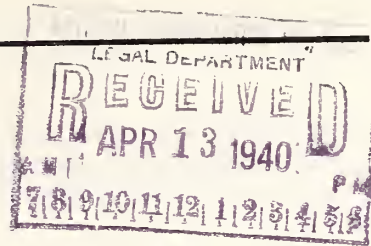


HEINL RADIO BUSINESS LETTER

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INDEX TO ISSUE OF APRIL 12, 1940

F.D.R. Backs Up FCC As Hearing Draws To Close.....	2
Statistical Survey Of Radio Issued By U.S.....	4
Capitol Inquiry Steals Television Spotlight.....	5
Craven Replies To Criticism Of Letter To Lundeen.....	7
RCA Refunds To Television Set Buyers Disclosed.....	8
Portable Radio Creates Bomb Mystery Scare.....	10
Trade Notes.....	11
WNYC Upheld In Religious Broadcasts.....	12
Value Of Frequency Modulation Analyzed.....	12

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F.D.R. BACKS UP FCC AS HEARING DRAWS TO CLOSE

President Roosevelt at his Friday press conference came to the defense of the Federal Communications Commission in the television controversy as the FCC hearing drew to a close.

While the television industry stuck to its optimistic belief that it will be given another "green light" to forge ahead with limited commercialization, the President's comments gave new encouragement to the Commission and rivals of the Radio Corporation of America.

The President repeated many of the comments of the FCC Chairman relative to a fear that the new industry might be dominated by a monopoly. He expressed the opinion that Chairman James L. Fly and the FCC are doing the right thing. The President's comments started when he was asked what he and Chairman Fly had talked about on Thursday.

Mr. Roosevelt remarked that some persons had predicted a great future for the television industry and that it would put many men to work. He agreed that it would increase employment but would not provide the amount of work that the automobile and radio industry have done.

For the time being, he said, it would just mean another set in the home. Much more important, he added, is the question of monopoly. That gets into the technical question, he said. The Government doesn't want to get into the position of giving one company control of one type of sending and receiving equipment.

In radio, he pointed out, there is competition - national, regional, and local - on the transmission end, but on the receiving end any home in the country can pick up any broadcast. The development of television, the President added, should follow along the same lines so that a television set owner could have a choice of stations.

The President brought laughs when he suggested that anyone should be able to tune in either a prize fight or a town hall meeting and that there isn't much difference anyway.

Eventually this country may be able to receive foreign television, he said, but all the FCC is doing now is working along the lines of orderly development and trying to prevent any one organization from obtaining control of all sending stations. Every receiver, he said, should be able to tune in any television band. This Spring and Summer, the President added, should see the production of such sets.

A number of radio and television companies don't want to see a monopoly created in the new industry, Mr. Roosevelt concluded. He cited the name of one manufacturer off the record and said that it was the largest radio receiver maker and that it didn't want to put out a receiver that could not tune in all television transmissions.

When the industry agrees to accept this point of view, the President indicated, the television industry will be put on a sound basis.

A general belief that the television industry will be allowed to forge ahead with limited commercial programs was held by observers in the radio trade as the Federal Communications Commission drew to a close today (Friday).

Chairman Wheeler, of the Senate Interstate Commerce Committee, indicated similar optimism as he concluded a brief hearing on the Lundeen resolution and announced that the inquiry will be dropped.

Chairman Fly told newspaper men on leaving the White House Thursday that prospects were bright for an early adjustment of the differences between the Commission and the television industry. However, a short while later, disturbed by the interpretation placed on his remarks by some of the press associations, Mr. Fly issued a statement warning against premature predictions of what the FCC would do.

The White House story, following Chairman Fly's conference with President Roosevelt, reputedly boosted the stock of the Radio Corporation one and a half points before the "damper" statement was issued.

"As soon as the industry is ready to go ahead, the Committee is", Chairman Fly said on leaving the White House. He added:

"In a few months, I am hopeful that we will have a flock of receivers capable of receiving all types of transmissions. I think the industry will be capable of doing that job."

In reply to a question as to whether he meant by this to imply that when such receivers were ready, the present restrictions imposed by the Commission would be lifted, Mr. Fly replied, "Why not?"

But later, at the FCC hearing at which he presided, Chairman Fly warned that no statement made by him should be construed as indicating what action the Commission would take.

