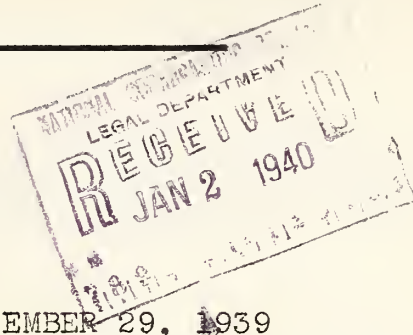


HEINL RADIO BUSINESS LETTER

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No. 1196

December 29, 1939

FTC NOTES CONTINUED IMPROVEMENT IN RADIO ADS

The Federal Trade Commission in its annual report released this week notes a steady improvement in radio advertising, as well as newspaper and periodical advertising, and predicts continued progress as a result of the corrective activities of the commission's radio and periodical division.

"The commission believes that its work in this field contributed substantially to the improvement that has been evident in recent years in the character of all advertising generally", the report said, "and that with the increased facilities and personnel provided by the newly created division, together with a gradual increase in the extent of its survey over the advertising field, such gains as have been made will not only be maintained but continually increased."

Reviewing its examination of radio advertising during the year, the FTC said:

"The Commission, in its systematic review of advertising copy broadcast over the radio, issues calls to individual radio stations, generally at the rate of four times yearly for each station. However, the frequency of calls to individual broadcasters is varied from time to time, dependent principally upon transmittal power, the service radius or area of specific stations, and the advertising record of certain types of stations, as disclosed in analyses of previous advertising reviews.

"National and regional networks respond on a continuous weekly basis, submitting copies of commercial continuities for all programs wherein linked hook-ups are used involving two or more affiliated or member stations.

"Producers of electrical transcription recordings submit monthly returns of typed copies of the commercial portions of all recordings produced by them for radio broadcast. This material is supplemented by periodical reports from individual stations listing the programs of recorded commercial transcriptions and other essential data.

"The combined radio material received furnishes representative and specific information on the character of current broadcast advertising which is proving of great value in the efforts to prevent false and misleading representations.

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"During the fiscal year ended June 30, 1939, the Commission received 626,293 copies of commercial radio broadcast continuities, amounting to 1,384,448 pages of typewritten script. These comprised 860,908 pages of individual station script and 523,540 pages of network script.

"The staff read and marked 643,796 commercial radio broadcast continuities, amounting to 1,384,353 pages of typewritten script. These comprised 492,540 pages of network script and 891,813 pages of individual station script. An average of 4,539 pages of radio script were read each working day. From this material 29,143 commercial broadcasts were marked for further study as containing representations that might be false or misleading. The 29,143 questioned commercial continuities provided current specimens for check with existing advertising cases as to their compliance with actions, stipulations, and orders of the Commission, in addition to forming the bases for prospective cases which may not have previously been set aside for investigation.

"In general, the Commission has received the helpful co-operation of Nation-wide and regional networks, and transcription producers, in addition to that of some 616 active commercial radio stations, 457 newspaper publishers, and 533 publishers of magazines and farm journals, and has observed an interested desire on the part of such broadcasters and publishers to aid in the elimination of false, misleading, and deceptive advertising.

"Drug preparations, cosmetics, health devices, and contrivances and food products accounted for 62.7 percent of the advertised articles given legal review during the fiscal year.

"In the item of drug preparations, which comprised 42.4 percent of the advertised products, a substantial proportion of the related advertising contained flagrant misrepresentations or representations which disclosed possible injurious results to the public and for that reason were given preferred attention.

"Many requests have been received from radio stations, advertisers, and advertising agencies for advice and information concerning certain advertisers and their products. The Commission cannot give the information requested in many cases either because the matter may be under investigation or it is not fully advised of all the facts and cannot render opinions therein; and, in any case, it is not the Commission policy to pass on the merits of products advertised. It treats as confidential all proceedings prior to acceptance of a stipulation or issuance of a complaint. After a stipulation has been accepted and approved, or a complaint issued, the facts concerning such proceedings are for the public record and available to anyone who may request them.

