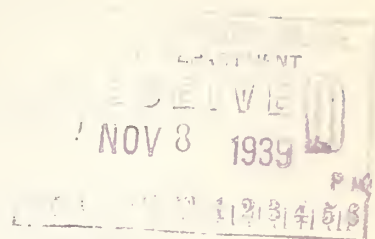


HEINL RADIO BUSINESS LETTER

2400 CALIFORNIA STREET

WASHINGTON, D. C.



INDEX TO ISSUE OF NOVEMBER 7, 1939.

Shepard Sticks By NAB; Seven Stations Quit.....	2
Radios Named In U.S.-Venezuela Trade Treaty.....	3
Musicians Ask Another Boost From Broadcasters.....	4
Radio Exports Rise And Fall In September.....	5
Radios Among Noisemakers That Annoy Hotel Guests.....	5
WLW Case Loses Last Appeal For Super-Power.....	6
World Series Basis For New Monopoly Inquiry.....	6
FCC Hearing Room To Be Streamlined.....	7
First "Staticless" Network Planned By Shepard.....	8
"Pro-Nazi" Stations Reported Near Border.....	9
Radio Amateurs Handle Messages After Va. Snow.....	9
Trade Notes.....	10
FCC Proposes U.S. Pay Higher Telegraph Tolls.....	11
RCA Reports Quarterly Profit Increase.....	11
Radio Making Notable Progress In Italy, U.S. Learns.....	12
Trustee Appointed For Majestic Corporation.....	12

No. 1172

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November 7, 1939.

SHEPARD STICKS BY NAB; SEVEN STATIONS QUIT

With John Shepard, III, owner of the Yankee and Colonial Networks, pledged not to sell radio time to Rev. Charles E. Coughlin, officials of the National Association of Broadcasters returned to Washington this week from the Directors meeting in Chicago more confident of industry support of the Code ban on sponsored controversial broadcasts.

The NAB issued a statement attributed to Mr. Shepard stating that he would give time to Father Coughlin but would no longer sell him the time, thus coming within the provisions of the Code. As Mr. Shepard's Colonial Network forms the nucleus of the Coughlin network, NAB officials felt that the split will not be as serious as at first feared.

Four more stations, however, resigned because of the NAB Code. Ralph B. Atlass, of Chicago, withdrew Station WIND, according to the NAB and Gene T. Dyer, of Chicago, took out Stations WCBD and WSBC. A fourth Texas network station also resigned under Elliott Roosevelt's influence.

Meanwhile, Edgar Bill, Chairman of the Code Maintenance Committee, came to the defense of the Code in a radio address made from his home station at Peoria, Ill. The Code, he insisted, "far from curbing freedom of speech" actually "promotes freedom of speech". The policy of restricting controversial broadcasts to sustaining programs, he said, has been tested for several years on the major networks.

"How does it work?" Mr. Bill, President of WMBD, asked. "Well, during the recent discussion of the arms embargo repeal, this network (CBS) gave time for eighteen talks for repeal, twenty against repeal and three non-partisan. The amount of time was four hours and thirty-five minutes each, both for and against repeal and forty minutes for the non-partisan speakers. During the Supreme Court battle, this network gave time for twenty-one speakers on each side of the question, or a total of forty-two speakers. Last Fall this network gave time for a series called 'Political Party Addresses'. Six Democrats and six Republicans each had periods of free time.

"One of the best examples of this policy is the present series of discussions of our Code. The facilities of a great network and its stations were turned over free last Sunday at this time to David Lawrence who spoke against the policies of the very stations who were carrying his voice. The Code did not censor Mr. Lawrence nor curbe his freedom of speech. Let me ask whether

David Lawrence's newspaper, 'The United States News', has followed the example of radio and printed both sides of the Code controversy. Mr. Lawrence devoted the entire back page of his paper October 16th to an editorial against the Code. Would he, following radio's example, give the same page to an editorial in favor of the Code?

"On our own station here in Peoria, we have followed the same policy of free time for controversial discussions for about two years. A good example of how it worked came about during a jurisdictional labor dispute last Spring when both parties used equal time to present their cases to the public. A year ago, our town was divided on the question of introducing military training in the high schools. An equal number of speakers for both sides presented their arguments over our station.

"Far from curbing freedom of speech, we have learned that this policy promotes freedom of speech. It also brings more persons to the microphone, whatever their views may be. It gives the listener a chance to hear both sides of every question and then puts upon him the responsibility of making up his own mind.