"The hearing will proceed to a conclusion and a decision will be rendered in due course", he added. "It is hazardous to conjecture now when proper standardization may be achieved and commercial operations undertaken."

Meanwhile, there were speculations in some quarters as to whether or not the Commission would postpone reaching a decision in the television case until after Congress adjourns.

It was recalled that Chairman Fly had suggested to the Senate Interstate Commerce Committee that it drop its investigation until after the FCC concludes its inquiry. A complete report would then be made to the Committee, he added.

A subpoena for the stenographic records of the Radio Manufacturers' Association's Board meeting on February 8th was issued by the FCC after Bond Geddes, Executive Vice President, said he could not furnish them without permission of the Directors. The meeting was addressed by David Sarnoff, President of the Radio Corporation of America.

The FCC also issued a subpoena calling for all RMA correspondence relating to television that was written between the two Commission hearings on television, the first of which was in January.

Previously, Chairman Fly had instructed Mr. Geddes to furnish all records relative to a meeting of the RMA Television Subcommittee on February 29, the date on which the original FCC order authorizing limited commercialization of television was issued.

The FCC Chairman halted the testimony of a Philco witness to inquire as to the meeting and the plans for another session last Thursday.

Mr. Geddes explained subsequently that there had been no secrecy about the Committee meeting and pointed out that its recommendations are subject to approval by the full Engineering Committee and the Board of Directors.

Among the witnesses heard Thursday were Alfred H. Morton, Vice President of the National Broadcasting Company in Charge of Television; Elmer W. Engstrom, Director of Television Research for RCA at Camden; and Edward M. Martin, attorney for the Farnsworth Radio & Television Corp.

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STATISTICAL SURVEY OF RADIO ISSUED BY U.S.

The sixth annual statistical number of the "Electrical and Radio World Trade News" was issued this week by the Electrical Division of the Bureau of Foreign and Domestic Commerce.

Radio statistics included covered all figures for 1939, sales in the United States 1922-39, "radio business at a glance", urban and rural radio census, a review of national network advertising, and foreign radio statistics.

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CAPITOL INQUIRY STEALS TELEVISION SPOTLIGHT

The Senate Interstate Commerce Committee on Wednesday and Thursday mornings stole the show from the Federal Communications Commission when it conducted an informal hearing on the Lundeen resolution before a crowd of radio representatives that overflowed the Committee room.

David Sarnoff, President of the Radio Corporation of America, was the star witness Wednesday afternoon. He followed James L. Fly, Chairman of the FCC, who occupied the morning session in defending the Commission's action.

Mr. Sarnoff charged the FCC with retarding a potential billion dollar industry that ultimately would employ more than 500,000 persons and complained that the RCA had been treated unfairly and "publicly indicted" by the Commission.

One of the highlights of Mr. Fly's testimony was his admission that the FCC had made a mistake in issuing the February 29 order, which authorized limited commercialization of television beginning September 1. Mr. Fly said that the RCA ads were "not beyond the bounds of reason" in an interpretation of the order.

The FCC Chairman stood squarely by his guns throughout the day and showed little sign of relenting in his campaign to put a stop to RCA's promotional activities.

Sharp exchanges between Senator Reed (R.), of Kansas, and Senator Lundeen (Farmer-Labor), of Minnesota, author of the resolution, enlivened the first day's hearing.

Chairman Wheeler, while showing no inclination to recommend a Senate inquiry along the lines proposed by Senator Lundeen, suggested that the television industry's leaders get together and settle the present squabble so that the industry might go ahead at once.

Expressing the opinion that the introduction of commercial television at this time is "both timely and important", Mr. Sarnoff said the RCA is ready to launch a relay network, to market home television receivers with pictures as large as 18 x 24 inches, and to make available theater television receiving equipment which will project pictures on full size motion picture screens.

He said the television industry might be expected to employ between 500,000 and 600,000 persons on the basis of the broadcast industry's investment and employment.

While Mr. Sarnoff assailed the FCC order before the Committee, Senator W. Warren Barbour (Re.) of New Jersey, introduced a resolution specifically denying the FCC authority to control or interfere with experimentation, research, use, manufacture, or sale of television sending or receiving sets.

In the House, Representative Connery (D.), of Massachusetts, reintroduced his resolution for an investigation of the FCC.

