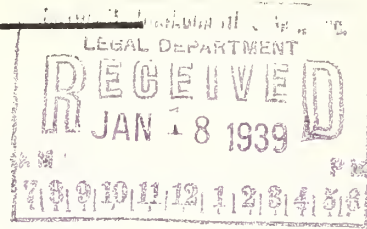


HEINL RADIO BUSINESS LETTER

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January 17, 1939

NETWORKS NET \$45,000,000 IN 12 YEARS, FCC LEARNS

While still groping about for evidence of actual monopolistic practices within the broadcasting industry, the Federal Communications Commission this week had accumulated a lot of evidence on network operations, including the startling fact that the two major networks have netted profits of \$45,000,000 within the last 12-year period, during part of which there was a depression.

Resuming an inquiry into the activities of the Columbia Broadcasting System this week, the FCC hoped to enliven the chain-monopoly inquiry shortly with data on station ownership, gleaned from questionnaires sent to all licensees last week. Broadcasters, led by the National Association of Broadcasters, however, complained that they are unable to answer many of the questions asked and requested a simplification of the inquiry and an extension of time beyond January 25, when the replies are due.

The CBS testimony, which began last week, is proceeding more rapidly than did that of NBC and is expected to be concluded by the end of January. William S. Paley, President of CBS, will be the principal witness. While scheduled early in the hearing, his appearance has been postponed until later.

CBS witnesses heard so far have been Dr. Frank N. Stanton, Manager of Market Research; Mefford R. Runyon, Vice-President in Charge of Owned and Operated Stations and in supervisory charge of Station Relations; Frank White, Treasurer; Edward R. Murrow, European Director and Hugh A. Cowham, Traffic Manager. In addition to the witnesses CBS itself had scheduled Ralph F. Colin, General Counsel of CBS and Treasurer of the Park Corp., Mr. Paley's holding company, has been asked to testify by Commission Counsel Porter in connection with that corporation.

Although CBS did not begin operation until a year after NBC, it has earned approximately the same amount of net profit since its establishment, Treasurer White revealed in his testimony. A consolidated profit and loss statement for the network from 1927 to Jan. 1, 1938, disclosed an aggregate net income of approximately \$19,000,000 - which just about equaled NBC's net figure for the 11-year period beginning in 1926.

Mr. White estimated that CBS would show a net profit for the 1938 year of approximately \$3,500,000 or about \$800,000 less than the preceding calendar year. This figure would raise the CBS lifetime net to approximately \$22,500,000 - which maintains its slight advantage over NBC's 12-year record.

During the 11 years of its operation, from 1926 to 1937, networks of NBC realized a net operating profit of \$18,885,532 out of a gross income of \$282,404,934, according to Mark Woods, NBC Vice President and Treasurer. With estimated total revenues of \$42,211,268 for the 1938 calendar year, the lifetime record of the NBC networks will show a gross income of \$324,616,252, while the net operating profit is expected to rise \$3,451,971 for 1938 to bring the 12-year profit figure to \$22,337,503.

Other highlights of the CBS testimony to date showed:

CBS owns eight stations - WBT, WCCO, KMOX, KNX, WBBM, WKRC, WJSV and WABC - and leases one - WEEL. As of Oct. 1, last, CBS had 102 affiliated stations, exclusive of the owned and operated group. Replacement value of the CBS owned and operated stations, and of the network's facilities as of the end of 1937 was computed at \$9,322,838.

CBS has a total of 1,724 full time employees of whom 274 are artists or musicians. In addition a number of employees are given "casual employment" or engaged on a per performance basis, he said. The payroll in 1938 totaled \$5,309,330, and with the "casual" employees, aggregated \$6,382,659.

CBS has a policy against selling time for presentation of controversial issues, except during campaign years by qualified candidates. The same policies apply for managed and operated stations, except where local and State election campaigns are involved.

William S. Paley was shown as the owner of 20,530 shares of Class A and the beneficial owner of 108,510 shares of Class A CBS stock. He also held 400,088 shares of Class B and beneficially an additional 340,726 shares of Class B.

Second largest individual stockholder was shown as Isaac D. Levy, with 64,200 shares of Class A owned outright and 63,200 shares of Class A owned beneficially. He also held 23,465 shares of Class B outright and 23,465 beneficially. His brother, Dr. Leon Levy, held the third largest block - 37,850 shares of Class A owned outright and an equal amount held beneficially and 44,900 shares of Class B stock owned with 49,900 shares owned beneficially.

