders as to the position of Zenith Radio Corporation in the television field. This letter is written in response to such inquiries, and for the purpose of advising all the corporation's stockholders as to the present status of television.

"The offering for sale of television receivers at this time in view of the present state of the art is, in my opinion, unfair to the public, and premature, both for economic and technical reasons. Such premature introduction of television commercially will result in loading the public with undue experimental replacement cost, which, in turn, will result in retarding, instead of furthering development and in unprofitable operations for the companies engaging in such a program.

"Your company is now in its twenty-fourth year of experience in the manufacture of receiving sets, and today holds the only license issued by the Federal Communications Commission for an experimental television station in the Chicago area.

"The Zenith Radio Corporation will, in a period of weeks, be on the air with its experimental high definition type of television programs. It will also have ready television receivers. It, however, intends to make no sales of these receivers until, in our opinion, television is ready for the public. These receivers will be loaned to a limited group of experienced people and engineers for experimental purposes.

"I do not believe the radio industry should ask the public to pay for its experimentation in television, at least without putting the public on notice that receivers put out at this time are on an experimental basis and may be subject to many costly changes and replacements.

"I still feel as I stated at the last stockholders' meeting that 'general use of television in the homes is just around the corner for stock salesmen only'. On the other hand, when we have overcome all of our difficulties, and when I say we, I mean the radio industry, television will no doubt become a glorious new experience and a wonderful new industry. I feel that I am as close to the television picture as the next man and Zenith is prepared at this time to produce and sell television receivers but I am not ready to take the public's money until television is good and ready to provide money's worth to that public.

"Your company has always stood for progress and intends to continue to do so. We were the first to introduce short-wave receiving sets for public use (1925); first to introduce battery-less radio sets (1926); first to introduce automatic tuned radio (1928) and we were the first manufacturer of radio apparatus to acquire a license under the radio patents of the American Telephone & Telegraph Company, Westinghouse Electric & Manufacturing Company, General Electric Company and Radio Corporation of America. This license has since been enlarged to include patents in the television field. Your corporation maintains an entirely separate department of its research laboratory devoted exclusively to the development of television and is now engaged in constructing one of the few television transmitters of the modern high definition type.

"Television holds the most fascinating possibilities ever envisioned by an eager public but I cannot agree that television receivers are ready for mass production and country-wide distribution on any such basis as even the first radio broadcast sets that were distributed in the early Twenties.

"Television is essentially different from anything with which we have had to deal in the past. The first automobiles constructed and sold to the public, unless they have been worn out from use, will still operate on our highways today, and with the gasoline now used. Likewise, the first radio broadcast receivers constructed and sold to the public will still operate and reproduce programs broadcast from the most modern broadcasting stations of today. On the other hand, the television receiving set of one year ago is already obsolete and cannot be operated in the home with the latest television transmitter of today.

"What the public should know, and has not been told, about television is that the receivers must be matched to, synchronized with and built on the same standards as the transmitters. Any major change made in the television transmitter will necessitate a change in the receiver. This, of course, is not true of radio receiving sets. It is not only conceivable, but quite possible,

that within a year from today the standards of the television transmitter, which, incidentally, have not yet been officially adopted, may again be changed, and this, in turn, will once again make obsolete all television receivers manufactured and sold today.

"No organization is better informed on television today than the Federal Communications Commission, yet within the past two weeks, the Commission has asked this question: 'Whether or not we believe that the development of television has reached the stage where the Commission might call formal hearings with respect to the adoption of standards'.

"Television for the public is not new as the recent announcements might lead one to assume. Right here in Chicago, it was introduced to the public in 1928 by radio stations WCFL; in 1929 by the Western Television Company; and in 1930 by radio station WMAQ, then owned by the Chicago Daily News. Television programs were broadcast at that time. Due to the interest then aroused, over 1,000 television receivers were sold to the public in the Chicago area, every one of which is today useless because of the changes which have been made in transmitters.

"The Federal Communications Commission has given long and serious consideration to the matter of television. It has, in its wisdom, issued only eighteen television licenses, all of which are experimental and not commercial. Of the experimental transmitting stations constructed under these licenses, only a few are of the modern high definition type. Not one permit or license has been issued by the Commission for the construction and operation of a commercial television station.