"Some one has said that radio stations cannot afford to give away time for such purposes and that freedom of speech would thereby be curbed. Of course, that is not true. For years, radio stations have been giving free time for public service. During the European crisis of last September, stations all over the country cleared their commercial program schedules day after day to broadcast special European news. Does the American public need to be reminded of the service performed by radio stations during disasters such as the Ohio Valley and New England floods? Networks and stations have given time freely for the discussions of such questions as the arms embargo repeal. This network alone, as I told you, gave almost ten hours on that subject. I have mentioned only a few instances in which broadcasters found public service more important than making money. There are many more, certainly enough to prove that the radio industry can, as a public service, afford to give rather than sell time for the discussion of public controversial issues."

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RADIOS NAMED IN U.S.-VENEZUELA TRADE TREATY

Concessions in the importation of American-made radio equipment are included in the reciprocal trade agreement signed this week between Venezuela and the United States, according to the State Department.

The trade pact will become effective December 16th and is the eleventh of such agreements to be reached between this country and other American Republics.

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MUSICIANS ASK ANOTHER BOOST FROM BROADCASTERS

Broadcasters, bothered with code and copyright difficulties, were given something else to worry about late last week as the American Federation of Musicians informed the Independent Radio Network Affiliates that it expects a 50 percent increase in revenue from radio in 1940.

The present contract between the AFM and IRNA will expire January 17, 1940. Representatives of the two groups held their first conference in New York last week to open negotiations for a new agreement.

During the conference, Joseph N. Weber, President of the AFM and Chairman of its International Executive Board, notified the broadcasters that the position of the Federation is as follows:

"(a) In 1937, the Federation required the network affiliates (including network owned and operated stations but not including network key stations) to increase their annual expenditure for staff musicians by an additional sum of \$1,500,000, thereby bringing the gross annual expenditure up to not less than three million dollars. This has been carried out under the plan of settlement during the two years beginning January 17, 1938.

"Upon the expiration of the present arrangement, January 17, 1940, the Federation will require that this annual expenditure be increased by a further sum of \$1,500,000 per annum, bringing the gross expenditure of the affiliates as a group for staff musicians up to the sum of not less than \$4,500,000 per annum.

"(b) In 1937, the Federation required that the annual expenditure of the three national networks in all their key stations in New York, Chicago and Los Angeles be increased by \$60,000 per annum each for staff musicians and this arrangement has been carried out in the two years since the effective date of the national plan of settlement, January 17, 1938. The Federation will require that this increased expenditure be doubled after the expiration of the present arrangement on January 17, 1940, that is, that all of the key stations of the three national networks, in New York, Chicago and Los Angeles, be equivalent to \$120,000 per annum for each station in excess of the amount that was being spent prior to 1938.

"(c) The Federation will deal separately with the independent non-affiliated stations and its demands from such stations were not communicated to those participating in last week's conference."

The representatives of IRNA and the networks were not empowered to give the Federation any reply to these demands.

The Executive Committee of IRNA will promptly communicate with all affiliates in order to obtain facts and figures with which to go back to the Federation for further conference and negotiation.

The Federation notified the IRNA Committee that it should obtain the necessary responses from the affiliates with sufficient promptness to enable the Committee to meet again with the Federation Executive Board on November 20, 1939, the date fixed for the next conference.

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RADIO EXPORTS RISE AND FALL IN SEPTEMBER

Both increases and decreases were noted in United States radio equipment exports during September, the Electrical Division of the Department of Commerce reported this week. Shipments of transmitting sets, tubes and parts declined considerably from \$310,585 in August to \$197,155 during September; a gratifying increase was registered in radio receiving sets with a new high level of \$1,033,200 compared with the preceding month's total of \$802,154; exports of radio receiving tubes also attained a peak of \$295,120 in September, having improved from the August total of \$258,657; all the remaining radio classes decreased, receiving set components from \$429,067 to \$402,780, loudspeakers from \$47,229 to \$31,066 and non-specified receiving set accessories from \$46,622 to \$36,325.

Exports of electrical equipment generally continued to decrease during September when foreign shipments aggregated \$8,625,058, a decline of 6.5 percent, or \$598,598, from the August total of \$9,223,656.

The September total was well above the figure of \$7,924,943 recorded during the corresponding month of 1938.