A summary of capital stock issued, held in the treasury and outstanding, from CBS' inception in 1927, through Jan. 1, 1939, also was offered as an exhibit. As of Jan. 1, 1939, this showed that a total of 1,900,747 shares had been issued with a par value of \$2.50 per share. The total par or stated value of this stock was \$4,751,867.50. Of this total, 192,600 shares were held in the treasury with a value of \$1,055,670.64. The total number of outstanding shares, therefore, was 1,708,147.

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Mr. Paley was shown as the owner of 110-2/3 shares of WCAU as well as less than 1% of the stock in a group of companies including Sante Fe Railroad, General Foods, General Motors, Liggett & Myers, Texas Co., Time, Inc., and U. S. Rubber, Isaac D. Levy was shown as the owner of 326-2/3 shares of WCAU.

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FCC TO KEEP HANDS OFF THREATENED STRIKE

Officials of the Federal Communications Commission indicated this week that they are watching with interest but plan to take no hand in the negotiations between organized radio entertainers and advertising agencies which threatens to bring about a nation-wide strike.

With some 6,000 radio actors, singers and announcers who are members of the American Federation of Radio Artists involved, the strike, if called, would throw practically all commercial network programs off the air.

All local chapters of the union have been advised by AFRA, which is headed by Eddie Cantor, to hold meetings of their membership not later than January 22 to vote on the strike issue.

Dissatisfied with the minimum wage scales suggested by the fact-finding committee of the American Association of Advertising Agencies, the National Board of the Union informed its 6,000 members that "conditions have arisen in the field of commercial radio broadcasting which make it imperative that members of A.F.R.A. refrain from working for advertising agencies and producers who fail to become signatories to AFRA's code of fair practice".

The Union is seeking a basic wage of \$15 for actors and announcers on fifteen-minute programs, \$25 for half-hour programs and \$35 for one-hour programs, with rehearsal pay at the rate of \$6 an hour. The proposed union scale for singers is broken into sixteen categories.

The Association's conference committee insists that the highest feasible minimum wage for all classes of performers and announcers is \$15 for fifteen minutes, with two hours of free rehearsal; \$20 for thirty minutes, with three hours' free rehearsal, and \$25 for sixty minutes, with four hours' free rehearsal.

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PAYNE DROPS LIBEL SUIT FOR \$100,000

The \$100,000 libel suit of Federal Communications Commissioner George Henry Payne against Broadcasting Magazine, and its editor and publisher, which has been pending in the United States Court for the District of Columbia since December, 1936, was dismissed last Friday.

The editorial which was the subject of Commissioner Payne's complaint criticized his examination of Powell Crosley, Jr., head of Station WLW. Commissioner Payne charged that it transcended the limits of fair comment and libeled him. The magazine explained to Commissioner Payne it had no intention of transcending the limits of fair comment or of doing more than expressing its reasonable disagreement with the views he had expressed and the manner in which he had expressed them.

The dismissal of the suit came pursuant to the resulting understanding had between the parties that the editorial was published by the magazine, its editor and publisher, in good faith as a criticism in a matter of great public interest, as the magazine saw it at the time, and without any malice; and that it was not intended to reflect in any way upon Commissioner Payne's personal or official integrity.

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"SATELLITE" STATION FOR S.C. RECOMMENDED

The Federal Communications Commission this week was advised by Examiner John P. Bramhall to grant the application of Station WIS, Columbia, S.C., for special experimental authorization to erect a "satellite" station at Sumter, S.C., to operate synchronously with WIS. The synchronized station would operate with 10 to 100 watts on 560 kc., the same channel used by the master station with 1-5 KW.

The Examiner found that the "satellite" station would add 13,879 potential listeners or 16.8 per cent radio audience to WIS's area.

"The specific proposal in this case", the Examiner said, "is to establish a synchronous station in Sumter, a city of approximately 11,000 people located 38.5 miles from Columbia, for the purpose of determining by experiment whether the principle of operating such a station with much lower power than the master station and holding it within one-fifth of a cycle of the master station's frequency by auxiliary synchronizing equipment is a practical method to provide such service. . . .

"Because of the character of the program of research and experimentation to be carried on, it is believed that the same will contribute substantially to the broadcast art."