"I maintain that neither advertising nor the sale of television receivers to the public should be indulged in at this time by those companies enjoying from the government a license to operate an experimental transmitter. I say this because either of these practices constitutes commercialization of the license which the government has extended for the purpose of experimentation only.

"There are many technical problems in television which are still unsolved. Among these is the inability at present to eliminate interference with television reception caused by the operation of automobiles. On the wave lengths now selected for and allocated to television, every spark plug in the twenty-five million automobiles in the United States operates as a transmitter and creates interference in its immediate vicinity. This interference makes impossible satisfactory television reception below the fourth or fifth floor of most buildings facing a street upon which automobiles are operated.

"Its effect is to put in the picture on the receiver a series of spots having the appearance of a snow storm. This, of course, destroys the picture. The only cure for this condition, at least at present, is to arrange to have all automobile manufacturers shield all new automobiles constructed, and also to have the owners of automobiles now in use do the same. This task, of

course, is impossible of achievement. Some other means must be found of removing this difficulty.

"The economic problems which must be settled before the public should be asked to buy television receivers are no less serious than the technical difficulties. In the present state of the art, it is not possible to transmit a television program beyond a radius of from thirty to fifty miles, depending upon the height of the transmitting station above the ground, and even in that area buildings and other structures situated between the transmitter and the receiver make good reception extremely difficult. In other words, in order to furnish television programs to purchasers of television receiving sets throughout the United States, it will be necessary to construct more than 2,000 television transmitting stations. Even though we had this multiplicity of television transmitters, no economical means has yet been discovered to connect these transmitting stations to make possible chain transmitting of television.

"Another of the economic problems presented is the matter of programs. The stupendous cost of transmitting television naturally sets aside the thought that advertisers and sponsors can possibly maintain advertising budgets sufficiently large to pay the cost of such programs. In England, the public has had television for nearly three years. Fortunately, only from 4,000 to 8,000 television receivers have been sold, and these at prices from \$200.00 to \$400.00 each. I say fortunately because only that many persons have been disappointed. Despite the fact that the English people are apparently satisfied with radio programs which would be unacceptable to the Americans, the English have nevertheless registered disapproval of the type of television programs which the British Broadcasting Company (a government subsidy) has been able to present under the present limitations of television operation.

"In the opinion of conservative producers, the cost of a single program of the type now transmitted in England, of one hour's duration for each day from one television transmitter, will be one million dollars a year. I feel that this estimated cost is most conservative, as I do not believe the American public will be satisfied for any considerable period of time with television programs that are less entertaining than the present-day movies. In other words, the people of our country will expect and demand the transmission of motion pictures.

"The motion picture industry expends over three hundred million dollars per year to produce approximately three hundred feature pictures, each of which represents a little more than one hour's entertainment. This economic load is paid for through the box offices of the moving picture houses. No source of revenue has yet been provided for the more costly television. Certainly, we cannot expect the advertisers of America to pay this bill.

"Any sales of television receiving sets today will unquestionable react unfavorably on the manufacturer who has put them on the market. Good business judgment, as well as fairness, indicates that this is not the time to sell television to the American people."

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PROCEDURE ANNOUNCED FOR CHAIN MONOPOLY INQUIRY

Chairman Frank R. McNinch, of the Federal Communications Commission, late last week-end announced the procedure that will be followed by the special FCC chain-monopoly committee in the inquiry schedule to begin November 14th.

"The Committee has subdivided the subject matter to be covered in the hearing into four general headings", he said. "They are:

"1. Network Operations. The Committee will first call national networks in the order in which they commenced network operation; next regional networks in the order in which they commenced network operations; and then other witnesses to testify with respect to various phases of network operations.

"2. Matters Specified In Notices Of Appearances. Following this the Committee will call persons and organizations other than broadcast station licensees, networks, and transcription and recording companies who have filed written appearances pursuant to the hearing notice issued September 20, 1938.

"3. Management Contracts, Leases, Etc. Broadcast station licensees and other persons will be called by the Committee to supply evidence with reference to contracts, agreements, arrangements, and practices involving the management, control, or operation of broadcast stations by persons or organizations other than the licensees thereof.

