



096554

263.01

REPORT TO THE  
COMMITTEE ON FOREIGN RELATIONS  
UNITED STATES SENATE

72 0501



6  
36

U.S. Government Monies Provided  
To Radio Free Europe  
And Radio Liberty B-173239

BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES

~~701130~~

096554

MAY 25, 1972



C o n t e n t s

	<u>Page</u>
DIGEST	1
CHAPTER	
1 INTRODUCTION	5
Scope of review	5
2 FREE EUROPE, INC.	7
History	7
Organizations and functions	8
Agreements with foreign countries	12
3 ANALYSIS OF FREE EUROPE, INC., RECEIPTS AND EXPENDITURES	14
Nonradio activities	15
4 ANALYSIS OF FREE EUROPE, INC., EXPENDITURES FOR FISCAL YEAR 1971	19
Analysis of fiscal year 1971 operating expenses	21
Management controls over expenditures	36
Conclusions	37
5 RADIO LIBERTY COMMITTEE, INC.	38
History	38
Organization and functions	39
Agreements with foreign countries	41
6 ANALYSIS OF RADIO LIBERTY COMMITTEE, INC., RECEIPTS AND EXPENDITURES	45
7 ANALYSIS OF RADIO LIBERTY COMMITTEE, INC., EXPENDITURES FOR FISCAL YEAR 1971	46
Analysis of fiscal year 1971 operating expenses	48
Management and accounting controls	60
Conclusions	61
8 MATTERS FOR CONSIDERATION BY THE COMMITTEE	62
Continuation of Government support	62
Cost to be considered if Government support is discontinued	69

		<u>Page</u>
I	Letters from the Chairman, Senate Foreign Relations Committee, dated June 8 and August 5, 1971.	71
II	Background information on Free Europe, Inc.	75
III	Background information on Radio Liberty Committee, Inc.	105

ABBREVIATIONS

DM	deutsche mark
FRG	Federal Republic of Germany
GAO	General Accounting Office
RARET	abbreviated name for Free Europe subsidiary in Portugal, Sociedade Anomima de Radio-Retransmissao, S.A.R.L.
RFE	Radio Free Europe
RLC	Radio Liberty Committee, Inc.
U.S.S.R.	Union of Soviet Socialist Republics
WEAC	Western European Advisory Committee



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-173239

Dear Mr. Chairman:

\* This is our report on the U.S. Government monies provided to Radio Free Europe and Radio Liberty and the corporations to which they belong, in response to your requests of June 8 and August 5, 1971.

Certain classified information relating to the two Radios is being provided by a separate letter.

We are satisfied that the two Radios and respective corporations have exercised adequate fiscal controls over the Federal funds made available to them and that such funds have been used in an effective and efficient manner for the purposes intended.

R2 In accordance with agreements reached with your office, we did not attempt to evaluate audience reaction or other elements of program effectiveness, since the Committee had requested and had received a separate study of those elements through the Congressional Research Service of the Library of Congress. UTH  
20

Whether it is in the public interest to provide additional tax dollars to support the two Radios is a matter of national policy to be determined by the Congress.

For consideration of the Committee, we offer the following observations and suggestions.

1. World conditions and international relationships have altered in the 20 years since Government support of the Radios began. We believe that the need for continued support through appropriated funds should be reassessed in the light of present conditions and U.S. foreign policy, rather than on the accomplishments under earlier conditions or on how the Radios are organized and managed.



D I G E S T

WHY THE REVIEW WAS MADE

The Chairman, Senate Committee on Foreign Relations, requested that the General Accounting Office (GAO) undertake a comprehensive study of Radio Free Europe and of Radio Liberty, directed particularly to an analysis of the public monies already spent on these Radios or on the corporations to which they belonged.

The Chairman stated that this study and analysis--together with a companion study on the effectiveness of the programs of the two Radios, requested from the Congressional Research Service of the Library of Congress--was needed in the Committee consideration of the merits of continuing the U.S. Government financing support of these Radios.