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RADIOS AMONG NOISEMAKERS THAT ANNOY HOTEL GUESTS

Radios and commercial loudspeaking systems are among the twenty noisemakers that annoy guests most, according to the New York City Hotel Association.

The list, based on a survey among member hotels, includes: police radio cars, radios in taxis, other radios, phonographs and amusement instruments, loudspeakers or other devices to attract attention, and mechanical loudspeakers for advertising.

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WLW CASE LOSES LAST APPEAL FOR SUPER-POWER

Efforts of the Crosley Corporation, Cincinnati, Ohio, to regain its experimental permit for super-power operation by court order were balked this week when the U. S. Supreme Court refused to review the decision of the Court of Appeals upholding the action of the Federal Communications Commission.

Since being denied a renewal of its 500 KW license, the Crosley Corporation has sought to reverse the Commission's decision through litigation.

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WORLD SERIES BASIS FOR NEW MONOPOLY INQUIRY

Although the 1939 baseball season is now history, the Federal Communications Commission is threatening to delve into the broadcasting of the world series games and find out why only the Mutual Broadcasting System carried the broadcasts.

Letters have been sent to broadcast licensees throughout the country asking whether they broadcast the World Series games, whether an opportunity was afforded to them to be broadcast, and, if it was, was any effort made by any person or organization to prevent them from serving the series to their listeners.

The information is to be returned to the Commission not later than November 15th, when the Monopoly Committee will make a study of the data. If information already in its hands proves to be true, the group will reopen the hearings to get sworn testimony, it was indicated.

This action, it was said, was a direct result of the Mutual Broadcasting System's obtaining an exclusive contract for broadcasting the series. Information now before the Monopoly Committee, it was learned, is that Mutual offered this service to independent stations as well as affiliates of other chains. The Committee also is said to be in possession of information that some stations accepted the offer and even broadcast the first day's series, but then were threatened with a cancelling of their chain contracts if they continued, and so desisted.

It is contended in the Commission that such action, if the subsequent investigation proves this to be true, violates the public interest requirements of the Commission, because it prohibits a station from fulfilling a demand for opportunity to hear an event over the radio. It was pointed out that the World Series will furnish perhaps, the best test of the right of chains, through their exclusive contracts, to prevent their affiliates from serving programs of nation-wide interest, even though furnished by another facility.

The letter, which went to all of the stations, asked the following questions:

"Were the World Series baseball games of October, 1939, broadcast over your station?

"If such broadcasts were presented over your station, state (a) the substance of any arrangement or agreement by which such programs were made available to you, and (b) whether any attempt was made by any person or organization to influence or persuade you against broadcasting the programs.

"If broadcasts of the World Series were not presented over your station, state (a) whether the programs were offered to you, but refused by you because of an agreement with a network or other organizations; (b) whether you were influenced by other persons or organizations to refuse the programs, or were prevented from accepting them, and (c) whether an attempt was made by you to obtain the programs, and if so, why you were unable to make arrangements to obtain them."

As soon as the answers are received by the Commission, they will be turned over to the legal staff which has been working on the monopoly investigation. It was indicated that even if the reports do not bear out previous information, if any stations appear to have side-stepped the question, their representatives will be called to Washington and placed under oath. The questionnaire does not call for sworn replies.

It is expected the investigation will be concluded in time to be included in the report on monopoly. The inquiry is to be pressed forward as soon as the information is in.

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FCC HEARING ROOM TO BE STREAMLINED

The makeshift facilities in the hearing room of the Federal Communications Commission are to be streamlined and dignified under the direction of Chairman James Lawrence Fly.

Proceedings before the Commission, due to lack of facilities, have taken on a more or less informal appearance. The hearing room has only five desks, which fill one side of the room. But since there are seven Commissioners, two had to sit on the sidelines. Spectators were allowed to crowd around the tables set aside for the attorneys.

Workmen now are building a semi-circular bench in one end of the room which will be two steps higher than the floor of the hearing room. It will be something like the benches used in courtrooms and will have individual lights for the Commissioners as well as other facilities. The acoustics of the room also are to be improved by the placing of sound-proofing material on the ceiling.

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11/7/39

FIRST "STATICLESS" NETWORK PLANNED BY SHEPARD

Establishment of the first network of "staticless" radio broadcasting is foreseen in the application which has just been made by John Shepard, III, President of the Yankee Network, for permission to operate two frequency-modulated broadcast stations at the summit of Mt. Washington in New Hampshire and at Alpine, N. J.