"4. Nature and Extent of Common Ownership of Broadcast Stations. Broadcast station licensees and other persons will be called by the Committee to supply evidence with reference to the concentration of ownership or control of more than one broadcast station in the same or affiliated interests; and to supply evidence with reference to the business activities, other than broadcasting, of broadcast station licensees and persons exercising control through stock ownership or otherwise over licensees.

"5. Transcription Services. Transcription and recording companies, and other persons and organizations will be called upon to present evidence with respect to the relationship between the radio industry and organizations engaged in the production or distribution of electrical transcriptions and recordings for broadcasting purposes and evidence with reference to the quality of such recordings and transcriptions, both from the technical and program standpoints."

"A specific order of persons or organizations appearing under heading (1), Network Operations, together with an estimate of the time that will be consumed in hearing such evidence, will be issued so far as possible in advance of the first day of the hearing", Commissioner McNinch added. "A similar release will be issued with reference to the persons appearing under each of

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the remaining headings as far as possible in advance of the date such persons or organizations will be called.

"The procedure outlined herein was adopted by the Committee in order to accomplish a more orderly development of the great mass of material to be presented, and to eliminate unnecessary delays and inconveniences to persons participating as witnesses or otherwise in the hearing", he concluded.

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FCC ORDERS LEGAL STUDY ON PROGRAM COMPLAINTS

Still smarting under press criticism for calling to task Station WTCN, Minneapolis, for broadcasting Eugene O'Neill's "Beyond the Horizon", the Federal Communications Commission has ordered its Legal Department to make a study of its authority and to recommend a new procedure.

The study will be made under the direction of the Acting General Counsel, William J. Dempsey, and will include conferences with the Justice Department to determine jurisdictional questions.

The FCC announcement this week stated:

"The Commission, upon consideration of the instances reported to it of broadcast stations transmitting lottery, obscene, indecent, profane, or other programs which may be violative of penal provisions of the Communications Act of 1934, directed the Law Department to make a comprehensive study of such provisions with the view of determining the extent of the authority and jurisdiction of the Commission under the same, and the appropriate procedure to be followed in cases of alleged violations. In this connection the Commission authorized the Acting General Counsel to confer with representatives of the Department of Justice with the view of determining the jurisdictional questions involved and the possible establishment of appropriate procedure in cases of such violations."

The FCC action is somewhat surprising, however, in view of the fact that a Special Program Complaint Committee was set up recently to do somewhat the same job.

The Committee is headed by Commissioner George Henry Payne, and includes Commissioners Eugene O. Sykes and T.A.M. Craven. Messrs. Payne and Craven, however, have been at odds with other members of the Commission over Chairman McNinch's "purge".

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MARTIAN "INVASION" GIVES CBS AND FCC THE JITTERS

While the majority of radio listeners considered the nation-wide scare caused by the CBS broadcast of "The War of the Worlds", a great joke, officials of the Columbia Broadcasting System and the Federal Communications Commission saw little humor in it.

As the Commission began a study of a transcribed version of the script of the Orson Welles version of H. G. Wells' 41-year-old novel, "The War of the Worlds", officials admitted off the record that there was little that the FCC could do except reprimand the network and warn it not to repeat the offense.

Even that gesture was robbed of its effectiveness, however, when Columbia announced on Monday that it would never again follow a program technique of a simulated news broadcast when there is any danger of it being misunderstood.

Chairman Frank R. McNinch issued a formal statement Monday saying that the broadcast was "to say the least, regrettable". Neither he nor other members of the Commission heard the program, however.

Other statements came from the President of the National Association of Broadcasters, a Vice-President of CBS and others, but the last word came from the Harvard Astronomical Observatory.

The Harvard Observatory, responding to a request, issued a statement, according to the Associated Press, that there is no evidence higher forms of life, as known on earth, exist on the planet Mars. This put at rest any lingering fear of timid souls that even though the Martian conquest did not occur Sunday night, it might at some later date.

British newspapers compared the panic in the United States to a similar scare in England in 1926 when the British Broadcasting Co. put on a skit describing a mob sacking Whitehall, the government section of London.

In Germany the radio scare was hailed as the "indescribable result of war agitation" and Nazi newspapers chortled freely over the American response to a war scare.