"During the fiscal year ended June 30, 1939, the Commission, through its Radio and Periodical Division, sent questionnaires to advertisers in 679 cases and to advertising agencies in 44 cases,

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negotiated 230 stipulations accepted and approved by the Commission for discontinuance of misleading representations, and settled or closed by its various methods of procedure 394 such cases. In 26 cases the issuance of complaint was recommended, 18 for failure to stipulate and 8 without giving the advertiser an opportunity to stipulate because of gross deception or danger to the public involved in the practice. In 15 cases previously settled by stipulation complaints were recommended for violation of the terms of those stipulations.

In 135 cases the division recommended filing the assembled data and closing the cases without prejudice to the right of the Commission to reopen them at any time the facts warranted. Four cases were closed because the Post Office Department had issued fraud orders against the advertisers and 11 because the Post Office Department had accepted affidavits of discontinuance of business from the parties concerned. Others were closed because, prior to the Commission's contact, the advertisers had discontinued advertising or selling without intent to resume, and others because the advertisers were able to justify their claims."

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TELEVISION HEARING SET FOR JANUARY 15

With members of the Federal Communications Commission still uncertain as to the wisdom of allowing even partial commercialization of television transmission, a public hearing has been scheduled for January 15.

A clarification of the proposed rule to permit commercial sponsorship of television programs, as adopted by the commission before recessing for the Christmas holidays, will be the principal subject of the hearing.

The first draft of the recommendations of the television committee was somewhat vague as to the application of the limited commercialization provision. The new version is clearer and reads as follows:

"(a) No charges either direct or indirect shall be made for either the production or transmission of either aural or visual programs by Class I television stations;

"(b) No charges either direct or indirect shall be made for the transmission of either aural or visual programs by Class II television stations; however, Class II television broadcast stations may make charges to cover cost of program production, including advertising material, which programs may be transmitted as an experimental program service but without charge for such transmission;

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"(c) Quarterly reports shall be made to the Commission by Class II television broadcast stations of the charters and costs as well as of other pertinent information which may be of assistance to the Commission in evaluating the economic feasibility of television broadcasting as a regular service to the public on a commercial basis.

"(d) The offering by any person of the facilities of any television broadcast station on a regular commercial basis is prohibited. The limited commercialization permitted under subsection (b) above shall not take precedence over the experimental service, but shall in fact be subordinated to it."

Another move to plug loopholes was a stiffening of the rule prohibiting 'solicitation' of business. Neither type of operator would be allowed to 'offer' his facilities to advertisers 'on a regular commercial basis.' Under the rule 'the limited commercialization . . . shall not take precedence over the experimental service, but shall in fact be subordinated to it.' Meaning that the FCC still considers visual broadcasting permits are intended to benefit the public before the experimenters.

Otherwise, the latest version of the proposed rules coincides with the draft published Nov. 15.

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U. S. FOREIGN SERVICE COMMUNICATIONS DISCUSSED

One of the most interesting chapters in the outstanding new book "Inside the Department of State" by Bertram D. Hulén, is devoted to foreign service communications. State Department officials are never very talkative on any subject and would be about as quick to tell you just how they used the radio telephone and cable in emergencies as a G-man would be to explain to you the intricate workings of or when he used his revolver.

Thus communications in our foreign affairs, as discussed by Mr. Hulén, who for years has covered the State Department for the New York Times, and knows the place inside out, reveal many things heretofore not known.

Mr. Hulén states that the commercial radio is a distinct advantage to the Department of State as a channel of information when it broadcasts the speech of the head of a foreign government announcing his position in a matter of grave concern to the United States. Work stops in the Department when that happens. Officials gather around radio sets in various offices while the Secretary of State, surrounded by Assistant Secretaries of State, and other aides whom he has invited to his office, is among the most attentive listener.

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"Yet the transatlantic telephone has been used much less in diplomacy than might be supposed since Secretary Stimson employed it", Mr. Hulen writes. "When he was to speak with the Embassies in London or Paris, he would summon a dozen or more departmental officials and experts to his office and have them listen in with head telephone receivers. If a question arose that he could not readily answer, he would find the information among some one of his group of specialists. Sometimes, calling up these Embassies direct, was to the annoyance of a distinguished Ambassador who, because of the difference in time between Washington and Paris, was routed out of bed in his night-shirt."

According to Mr. Hulen, Secretary Stimson was the greatest user of the overseas telephone. Secretary Hull has used the overseas telephone relatively little except during a crisis to receive instant factual reports from Ambassadors in the principal capitals.