Chairman Fly defended the Commission's recent order re-opening the television inquiry on the ground that RCA's commercial promotion of receivers was threatening to "freeze" development and load the public with sets that may soon become obsolete.

Chairman Wheeler sought several times to persuade Mr. Sarnoff to agree to alter the design of the RCA television receivers so that they could receive any current system of visual broadcasting. The Senator expressed the opinion that this would remove the cause of the dispute.

Mr. Sarnoff insisted the additional expense of \$20 to \$40, which would be represented in an increase in the sales price, is not warranted, as competing systems do not have television stations in operation except in a very limited experimental capacity.

Chairman Fly retorted that the FCC shortly would grant transmission licenses to sponsors of television transmission different from that used by RCA; Allen B. DuMont, of Passaic, N.J., chief rival of RCA in the current fight, has an application for a permit to erect a station in New York.

At the conclusion of his testimony, Mr. Sarnoff engaged in a sharp exchange with William A. Roberts, attorney for DuMont, who challenged some of the RCA President's statements. When Mr. Sarnoff retorted that DuMont was owned by Paramount Pictures, Mr. Roberts denied it but admitted the motion picture company had backed DuMont financially.

Chairman Wheeler and other members raised the question as to why Great Britain had enjoyed television for two years prior to the outbreak of the war.

Mr. Sarnoff replied that England's progress was due to the fact that a Government commission investigated all phases of the art and then fixed transmission standards for a specified period.

Mr. Sarnoff termed ridiculous the contention of FCC that the sale of a projected 25,000 television sets in the New York area would "freeze" transmission standards and halt further research. He pointed out that experimentation in frequency modulation is going ahead although none of the 40,000,000 standard radio receivers, will be able to tune in FM stations.

He hotly denied that RCA was trying to obtain a monopoly of the infant industry when Senator Wheeler said such charges were being made against the corporation.

At one stage of the hearing Senator Lundeen exclaimed, "Do you want to regiment this industry?" "If it is the duty of the Federal Communications Commission to regiment the industry - yes I am going to regiment it", replied Chairman Fly.

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CRAVEN REPLIES TO CRITICISM OF LETTER TO LUNDEEN

Commdr. T.A.M. Craven, the lone dissenter on the Federal Communications Commission on the decision to reopen the television inquiry, on Thursday defended his conduct in writing a letter to Senator Lundeen (Farmer-Labor), of Minnesota, regarding his views of the action after members of the Committee had criticized him and then invited him to testify.

Commissioner Craven declined the invitation to appear before the Committee on Friday on the ground that he was busy with the FCC hearing, but he insisted that his actions had been regular, both as to protests voiced during the Commission meeting and as to the letter in which he criticized his colleagues.

The criticism of Commissioner Craven occurred at the close of the Thursday session of the Senate Committee when Senator Lundeen asked that he be heard.

Senator Reed (R.), of Kansas, said he had no desire to hear the Commissioner because he had criticized the FCC action in the letter to Senator Lundeen.

"No member of the Interstate Commerce Commission would think of doing such a thing", remarked Chairman Wheeler.

Chairman Fly chimed in that Commander Craven had not filed a dissenting opinion with the Commission and suggested to the Committee that his testimony was not necessary.

Commissioner Craven in a letter to Senator Wheeler explained why he was unable to appear before the Committee but expressed the hope that the meeting could be delayed until a time when he could testify.

"There are two matters which I understand were advanced in yesterday's hearings of your Committee, which should be clarified", Commander Craven added.

"The first is that I responded to an official written request from a United States Senator to give my reasons for my dissent in the disputed television order of the Commission. Being in public office and a Commissioner in an independent agency authorized by Congress, I feel that not only courtesy to the legislative body but also duty compels me to reply to requests from Senators on matters such as in the instant case. It should be made clear that I did not voluntarily write to any Senator concerning matters under dispute in the Commission.

"The second clarification of the record pertains to the statement of Chairman Fly of this Commission to the effect that I had not filed a dissenting opinion with the Commission in this matter. It is not usual in such matters as this, which is not a judicial proceeding, for members of this Commission to file written dissenting opinions. However, as the enclosed minutes

of the Commission will show, I voted 'no' when the decision to issue Order No. 65 was reached. Furthermore, I gave my reasons orally to the Commission at that time, and suggested that the Commission postpone action until sufficient time had elapsed for second thoughts. Furthermore, I urged the Chairman personally not to take the action which the majority has taken. I also suggested to the Chairman that if the majority was insistent upon taking some action, it modify the original action taken.