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FOUR-POINT PROGRAM ADOPTED BY NAB AND RMA

A four-point program has been adopted by representatives of the National Association of Broadcasters and the Radio Manufacturers' Association in their industry-wide radio campaign to promote both broadcasting and radio manufacturing.

Committees meeting at NAB headquarters adopted the following objectives as the major goal of the year-round campaign to enlist the cooperation of broadcasters, networks, manufacturers, distributors, and retail dealers:

1. To increase the amount of listening
2. To improve the quality of home reception.
3. To sell the excellence, variety and extent of American radio program service
4. To sell the American System of Broadcasting and the contributions made thereto by the individual NAB stations.

While details of the campaign are now being pursued, the Committee members agreed that it would be administered through the Public Relations Department of NAB for the time being.

Networks are expected to contribute one program a week to the campaign. Transcriptions will be furnished non-network stations weekly. In addition, all stations will be enabled and encouraged to contribute their own programs, calculated to sell their own operations, as well as American radio generally.

Through factory cooperation, retailers will distribute NAB literature, such as "The ABC of Radio", in the eight million radio sets sold a year; will develop special window displays highlighting American radio program service and providing local stations with window-tie-up and program-schedule spotlights. Regularly scheduled newspaper and other advertising will be coordinated with the central themes of the campaign. Copy in the national advertising of manufacturers in all media will likewise be coordinated.

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DEALERS DON'T EXPECT TELEVISION SETS BEFORE FAIR

Despite previous rumors, it now appears that radio manufacturers will not attempt to market television sets in any quantity until the World's Fair starts, according to the New York Times. The paper quoted dealers in saying that some sample sets have been prepared, but that the prices quoted are quite high. "Manufacturers have been chary in giving either distributors or dealers any tangible information about the new models, but the latter would not be surprised if some of them suddenly introduced television sets with little warning," the Times said.

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STATICLESS RADIO PROMISED BY COLUMBIA PROF.

The dream of all radio listeners - a radio without static or any kind of interference to reception - will be realized next Spring, according to announcement by Columbia University, New York City, as the result of a development by Maj. Edwin H. Armstrong, Professor of Electrical Engineering, inventor of the super-heterodyne receiver.

The feat will be accomplished through the broadcasting of a high-powered, thunder-defying radio transmitter, using the call letters W2XMN, which will employ a revolutionary system of transmission known as frequency modulation.

The new system, because it wipes out static, tube noises and interference, promises to replace the old method now in use in the same manner in which alternating current replaced direct current, Professor Armstrong declared, according to the New York Times. If widely adopted, the announcement added, all the parlor radios now in use will become as obsolete as the radios of the early 1920s are today.

The new method of radio transmission and reception, it was declared, promises to be of vast significance in another direction. Not only will it eliminate all unwanted noises made by nature or man but it will at the same time also open up for the field of high-fidelity broadcasting a vast new air channel in the short-wave range, from ten meters to possibly one meter. This will mean that 1,000 up to possibly 1,500 new radio wave lengths will be available for use for the first time on a practical basis.

"The new system", the announcement said, "will greatly relieve the danger of the air waves being monopolized, which has given so much concern to Congress, by making available a service on the ultra-high frequency channels that are comparatively unused at present."

W2XMN is at present assigned to broadcast in the vicinity of 40 megacycles (40,000,000 cycles) by the Federal Communications Commission, which corresponds to a wave length of 7.5 meters.

The new system operates on a band of 200,000 cycles. Since a wave length of one meter corresponds to 300,000,000 cycles, it can be seen that at this wave length there would be room for 1,500 radio stations operating on the new Armstrong system of 200,000 cycles. At the present wave length of about 7 meters, which corresponds to a frequency of 120,000,000 cycles, there will be room for 600 additional radio broadcasting channels in a band now comparatively unused because of fading, skip-distance, static and other practical difficulties that the new system eliminates, it was said.

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Construction of "frequency modulated" receiving sets of the new type, which had been at first labeled an impractical dream by radio manufacturers, is already under way at the plant of the General Electric Company, it was announced. The new sets, when produced on a quantity basis, it was added, "will cost no more than the ordinary good sets of today and will be able to receive both the old and new kinds of broadcasting much the same as sets now receive both the short and long wave programs."

It was pointed out that the short wave receiver of present models would not be able to tune in on the programs transmitted by the new system.