The Yankee Network based its application on the contention that frequency-modulated radiocasting has long since passed out of the experimental stage and asked that stations using this method of transmission be authorized for operation as regular radiocast stations.

Eighteen stations, nine licensed to be on the air and nine under construction now, are authorized by the Federal Communications Commission to use "special" emission or radio frequency modulation based upon the Armstrong system of staticless radio.

Those on the air include: Edwin H. Armstrong at Alpine, N. J.; General Electric, Schenectady and Albany; Head of the Lakes Broadcasting Company, Superior, Wis.; John V. L. Hogan, New York; C. M. Jansky, Jr., District of Columbia; WDRC (WLXPW) Meriden, Conn.; Westinghouse Electric and Manufacturing Company, Springfield, Mass., and the Yankee Network, Paxton, Mass.

Stations listed by the FCC as "special, construction permits only" are Bamberger Broadcasting Service, Newark, N. J.; The Journal Company, Milwaukee, Wis.; National Broadcasting Company, New York; Stromberg Carlson, Rochester, N. Y.; Westinghouse Electric and Manufacturing Company, Boston, Mass.; WHEC, Inc., Rochester, N. Y.; Worcester Telegram Publishing Company, Holden, Mass.; Travelers Broadcasting Service Corporation, Avon, Conn.; and McNary & Chambers, Bethesda, Md. The majority of these transmitters are to be rated at 1 kilowatt.

Parallel with the Yankee Network experiments in frequency modulation is work being done by the General Electric Company in Schenectady. After having experimented for a year or more with a station of this type atop the State Office Building in Albany, the company decided to build a frequency-modulation transmitter as part of its new television station in the Helderbergs. This station is expected to be ready for operation by the first of the year.

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11/7/39

"PRO-NAZI" STATIONS REPORTED NEAR BORDER

The Federal Communications Commission is investigating reports that a group of unlicensed radio stations are operating in this country near the Mexican border, and are suspected of communicating with German submarines in the Gulf of Mexico and Caribbean Sea. The reports are not the first regarding "outlaw" stations since the European war began. However, none of the stations have yet been found. FCC officials are skeptical of their authenticity.

If the complaints are true, these "pirate transmitters" may be prosecuted as the first radio violators of the neutrality law. German submarines have been rumored in both Gulf and Caribbean waters.

The report of radio operations was received as the Commission prepared to expand its policing of the air waves to remote sections of the Nation, through establishment of several mobile monitor stations to check all channels.

These portable radio stations would augment seven now maintained over the Nation.

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RADIO AMATEURS HANDLE MESSAGES AFTER VA. SNOW

Radio amateurs and road workers did yeoman duty in the heavy snow-storm which blanketed the Shenandoah and east-side valleys west of the Blue Ridge the past week-end, according to an Associated Press report.

The parts they played in relieving emergency conditions became more apparent as a warming sun began to melt the snow, which fell 2 feet deep.

The storm cut the Norfolk & Western's communication lines into Shenandoah. E. E. Emswiler, Jr., of Roanoke, and Charles C. Morrison, of Shenandoah, offered their radio services to the Norfolk & Western's dispatcher, as well as to telegraph companies.

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11/7/39

TRADE NOTES

Appointment of J. M. Greene as Circulation Manager, and H. M. Beville, Jr., as Research Manager of the National Broadcasting Company, was announced last week by Ken R. Dyke, NBC Director of National Sales Promotion. Both appointments, Mr. Dyke stated, are effective immediately.

In his new post, Mr. Greene is charged with network and station circulation measurements, and their application to network sales. The post is the first of that nature to be established by a network. Mr. Beville will supervise all sales research and statistical activities for NBC. E. P. H. James continues as NBC Advertising Manager, in charge of all advertising and direct mail in the interest of network sales.

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World Radio Market series of the Department of Commerce this week included reports on Portugal, Portuguese Guinea, New Zealand, Canada (supplement), Panama, and New Zealand (supplement).

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The Mutual Broadcasting System's billings for the month of October, 1939, soared to \$428,221, representing an increase of 23.1 percent over October, 1938, when billings totalled \$347,771. This marked the eighteenth consecutive month that Mutual network billings have shown an increase over the corresponding month of the year before. The 10-month cumulative total also showed a large gain over a corresponding period in 1938. The 10-month cumulative for 1939 amounted to \$2,685,038, an increase of 20.8 percent compared with the cumulative total for corresponding months in 1938, which amounted to \$2,222,026.