Mr. Hulen told of an exciting incident when the American Legation was in imminent danger of being overrun by the panic-stricken native mob in its headlong rush from Addis Ababa before the approach of Italian troops in May, 1936. The Legation was insufficiently manned to withstand the horde beating at the gates of the compound, even though Cornelius Van H. Engert, the Minister Resident, had armed his little staff and they had taken position to stand off the natives. It was obvious that the effort would soon fail unless reinforcements arrived. The one chance lay with the strong force of guard at the British Legation three miles away. Yet telephone lines had been cut and a runner could not have made the distance and survived.

In the emergency Engert turned to the short-wave radio equipment that had been sent to him from Washington in charge of Navy expert to maintain contact with the United States if commercial communications failed. The British had no such equipment so he could not send a message direct. But Engert was resourceful. He sent his appeal for reinforcements by short-wave to the United States wireless station at Cavite in the Philippines. It was immediately relayed to Washington for transmission to London. The British Government promptly forwarded it to Cairo from whence it was sent to the British Legation at Addis Ababa. An hour and a half after Engert sent his appeal, troops from the British Legation drove up to the compound in trucks just in the nick of time.

"Inside the Department of State" is published by Whittlesey House, McGraw-Hill Book Company, 330 West 42nd Street, New York, and the price is \$3.00.

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WRC-WMAL WIN VARIETY ANNUAL AWARD

Santa Claus arrived early at WRC and WMAL, Washington, this December and dropped a prize package. It was addressed to General Manager Kenneth H. Berkeley from Bob Landry, radio editor of Variety Magazine, and contained the news that the two stations jointly had won the national 1939 showmanship award for stations operated by networks. It was the seventh annual showmanship survey conducted by Variety.

A day or so after Christmas formal presentation of the award was made, and Warren Francis, Washington Representative of Variety, handed to Mr. Berkeley the bronze showmanship plaque that is now hanging in the WRC-WMAL reception room. During the award ceremonies which were broadcast by both stations Mr. Francis said:

"As the whole trade knows, the plaque for the best network-managed station went to WRC-WMAL. You people were measured and found to be awake, alert, on your toes. You had shown ability to build programs and to develop talent. You had proved you could attract listeners and interest advertisers. You had achieved a desirable balance between commercialism and public service. You had blended entertainment, charitable work, and education. You had created a distinct personality. In recognition of your accomplishments, I am very happy to present to you this showmanship plaque, tangible evidence that you and your staff in the past year turned in the best performance in your particular field."

In receiving the plaque Mr. Berkeley said: The work and spirit of every member of the staff has made this citation possible. We are indeed gratified that our efforts to bring our listeners a well-rounded radio service have been recognized and honored by Variety Magazine . . . However one may define radio showmanship, we feel that to attain it is to work your hardest to inform and please your listeners. We value this award very highly. It inspires us to strive all the harder to bring our Washington radio friends the best possible radio service year in and year out. We shall certainly continue all our efforts to that end."

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NO NEW SAFETY LAWS NEEDED, SAYS FLY

Apart from proposals made in its "special study of the radio requirements necessary or desirable for safety purposes of ships navigating the Great Lakes and inland waters of the United States", which was made at the request of Congress, the Federal Communications Commission will not recommend additional legislation for the promotion of safety of life and property through wire and radio aids. This was made known this week in a letter to Congress, pursuant to provisions of the Communications Act, from Chairman James Lawrence Fly.

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In an accompanying communication, Chairman Fly reported that further time is needed to study the Great Lakes and inland waters report, but expects to file the same with Congress by April 15. He explained that 3167 pages of record and 341 technical exhibits were assembled by the small technical staff available to make the survey under Commissioner Thad H. Brown, and that the Commission as a whole is still studying the resultant 621-page report with exhibits which was filed with it on December 15.

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WAR COVERAGE HIGHLIGHT OF YEAR FOR NETWORKS

Special short-wave pick-ups of news and comments on the European war were the highlights of an active year for the three major networks in 1939.

The Columbia network had the biggest "show" in its history in 1939. Programs devoted to national and world affairs during the year, as a result, totaled 5,669 -- or more than 1,381 hours of broadcast time. In 1938, former peak year, CBS had 2,006 programs, or 432 hours devoted to news and world affairs.