Station W2XMN is built in a wooded section of Alpine, N.J., atop the Palisades. It has a 400-foot tower with three 150-foot cross-arms, rises 1,000 feet above sea level and can be seen from almost any spot along Riverside Drive.

The tower is constructed in an entirely new design perfected by Professor Armstrong. Instead of the conventional wires strung between two supports, the aerial consists of a series of copper plated steel bars fastened to a boom suspended between the tower's cross-arms. Waves sent out over these bars may be concentrated along the earth's surface, whereas the waves broadcast by the ordinary wire aerial go off in an arc in all directions.

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CANADIAN PUBLISHER EVADES RADIO BAN

By using electrical transcriptions on 19 Canadian radio stations Monday, George McCullagh, owner of the Toronto Globe-Mail, evaded a ban ordered by the Canadian Broadcasting Corporation on the broadcasting of the views of an individual not sponsored by a political party over a national hook-up.

The ban had been justified by Transport Minister C. D. Howe on the ground that to allow wealthy men to buy time on a network to air their views would constitute a discrimination against poor men.

He said that the British Broadcasting Corporation and the National Broadcasting Company have similar rules.

The publisher's address, the first of a series, was addressed to the members of the new Parliament gathered in Ottawa.

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FOUR RADIO BILLS REINTRODUCED IN SENATE

Four bills were introduced this week and last week in the Senate dealing with broadcasting.

One bill (S.517), introduced by Senator Johnson (D.), of Colorado, would amend the Communications Act of 1934 "to prohibit the advertising of alcoholic beverages by radio". ✓

Senator Sheppard (D.), of Texas, introduced S.550 which would amend the Radio Act by making it mandatory that a radio station operator be 21 years of age with an exception that the Federal Communications Commission could allow younger persons to become amateur radio operators. ✓

Senator Capper (R.), of Kansas, introduced S.575, dealing with alcoholic beverages in interstate commerce. A paragraph of the bill prohibits advertising of this commodity on broadcast stations. ✓

These three bills are identical with bills introduced by the same members of the Senate at the last session of Congress and all have been referred to the Committee on Interstate Commerce.

At the same time, W. S. Alexander, Administrator of the Federal Alcohol Administration Division of the Treasury, asked Congress in his annual report to ban radio liquor advertising.

Strict regulation of radio broadcasting companies in the field of self-censorship was proposed in a bill reintroduced yesterday (Monday) by Senator Schwollenbach (D.), of Washington, and referred for study to the Committee on Commerce.

The measure, on which the last Congress took no action, would remove from broadcasting companies the right of control over discussions of a controversial nature, and provide for definite periods of time for "uncensored discussion, on a non-profit basis, of public, social, political and economic problems, and for educational purposes. In such periods, exponents of all sides would receive equal amounts of time.

The bill would require complete recording of applications for radio time and the reasons for rejections and for changes of programs dealing with public discussions.

Censorship by government agencies would be limited to defamatory or objectionable language.

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McNINCH REPORTS ON SAFETY-AT-SEA ACT

The Federal Communications Commission "has no specific recommendations to make for new legislation with respect to safety of life and property at this time", Chairman Frank R. McNinch informed the President of the Senate and the Speaker of the House of Representatives this week. In identical letters to the presiding officers of the two Houses of Congress, Chairman McNinch said:

"The Federal Communications Commission transmits herewith its report on the subject of whether or not any new wire or radio communication legislation is required better to insure safety of life and property, pursuant to the second proviso of Section 4(k) of the Communications Act of 1934, as amended by Public, No. 97, 75th Congress, approved May 20, 1937.

"In general, the provisions of the statute have proven suitable for the accomplishment of the purpose of promoting safety of life and property through the use of wire and radio communication and they represent the practical limits to which it appears necessary or advisable to go at the present time. Accordingly, the Commission will make no recommendations for additional legislation for safety purposes of a major character during the present session of Congress.

"The Commission is now engaged, pursuant to the provisions of Section 602(e) of the Act in making a special study of the radio requirements necessary or desirable for safety purposes for ships navigating the Great Lakes and Inland Waters of the United States; and it is required to report its recommendations thereunder to the Congress not later than December 31, 1939. Should the results of this study disclose a need for legislation, such proposals should be coordinated with any major changes in the provisions made for promoting safety of life at sea generally. The Commission, therefore, deems it advisable to defer any specific recommendations it may have for general safety of life at sea legislation until after the completion of the study.