GAO concentrated its evaluation of administrative effectiveness of the Radios in terms of expenditures for salaries, travel, equipment, contractual services, etc., as distinguished from evaluation of their effectiveness in accomplishing their objectives. GAO efforts were coordinated with the Library of Congress so that the respective reports would complement, rather than duplicate, each other.

In accordance with the Committee's request, GAO did not follow its usual practice of submitting a draft of this report to the interested agencies for comment.

Background

The Radio Free Europe Network consists of 32 transmitters having an aggregate power of over 2.2 million watts. A map showing the locations and functions of major Radio Free Europe European facilities is on page 9.

With this system Radio Free Europe broadcasts daily about 20 hours to Czechoslovakia, 19 hours to Poland and Hungary, 12 hours to Rumania, and 8 hours to Bulgaria. Radio Free Europe estimates its listening audience in Eastern Europe to be 31 million, or more than 50 percent of the population over the age of 14.

Radio Liberty has 17 transmitters at locations in the Federal Republic of Germany, Spain, and Taiwan and broadcasts 295 transmitter hours a day in Russian and up to 18 other languages of the Union of Soviet Socialist Republics (U.S.S.R.). Radio Liberty's combined power totals 1.8 million watts. Radio Liberty's target areas consist of U.S.S.R. and U.S.S.R. troops and civilians in Eastern Europe, including East Germany. A map showing Radio Liberty coverage in U.S.S.R. is on page 40.

FINDINGS AND CONCLUSIONS

D. 1781

D. 1782

Cumulative income for both Free Europe, Inc., and Radio Liberty Committee, Inc., amounted to \$532.6 million at June 30, 1971. The U.S. Government provided \$482.1 million for support of the Radios and associated activities. In addition, about \$50.5 million was received by these organizations from other sources.

--Free Europe, the parent organization of Radio Free Europe, received \$306.8 million in Government grants. In addition, the U.S. Government provided grants of about \$16.5 million to Radio Free Europe Fund, Inc., the fund-raising organization, in support of its operating budget. Free Europe received also about \$46 million from public fund-raising campaigns and \$4.2 million more from miscellaneous sources. (See p. 14.)

--Radio Liberty Committee, the parent organization of Radio Liberty, received \$158.8 million from the U.S. Government in support of its operation. It received about \$265,000 in miscellaneous income. (See p. 45.)

Cumulative expenses for both Free Europe and Radio Liberty Committee amounted to \$512.4 million at June 30, 1971.

--Free Europe's cumulative expenses amounted to about \$355.7 million (\$337.5 million for operating costs and \$18.2 million for capital equipment). Salaries and related employee benefits accounted for most of the operating costs. Free Europe spent about \$248.9 million for the operation and maintenance of Radio Free Europe, \$76.1 million on nonradio activities, and \$30.7 million for general administrative expenses. (See p. 14.)

--Radio Liberty Committee's cumulative expenses amounted to about \$156.7 million, of which \$144.5 million was for operating costs and \$12.2 million was for capital equipment. Radio Liberty Committee's expenses were mainly for operation and maintenance of Radio Liberty. (See p. 45.)

Both Free Europe and Radio Liberty Committee have agreements or licenses to operate radio transmitters in various countries.

--Free Europe currently is paying a yearly license fee of \$15,350 to operate in the Federal Republic of Germany. (See p. 12.)

--In Portugal, Free Europe, under a 1963 contract, is required to pay a sum of \$700,000 over the 10-year period of the agreement. With the exception of certain pieces of equipment, the facilities in Portugal are the property of, or will revert to, the Portuguese Government. (See p. 12.)

--Radio Liberty Committee pays an annual license fee of \$15,000 to operate in the Federal Republic of Germany. (See p. 42.)

--In return for the right to transmit from Spain, Radio Liberty Committee agreed to turn over most of its facilities and equipment to the Spanish Government. Radio Liberty Committee currently is paying a fee of \$285,000 annually to operate in Spain. (See p. 41.)