This year, 927 of the broadcasts originated in nerve centers of the Old World, the vast majority of them coming after announcement of the Berlin-Moscow non-aggression pact burst upon a startled world in mid-August.

The many days that Columbia stayed on the air on a 24-hour basis during the crisis, plus the fact that ever since then the network has opened an hour earlier and closed an hour later, added almost 4,000 hours of broadcasting time for the year as compared with 1938. The figures for 1939 are 10,398 hours for 31,449 broadcasts; for 1938, 6,662 hours and 19,074 broadcasts.

Inauguration of an international commercial short wave broadcasting service, installation of a steerable antenna which can be focused on either Buenos Aires or Rio de Janeiro by throwing a switch, and increase of program service below the Equator by three and a half hours daily were outstanding accomplishments of the National Broadcasting Company's international division during 1939.

The new service offered by NBC operates sixteen hours daily over WRCA and WNBI. It is designed primarily to cover the 20 Latin American republics with programs in Spanish, Portuguese and English, beginning at 12:00 Noon, and running until 1:00 a.m., EST. In addition there will be made available to advertising sponsors a day-time European program service beginning at 9:00 a.m., and running until 4:00 p.m., in English, French, Italian and German. These commercial programs will be supplemented by the usual extensive schedule of sustaining broadcasts.

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The year 1939 was marked by an increase of 23 percent in special features, spot news, talks and sports broadcasts heard over WOR, key station of the Muturl Broadcasting System. It also will mark the fifth anniversary of the special feature division, begun in 1935 by G. W. Johnstone, director of public relations and special features.

More than 1005 spot news, talk and special features programs will have been heard over WOR by January first in contrast to 720 heard over WOR in 1938. Five hundred and twenty-two were broadcast in 1937. Of the 1939 total of 1005, more than 637 were originated by the WOR special feature division. The WOR originations do not include a large number of European originations by Mutual which were handled in one form or another by the WOR staff.

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HUNT FOR \$1,000 TO BE RESUMED BY FCC

The Federal Communications Commission on January 3 will renew its search for a bundle of ten \$1,000 bills which everybody concerned admits existed but everybody denies owning.

Bank records introduced at a hearing have proved the existence of the money -- it was deposited in a trust fund created for construction of WSAL at Salisbury, Md.

But of three men immediately concerned, two deny ever having even seen the money. They are James Gum, Washington radio attorney, and Frank Stearns, in whose name the station was licensed.

The third man, Glen Gillette, Washington radio engineer, has testified the money -- in crisp bills -- was handed to him by Mr. Gum for deposit in a trust fund in Mr. Gillette's name.

Mr. Gillette also has testified Mr. Gum later got the money back after deduction of \$1,500 Mr. Gum owed Mr. Gillette and a note signed by Mr. Stearns was substituted. It was then, Mr. Gillette has testified, that he decided to finance the station himself in return for a \$25,000 chattel mortgage.

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TRADE NOTES

The invitations for the wedding of Miss Grace Lucille Carr, daughter of Mrs. Arthur Carr, to Mr. Gail Gray Geddes of Montclair, N. J., have been issued. The wedding will take place January 12, 1940, 8 p.m., at St. Alban's Church, Dr. Charles T. Warner officiating. Mr. Geddes is the son of Bond P. Geddes, executive vice president of the Radio Manufacturers Association, and Mrs. Geddes, of Chevy Chase, Md. Miss Carr attended National Cathedral School for Girls and was graduated from Meredith College, Raleigh, N. C. Mr. Geddes was graduated from Dartmouth College and received his master of commercial science from the Amos Tuck School of Administration and Finance. He is a member of the Sigma Nu social fraternity and Phi Beta Kappa honorary fraternity.

Sam Lubber, trading as Dearborn Sales Company, 711 South Dearborn St., Chicago, has been ordered by the Federal Trade Commission to cease and desist from use of lottery methods in the sale and distribution of merchandise to ultimate consumers. The company, selling and distributing radios, coffee sets, and other merchandise, also distributed to the purchasing public devices commonly known as pull cards, with certain literature, instructions and order blanks through which merchandise was to be sold to ultimate purchasers by means of lottery methods.

George S. De Sousa, treasurer, has been elected vice president and treasurer of the Radio Corporation of America. Mr. De Sousa has been treasurer of RCA since its formation in 1919, and prior thereto was an officer of the Marconi Wireless Telegraph Company of America, the predecessor company to RCA.