Nothing approaching the mass hysteria aroused by the fictional fantasy has ever been brought about by radio.

The nearest incident, however, to the Mars invasion, it was said, was the impersonation of President Coolidge by the late Will Rogers which was mistaken by thousands for an actual Presidential address.

It was recalled that the FCC last year reprimanded the National Broadcasting Co. for a different sort of broadcast, a

Garden of Eden episode with Mae West and Charlie McCarthy, which brought a flood of protests from shocked listeners.

Already smarting as a result of unfavorable reaction to an attempt to call Station WTCN, Minneapolis, and other NBC affiliates on the carpet for a broadcast of Eugene O'Neill's Pulitzer prize play "Beyond the Horizon", the FCC is now wary of any move that may be labeled censorship of programs.

Commissioner T.A.M. Craven, who was one of the members who forced the Commission to reverse itself on the O'Neill play, issued a statement supporting Chairman McNinch in his action regarding the CBS program but at the same time warning against any attempt at censorship.

"I feel that in any action which may be taken by the Commission", he said, "utmost caution should be utilized to avoid the danger of the Commission censoring what shall not be said over the radio.

"Furthermore, it is my opinion that the Commission should proceed carefully in order that it will not discourage the presentation by radio of the dramatic arts. It is essential that we encourage radio to make use of the dramatic arts and the artists of this country. The public does not want a spineless radio."

"I withhold final judgment until later", Chairman McNinch said, "but any broadcast that creates such general panic and fear as this one is reported to have done is, to say the least regrettable".

George Henry Payne, who frequently has quarreled with Chairman McNinch, for once, was on the same side as he suggested that the Commission establish a "standard of broadcasts".

Recalling that last Fall he campaigned against terrorism in children's radio programs, Commissioner Payne said:

"People who have material broadcast into their home without warnings have a right to protection. Too many broadcasters have insisted that they could broadcast anything they liked, contending that they were protected by the prohibition of censorship. Certainly when people are injured morally, physically, spiritually and psychically, they have just as much right to complain as if the laws against obscenity and indecency were involved."

Senator Clyde Herring (D.), of Iowa, said he planned to introduce a bill in the next Congress "controlling just such abuses".

Despite the threat of damage suits and unfavorable public reaction, CBS officials rejoiced privately that the incident showed that many listeners were not tuned into NBC's Charlie McCarthy, who has long been a problem to Columbia. Incidentally, the indomitable Charlie bobbed up in the CBS affair as the story went the rounds that Charlie's head, which fell during the Sunday night broadcast, was shot off by a Martian death ray.

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"STALINISM" CHARGED TO FCC IN CIRCULARS

Candidates for Congress, Washington correspondents, and others this week received copies of a circular letter sent out without signature but under the letter-head "American Radio Audience", with the address of 11 West 42nd Street, New York City, assailing the Federal Communications Commission.

Reprinting in full the recent column of General Hugh S. Johnson on the FCC row, the letter said, in part:

"Enclosed herein you will find some printed material dealing with the obnoxious and nauseating conditions existing within the Federal Communications Commission, and the possible rise of 'Stalinism' in American governmental affairs.

"As a candidate for election to the Congress of the United States, and thereby entrusted with the supervision and regulation of the Commission to which the Congress has delegated the handling of this important subject of Communications, YOUR people are interested in knowing your attitude, and, have a right to know whether or not you believe the conditions herein described should be allowed to continue.

"We will appreciate your advising us as soon as possible in order that interested parties in your District may know of your attitude on this subject."

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DIES SAYS ADMINISTRATION CUT HIS NET LINE-UP

Before going on the air from Station WOL, Washington, last (Monday) night to discuss the work of the House Committee on Un-American Activities, Chairman Dies (D.), of Texas, charged that a number of stations which had scheduled the address originally had dropped it at the last minute because of Administration pressure.

The speech was carried over the Mutual Broadcasting System, which asserted there had been no change in plans. Station WOR, key station of the chain, however, did not carry the program, it was said, because of a previous commitment.