"I hope that you will either clarify the record in the foregoing respects, or permit me at some later date to testify under oath with respect to the matter."

In a "P.S." Commander Craven concluded:

"I wish to call particular attention to the fact that as late as 10:30 A.M., March 23, the day the order was published, I pleaded with the Chairman of this Commission to either delay or modify the action taken."

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RCA REFUNDS TO TELEVISION SET BUYERS DISCLOSED

A disclosure that the Radio Corporation of America has refunded approximately \$175,000 to buyers of its television receivers since reducing prices recently was made this week by David Sarnoff, President, in his testimony before the Senate Interstate Commerce Committee.

The average refund has been \$205 a set, Mr. Sarnoff said, on sets sold before the price reduction.

In a prepared statement read to the Committee, Mr. Sarnoff outlined the activities of RCA and its plans for the future.

"The Board of Directors and the Management of the Radio Corporation of America are of the considered opinion", he said, "that television offers the opportunity for the creation of a new industry, new employment and new services; that its introduction now is not only timely but important; and that substantial progress in the art can come only after its introduction upon a commercial basis.

"The Radio Corporation of America believes that in an art such as television there can be no shorter cut from promise to performance than through the process of laboratory development, field test, and service to the public.

"If the industry is left free to determine, through experimentation and test, the competitive advantages of every system, the practical standards prevailing in any given period will represent the best that the art has attained.

"The Radio Corporation has never proposed nor urged the freezing of standards. Nor is such action necessary to create the television industry and the new public services that would flow from it.

"It is a fallacy to assume that the commercial introduction of television, on any standard now conceivable, would affect the continuance of research in this art, or prevent the adoption of higher standards of service and performance.

"And while on the subject of research let me refer to the importance of increasing not merely the size of the television picture, but of the television audience -- in other words, to give more people in more communities the opportunity to enjoy television, and to participate in its activities. I submit that a greater public interest will be served at this time by research toward the methods that would extend television service to as many homes as possible, rather than in improvements that would merely add to the size or the definition of the picture now enjoyed by the few.

"To meet this need the Radio Corporation of America has developed a radio relay system designed to extend the service of television to the public on a nationwide basis.

"The Radio Corporation of America is ready, if commercial television is authorized, to ask for a license from the Federal Communications Commission for the construction of such a radio relay system, using higher frequencies than have ever before been utilized. Such facilities could serve broadcasters with programs moving simultaneously in both directions.

"Home television receivers giving pictures as large as 18 x 24 inches are now being developed in our laboratories. We shall also soon make available theater television receiving equipment which will project pictures upon full size motion picture screens.

"The Radio Corporation of America welcomes the keen competition promised in the industry in the development of the television art. The promise of this competition is increased, not lessend, by the present disagreement among a few engineers as to standards of transmission and reception, and the methods by which the highest standards may best be achieved.

"The phenomenal growth of radio in our country is due largely to the fact that the industry has had available, through licensing, the many inventions developed by those who spent millions of dollars to bring the art out of the laboratory and into commercial use. About 50 manufacturers are licensed by the Radio Corporation under its own patents and also under those of other domestic and foreign companies from which the Radio Corporation has acquired the right to grant such licenses.

4/12/40

"It is the firm belief of the Radio Corporation of America that a truly new industry and new service and new employment could be created on a scale that would affect our whole economy, through the development of television that would give our own country leadership in this new art. I believe that, given the opportunity American ingenuity and enterprise can, in a reasonable time, develop a new industry in television amounting to a billion dollars annually."

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PORTABLE RADIO CREATES BOMB MYSTERY SCARE

A furore was caused in bomb-conscious Chicago last week when Eugene F. McDonald, Jr., President of the Zenith Radio Corporation, of Chicago, sent distributors portable radios in a carton with the set turned on and tuned to the station in the city in which the distributor was located.