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1939 RADIO'S GREATEST YEAR, SAYS SARNOFF

According to David Sarnoff, president of the Radio Corporation of America, "Radio in 1939 has had its greatest year".

"More than 9,000,000 radio receivers have been sold. More radio sets are in use in the United States than in all the rest of the world combined. With 45,000,000 receivers in American homes and automobiles, radio has become an integral part of our national life.

"The first public service of television programs, adding sight ~~to~~ sound, was introduced in the United States in 1939, by RCA's broadcasting service, the National Broadcasting Company. It marked the triumph of many years of radio research and technological advance. It represents a pioneering effort of the first magnitude. Those who predicted that the introduction of television would retard radio progress have been poor prophets of the year's amazing results in sound receiver sales.

"American-owned radio communication services, vital to our national defense, have maintained direct contacts with all nations, belligerent and neutral. In 1914 these radio services were non-existent, and our communications were at the mercy of the countries which controlled the cables. Today direct radio circuits connect the United States with 51 countries, and no intermediate censorship is possible. Our radio communication facilities guarantee the freedom of our communication lanes for the flow of international messages and in the interests of American trade.

"More than 750 broadcasters, operating either locally or in conjunction with national and regional networks, sold more time over their facilities to sponsors, than they did in any previous year since broadcasting began. This furnishes the economic base for our free American system of broadcasting.

"The war, and its threat to the neutrality of the Western Hemisphere, put the American system of free and private enterprise in radio to the acid test. American broadcasting met that test, American radio told the truth to its listeners at home and throughout the world. Its short-wave broadcasts were almost the world's only free, factual, and uncensored sources of radio news.

"Employment has risen in the entire radio industry, and the industry is paying higher wages to workers, musicians, artists and performers. It is estimated that radio gives employment to 400,000 people in the United States, with an annual payroll in excess of \$500,000,000.

"Looking ahead, I believe that 1940 will be a year of even greater importance than the year just ending. Two factors alone should insure a year of eager and unflagging public interest in broadcasting. One is the international situation. The other is the presidential nominations and election in the United States.

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"In all history, no other industry ever crammed so much amazing progress into one 20-year span. But the far-reaching developments, which are now the subject of investigation and experiment in the radio research laboratories, already indicate that the progress of the next two decades will surpass the achievements of the last two -- in the birth of new miracles of radio science, and in the building of new highways of public service."

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G. E. OFFICIAL SEES BOOST IN RADIO SALES IN 1940

The broadcast receiver business should show considerable improvement next year, due to the European war and the presidential election, in the opinion of Dr. W. R. G. Baker, of the radio and television department of General Electric Co.

"Unless something occurs to impair seriously consumer purchasing power, the broadcast receiver business should show an improved trend in 1940 due to the European situation, plus the usual increase in consumer interest in a presidential year," he said.

"An increase in the number of television transmitters, program improvement, and perhaps a decrease in the list prices of television receivers may stimulate the television field. The increased scope of operations for transmitters and tubes, in addition to continued governmental activities forecasts an improvement for these product lines in 1940."

Reviewing the past year, Dr. Baker said: "During 1939 consumer purchases of radio receivers were seriously affected by two factors. The first - the introduction of television service in New York City - resulted in depressing the entire national market. Consumer reaction to the great amount of publicity on television, plus the opening of the New York station, made it difficult to convert the potential purchaser of a radio receiver into an immediate buyer.

"To offset this condition, the public has been offered, in 1939, the greatest dollar value in the history of the industry. In addition, the consumer was gradually educated, not only in the limitations of the existing television service, but also as to the near future possibilities of television on a national basis.

"Television is still an engineering achievement and a commercial enigma. The actual sales of television receivers have been extremely limited. Many reasons have been advanced and all are undoubtedly correct to a degree. Some of the causes advanced for the negligible consumer acceptance so far as purchases are concerned, are the limited program hours, the type and quality of programs, the list prices of receivers, and the relatively short trade discounts as compared to radio.

"Nevertheless, and in spite of the limited sales, it is the general opinion that the New York experiment has demonstrated that television service can be rendered over the area originally estimated, and that given acceptable programs, such service provides real entertainment value and opens up new educational possibilities.