"The Commission is not aware of any present need for additional legislation affecting the use of wire lines for safety purposes. No cases have come before it involving the application of safety principles in connection with the operation of wire lines of which it has been unable to make appropriate disposition under its existing powers.

"Since the last report to the Congress under the provisions of Section 4(k) the Civil Aeronautics Authority has been created. In the administration of the Aeronautics Act the use of radio plays an important role. The Authority and the Commission recognize the desirability of conducting a study to determine what, if any, additional legislation may be helpful in correlating the administration of the Communications and the Aeronautics Acts. It is desired to have the benefit of further experience under the

new law before attempting to reach definite conclusions and a series of conferences between the two agencies has been arranged looking to the submission to Congress at a later time of such concurrent specific recommendations for further legislation on this subject as may be found necessary or desirable.

"The Commission has given special consideration to this subject and reports for the reasons given above that it has no specific recommendations to make for new legislation with respect to safety of life and property at this time."

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CROSLEY TO MARKET FACSIMILE MACHINE

The Crosley Reado, a facsimile machine, will be placed on the market by the Crosley Corporation this Spring, Powell Crosley, Jr., President, announced at a demonstration to Cincinnati publishers last week. Mr. Crosley said that the complete set would retail for less than \$150. It consists of a printing section and a radio section, the two fitting together. The printing section will cost \$79.50. It may be attached to any radio with a loud speaker output of five watts, in other words, a five to seven tube set.

Mr. Crosley is using the Finch system of facsimile developed by W.G.H. Finch, of Finch Telecommunications Laboratories, New York.

The Reado is equipped with a clock which may be set to start as early as 2 A.M., when the Crosley station, WLW, starts its facsimile news and pictures broadcasts. The report will be printed on a paper ribbon the size of two newspaper columns.

Mr. Crosley said facsimile broadcasts would be used as an adjunct, and not as a competitor of newspapers. He has been experimenting with facsimile broadcasting two years. He said the broadcast could be received in a radius of 500 miles.

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TELEVISION TESTS IN CAPITAL PLANNED BY NBC

Demonstrations of the latest television equipment will be made before members of Congress and the press next week by the National Broadcasting Company. The NBC television van left New York today and planned a stop in Philadelphia before proceeding to Washington.

Six television receivers will be installed in the National Press Club. The plan is to interview members of Congress and Administration officials at the radio cameras. From the mobile unit the images will be telecast on ultra-short waves to the Press Club.

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::: _____ :::
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While condemning certain broadcasts sponsored by the Basic Science Institute and the Samaritan Institute, the Federal Communications Commission this week renewed the license of Station KMPC, Beverly Hills, Cal., on the ground that it is now furnishing a satisfactory service.

 For the third consecutive year, Blackett-Sample-Hummert, Inc., placed the largest amount of business on the three radio networks - NBC, CBS and Mutual - in 1938, with a total of \$9,093,125.

 RCA Communications, Inc., last week reported gross profits of \$4,250,508 and net income of \$367,882 for the eleven months of 1938 ending November 30. This figure compares with 1937 returns of \$4,767,251 and \$973,713, respectively.

 Germany will build two radio communication stations in South America this Spring, one in Buenos Aires and another in Lima, to carry the reports of the German Transocean News Service, according to the Associated Press. The stations will be the first in a link designed to aid the Nazi campaign to exercise political and economic influence in the Latin Americas.

 David Sarnoff, President of the Radio Corporation of America is to receive the 1938 Gold Medal award of achievement from the Poor Richard Club at its thirty-fourth annual dinner in Philadelphia tonight (Tuesday), the 233d birthday anniversary of Benjamin Franklin. The honor is conferred annually in recognition of one whose accomplishments have been adjudged to have helped in advancing American civilization and whose efforts have aided in establishing higher standards of living.

 A substantial expansion in the advertising efforts of Philco Radio and Television Corporation for this year will result from the company's entrance into new fields, according to predictions in the advertising field yesterday. Philco will be active in five major lines this year. Of primary importance is its entrance into the refrigerator field, with the Conservador line. Secondly, the company, which entered the air-conditioning field last year for the first time with the Cool-wave portable air-conditioning unit, will expand its activities in this direction this year and has prepared a complete merchandising and promotional campaign. The company is also introducing a complete new line of dry batteries for all purposes. The 1939 line of Philco auto radios will be shown next month together with complete promotional plans. Advertising continues on Philco 1939 home radios, which were introduced last year.

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