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FCC SEEKS BUDGETARY RISE OF \$680,000

The Federal Communications Commission is asking the Budget Bureau for an increase of \$680,000 for its appropriation for the next fiscal year beginning July 1, 1939, it was disclosed this week. The appropriation under which the Commission is now operating amounts to \$1,705,000, while the Commission is asking for \$2,385,000 for the next fiscal year.

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 :::: TRADE NOTES ::::
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Several hundred radio engineers and executives are expected at the annual Fall meeting of the Institute of Radio Engineers and the RMA Engineering Department at the Sagamore Hotel, Rochester, N.Y., November 14-16 inclusive. Many meetings of the RMA Engineering Committees have been arranged and the annual exhibits are especially designed for the interests of engineering staffs and manufacturers.

Two members were added to the WABC sales staff at the New York headquarters of the Columbia Broadcasting System, effective this week. They are Beverly M. Middleton and Robert C. Mayo.

Newest addition to the Mutual network is Station KOME, Tulsa, Okla., which on Sunday, November 6th, becomes link number 108 in the four-year-old coast-to-coast Mutual chain.

Important world developments through the years from the end of the war until the present will be discussed by Gen. James G. Harbord, Chairman of the Board of Directors of the Radio Corporation of America, over the NBC-Blue Network on Thursday, November 10, from 10:30 to 11:00 P.M., EST. General Harbord will speak at a dinner of the Union League Club in Chicago.

Hollywood Radio City, NBC's new film capital headquarters, will be opened to the public on December 1st, according to an announcement by Don E. Gilman, Vice-President in Charge of the Western division. Although the public already is being admitted to broadcasts in the four auditorium studios and the office building is open for business, an army of workmen is still busy putting on finishing touches.

The monthly index of radio advertising in Printer's Ink, out this week, shows a decrease of 6.1 percent in September from last year. The index shows a drop of 5.4 percent from August, when corrected for seasonal variations.

"Unit sales of Zenith radios from the distributors to the dealers for the six weeks beginning September 1st and ending October 15th, exceeds the same period of last year by 73.43%", according to Commdr. E. F. McDonald, Jr., President of the Zenith Radio Corporation, Chicago. "We estimate that profits for the first six months of the current fiscal year, ending October 31st, will represent approximately \$1.25 per share before Federal taxes, which, in view of lower unit prices set to meet the market conditions of the moment, we consider highly gratifying."

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RCA ANNOUNCES QUARTERLY DIVIDENDS

Following a meeting of the Board of Directors of the Radio Corporation of America held last Friday, David Sarnoff, President of the company, announced that the following dividends had been declared:

"On the outstanding shares of \$3.50 Cumulative Convertible First Preferred stock, 87-1/2¢ per share, for the period from October 1 to December 31, 1938, payable in cash on December 14, 1938, to the holders of record of such stock at the close of business November 7, 1938.

"On the outstanding shares of "B" Preferred stock, \$1.25 per share, for the period from October 1, 1938, to December 31, 1938, payable in cash on December 14, 1938, to the holders of record of such stock at the close of business November 7, 1938.

"On the outstanding shares of Common Stock, 20¢ per share, payable in cash on December 14, 1938, to the holders of record of such stock at the close of business November 7, 1938."

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NEWSPAPERS EXPECT ADS FROM TELEVISION

Whether the projected television sets will contribute the large expenditures to newspaper advertising that radio sets did in their first years is a question which arose this week in newspaper circles, following announcement that television will be available early next year, the New York Times commented this week.

"So far, inquiry revealed yesterday, manufacturers have made no advertising plans nor would any of them reveal the exact date of introduction of the television sets", the Times said. While April was mentioned in the statement by the Radio Manufacturers' Association, several are expected to beat the gun by a month or two and will probably use newspapers and spot radio to introduce their sets. The extent of campaigns and the effect on radio set advertising, which is now swinging along strongly, will all depend on sales results.

"The introduction of radio sets gave newspaper advertising quite a fillip in the early Twenties. Volume of advertising rose steadily until by 1928, it accounted for 10.7 percent of all national advertising in newspapers. Following the 1929 crash, totals dipped until by 1933, radio set copy amounted to only 1.4 percent of national advertising. By the end of last year, it had crept back to 2.5 percent, with the likelihood of further gains this year. Whether television can duplicate the advertising performance of the earlier years of radio is a moot question, according to publishers."

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