When the first set arrived in the Chicago express office the thunder storms that were in progress made it crack and rumble. The Chief of the Express Police was called immediately and he unhesitatingly identified it as a bomb or infernal machine. A call was put in for the Bomb Squad of the Police Department and it took them twenty-five minutes to get there. During these twenty-five minutes all work stopped in the express station. The employees and others in fear rushed out of the building and the crowd gathered on the outside of the building waiting momentarily for the infernal machine to explode. The crowd was so thick, that the Bomb Squad when they arrived had a job getting into the building itself.

The police dropped the package in water. It sank. Everybody waited. Five minutes went by, and the onlookers began to move cautiously forward. A Police Lieutenant removed the package from the water, and the onlookers moved cautiously backwards. He put it on a nearby truck and began tugging carefully at the wrappings. His audience held its breath . . . He removed the paper, uncovered the object . . .

"A radio!" everyone exclaimed.

The police tried to look nonchalant. They telephoned Zenith, who said they were sorry the radio had been left on and the batteries had hummed and sounded like a bomb.

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TRADE NOTES

The NBC press service this week set a new high in alertness when it announced under date of April 11 that a radio address by Ralph Starr Butler, Vice President of General Foods Corporation, would be repeated over NBC on "Monday, April 2". Presumably it meant April 22.

The Federal Communications Commission has extended for one week from April 15, the time for filing briefs in connection with the hearing on Frequency Modulation.

A 20-page promotional book for the NBC-Red Network, with nine illustrations by the famous cartoonist, Peter Arno, is being distributed by the NBC Sales Promotion Department. Entitled "It's Not Done With Mirrors", the book continues the title's theme with sub-heads reading, consecutively, "It's based on stations"; "It's done with programs"; "It's confirmed by listeners"; "It's proved by advertisers".

George Mateyo has been named assistant to Dr. Frank Stanton, Director of Research of the Columbia Broadcasting System. Mr. Mateyo comes to CBS after four years at Station WOR, where he headed the Research Division of the Sales Promotion Department. Prior to that he was in the media division of the Cleveland office of McCann-Erickson, Inc., which he joined in 1935, following his graduation from the Harvard Business School. Mr. Mateyo has been an instructor in the Department of Marketing of New York University since 1938.

An audience of 200 advertising men and their families watched with extreme interest a television demonstration staged by Esso Marketers on Wednesday, April 10, at the Advertising Club of New York. The affair was called a "Television Family Party". Arranged by Esso as part of the month-long celebration of the 35th anniversary of the Advertising Club, the demonstration followed a dinner, at which E. P. H. James, Advertising Manager of the National Broadcasting Company, was the speaker.

Extremely favorable reaction was reported among the audience who watched the demonstration on a dozen television receivers, installed by RCA at various vantage points around the room. Speaking "not as an engineer", Mr. James explained the workings of television in non-technical language.

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WNYC UPHELD IN RELIGIOUS BROADCASTS

The New York Court of Appeals this week unanimously upheld the right of New York City's municipal radio station, WNYC, to make broadcasts from communion breakfasts held by the Holy Name and St. George Societies. It sustained decisions of lower courts in refusing to grant to Joseph Lewis of New York an injunction to make Mayor LaGuardia and other officials of the city cease using WNYC's facilities for such broadcasts.

Mr. Lewis' attorney contended before the court that habitual use of the broadcasting station at public expense by private persons and societies was a violation of the State Constitution, Article VIII, Section 1.

Counsel for the City of New York argued that Station WNYC, in permitting the broadcasts, made no distinctions based on color, race or creed; that the broadcasts were authorized by statute, and that there was no violation of the constitutional provision against gifts of public money.

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VALUE OF FREQUENCY MODULATION ANALYZED

An indication of the value of frequency modulation and high fidelity reception to the consumer was recently disclosed by a study conducted under the direction of Samuel E. Gill, market research analyst.

Working on the assumption that if the consumers were interested and conscious of the value of high fidelity, they would attempt to obtain the highest fidelity reception possible from existing receivers, Mr. Gill interviewed several hundred radio equipped families in areas with a low noise level, questioning them in regard to the use of the tone control on their present radio. The position of the tone control was noted at the time of the call and in addition questions were asked relative to the use of the tone control when listening to speech and when listening to music.

As a result of this study Mr. Gill explained that a very small percentage of radio listeners use the highest fidelity obtainable through their existing radio equipment for only a small percentage keep their tone control toward the treble, i.e., at the point of highest fidelity reception.

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