Gross client expenditures for NBC Network facilities registered another increase in October, up 27.3% over September and 11.8% over the corresponding month in 1938. Total gross billings last month \$4,219,253 compared with \$3,315,307 in September and \$3,773,964 in October, 1938.

Gross client expenditures for NBC-Blue Network facilities in October were \$898,125 compared with \$666,415 in September, an increase of 34.8%. For NBC-Red Network facilities, gross client expenditures in October were \$3,321,128 against \$2,648,892 during the previous month, an increase of 25.4%.

For the ten-month period ending October 31, gross client expenditures for NBC Network facilities totalled \$36,729,622 while for the same period in 1938 the total was \$33,676,688. The total for the first ten months of this year represents an increase of 9.1% over the corresponding period a year ago.

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11/7/39

FCC PROPOSES U.S. PAY HIGHER TELEGRAPH TOLLS

The Federal Communications Commission recommended in a report yesterday (November 6) that the rates paid by the Federal Government for domestic telegraph messages be increased from 40 percent of the charges applicable to private commercial firms to 60 percent of such charges.

The increase would become effective January 1, unless delayed by challenges filed in the next 20 days, and would continue in effect for the rest of the fiscal year ending on June 30, 1940.

The Government is one of the largest, if not the largest, single customer of the Western Union and Postal Telegraph companies, the Commission said. Official messages handled by Western Union in 1937 amounted to 5.2 percent of the total domestic messages handled by that company, while those Government messages produced only 1.5 percent of the revenue from all the company's domestic traffic. The Commission found that by reason of the 60 percent spread between the Government rates and the commercial rate, together with the narrow spread between the total revenues from telegraph service and the total cost of such service, the Government was not paying a proportionate share of the cost. Minimum charges now effective would not be changed.

Sustaining the petition for an increase filed by the telegraph companies more than a year ago, namely in May 1938, the petitions of the Postal Telegraph-Cable Company, the Western Union Telegraph Company, and Mackay Radio and Telegraph Companies of California and of Delaware, which were for a change to the full commercial rate, subsequently amended to a request for any increase deemed just and proper by the Commission, the Commission found that the Government is not paying enough for its telegraph service.

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RCA REPORTS QUARTERLY PROFIT INCREASE

Radio Corporation of America and subsidiaries, for the quarter ended September 30, reported this week net income of \$1,894,224 after charges, equal after preferred stock dividend requirements, to around 8 cents a share on common stock. This compared with net income of \$1,616,449, or about 6 cents a common share in the like 1939 quarter.

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11/7/39

RADIO MAKING NOTABLE PROGRESS IN ITALY, U.S. LEARNS

Italy's radio-manufacturing industry has made notable progress in the last few years, according to a report to the Department of Commerce from Assistant American Commercial Attache N. P. Hooper, Rome.

Production during the current year is estimated in excess of 400 million lire (\$20,000,000), an increase of 50 million lire (\$2,500,000) as compared with 1938. Of the 1939 total, 180 million lire (\$9,000,000) represented receiving sets and the remainder scientific, educational and industrial radio apparatus.

The manufacture of television sets and apparatus in Italy has been receiving considerable attention during the current year. While details are not available, it is reported that a number of interesting television models have been produced.

Italy now has thirty-five broadcasting stations operating, of which twelve are short-wave. Official estimates place the aggregate number of receiving sets in the country at 1,100,000. Broadcasting in Italy is under the control of a semi-governmental organization. Owners of receiving sets pay an annual tax of 81 lire (about \$4) which permits them to own as many sets as desired. No commercial advertising is broadcast by Italian radio stations.

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TRUSTEE APPOINTED FOR MAJESTIC CORPORATION

Federal Judge John P. Barnes on Monday, November 6, in Chicago appointed Claude A. Roth, an attorney, as trustee of the Majestic Radio and Television Corporation, under Section 10 of the Chandler Act. His bond was set at \$50,000. The firm, which manufactures radio sets, filed a voluntary petition for reorganization under Section 11 of the Chandler Act on October 24. An attorney for creditors asked for a receiver next day.

Counsel for the company did not admit insolvency but agreed to transfer proceedings to Section 10 to avoid litigation with the Securities and Exchange Commission, which contended the action should not have been filed under Section 11.

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