2. We believe that, if a decision is reached to continue the financial support of the Radios, the effectiveness of administration can be enhanced and the operations made more efficient by consolidating their activities to reduce program overlap and administrative duplications. In view of this and of the current operating arrangements in certain countries, we believe that further study of management's plan to modernize its technical facilities is needed.

In the preparation of our report, we have had the full and active cooperation of the officials and staff of both organizations, and their assistance greatly aided our work, as well as the cooperation of the Department of State.

We believe that the contents of this report would be of interest to other committees and members of Congress. However, release of the report will be made only upon your agreement or upon public announcement by you concerning its contents.

Sincerely yours,

  
Comptroller General  
of the United States

1+R1

The Honorable J. W. Fulbright  
Chairman, Committee on Foreign Relations § 1300  
United States Senate



--Radio Liberty Committee has an agreement with the Broadcasting Corporation of China for the use of certain transmitter facilities. In return for the use of these facilities, Radio Liberty Committee pays a rental rate of \$16.50 an hour. (See p. 43.) For fiscal year 1971 rental of technical facilities amounted to about \$144,000. (See p. 59.)

The receipts and expenses of Free Europe and Radio Liberty Committee for fiscal year 1971 follow.

--The U.S. Government provided support of \$33.7 million to these organizations--\$20 million to Free Europe and \$13.6 million to Radio Liberty Committee. (See pp. 19 and 46.)

--Free Europe expenses amounted to \$22.4 million. These expenses were for the operation of Radio Free Europe (\$18.7 million), general administrative expenses (\$2.4 million), nonradio activities (\$1.2 million), and capital improvements (\$0.2 million). Compensation and related employee benefits (\$15.6 million) represented the major expense. (See p. 21.)

--Radio Liberty Committee expenses were about \$14 million. Of this amount, about \$11.6 million was for the operation of Radio Liberty. Expenses of about \$1 million and \$0.1 million, respectively, were incurred for general management matters and capital improvements. In addition, Radio Liberty Committee had expenses of \$1.3 million in support of nonradio activities. Salaries and fees (\$7.9 million) and employee benefits (\$2.4 million) were the major expenses. (See p. 48.)

--To operate these Radios overseas, it was necessary to convert \$26.9 million U.S. dollars into foreign currencies in fiscal year 1971.

In GAO's opinion, Free Europe and Radio Liberty Committee have taken sufficient steps to ensure sound financial management practices and public monies have been reasonably accounted for, effectively administered, and applied for the stated purposes of the Radios and their respective corporations. (See pp. 37 and 61.)

#### MATTERS FOR CONSIDERATION BY THE COMMITTEE

GAO was asked whether additional public (U.S. Government) monies should be provided to the Radios. This is a matter for consideration by the Committee and by the Congress.

World conditions and international relationships have altered in the 20 years since Government support of the Radios began. The need for continued support through appropriated funds should be reassessed in the light of present conditions and of U.S. foreign policy rather than on the accomplishments under the earlier conditions or on how the Radios are organized and managed. The following information, however, should be of assistance to the Committee in arriving at a decision whether to continue U.S. Government support of these activities. (See p. 62.)

Continuation of U.S. Government support

Since the activities of both Free Europe and Radio Liberty Committee have diminished to strictly radio broadcasting, it appears that the cost of providing an uncensored news service to the peoples of Eastern Europe and U.S.S.R. could be reduced if these organizations were consolidated and if some or all of their activities were merged. Both organizations have separate executive offices and some programming offices in New York, N.Y. In addition, both organizations have extensive news-gathering operations and radio studio operations located in Munich, Germany. (See p. 62.)

- There are extensive plans to modernize and replace the Radios' present facilities. These are intended to upgrade the Radios in their efforts to compete with other radio stations for listeners in the target countries.
- Free Europe has a two-phase program. Phase one of the program is to be completed 2 years from the time construction is authorized. The estimated cost is \$6.2 million. The second phase, which is to be carried out over a longer period, is projected to cost about \$11.3 million. (See p. 66.)
- Radio Liberty Committee has plans to start a long-range facilities modernization and enhancement program. Radio Liberty Committee estimates that, if the program is implemented at its present locations, the cost would be \$4.5 million. Radio Liberty Committee also has contingency plans to be implemented in the event that new locations are required in Europe and in the Far East. It is estimated that the implementation of each contingency plan would cost \$13 million. (See p. 67.)

Discontinuance of U.S. Government support

Free Europe and Radio Liberty Committee estimated that liquidation of the two organizations would cost between \$44.1 million and \$81.3 million (See p. 69.)

- Free Europe estimated that its total liquidation cost would be \$59.8 million; \$31.4 million was estimated for mandatory cost items, \$18.4 million for voluntary costs, and \$10 million for contingencies. (See p. 69.)
- The estimated total cost to liquidate Radio Liberty Committee operations was \$21.5 million. The mandatory costs were \$12.7 million, the voluntary costs were \$7.7 million, and contingency costs were \$1.1 million. (See p. 70.)

## CHAPTER 1

### INTRODUCTION

The Chairman of the Senate Foreign Relations Committee, in letters dated June 8 and August 5, 1971, requested the General Accounting Office to undertake a comprehensive background study on Radio Free Europe (RFE) and on Radio Liberty. GAO was requested to analyze the public monies spent on Radio Free Europe and Radio Liberty and/or the corporations to which they belonged. The Chairman requested that GAO's efforts be concentrated on the preparation of a complete report that would afford the Committee a solid basis for judging the Radios in terms of public monies provided and of the Radios' expenditures of these monies. (See app. I, pp. 71 and 72.)

The Chairman also advised us that the Congressional Research Service of the Library of Congress had been requested to prepare an in-depth study on the program effectiveness of the Radios.

### SCOPE OF REVIEW

The principal objectives of our review were to develop historical data on the amount of public funds provided to the Radios, to determine the nature of expenditures of these funds, to make a comparative analysis of selected expenditures, and to make observations relating to the controls over expenditures. In accordance with your request and subsequent discussion with our representatives, we concentrated our evaluation of the administrative effectiveness of the Radios in terms of expenditures for salaries, travel, equipment, contractual services, etc., as distinguished from evaluation of their effectiveness in accomplishing their objectives. Our efforts were coordinated with the Library of Congress so that the respective reports would complement, rather than duplicate, each other.

We utilized Free Europe's and Radio Liberty Committee's (RLC) audited financial statements from their inception through 1971 to ascertain the nature of receipts and expenditures. We concentrated our detailed analysis of expenditures on those incurred for fiscal year 1971 because the records

were readily available. We determined the nature of income received and expenses incurred. We obtained information on all expense accounts and developed detailed data on selected ones. Our selection of accounts for in-depth analysis was based mainly on the materiality of the amounts involved and on the nature of the expenses.

Our review did not deal with every aspect of Free Europe's and RLC's operations and expenditures. This would have been impracticable in terms of manpower requirements. However, we made selective comparisons of the salaries and related employee benefits provided to dollar-paid employees of these organizations with those paid to civilian employees of the U.S. Government. In addition, we compared the salaries of selected positions with those at the Voice of America. We also reviewed and assessed the adequacy of the mechanisms established by Free Europe and RLC for controlling their receipt and disbursement of funds.

We performed work at the offices of Free Europe and Radio Liberty Committee in New York and Munich. We observed the radio operations and technical facilities in Munich; receiving and transmitting facilities of RFE at Bilblis, Holzkirchen, and Schleissheim, Germany, and Gloria, Portugal; and receiving and transmitting facilities of Radio Liberty at Lampertheim, Germany, and Playa de Pals, Spain. We also made inquiries at, reviewed various records of, and observed the facilities of, the Institute for the Study of the USSR in Munich.

We discussed various aspects of the operations with officials and staff members of both Free Europe and RLC. We discussed also the factual contents of this report with principal officials of Free Europe and RLC.

## CHAPTER 2

### FREE EUROPE, INC.

#### HISTORY

Free Europe was established under the name of the National Committee for a Free Europe, Inc., as a nonprofit organization. Incorporation took place on May 17, 1949, under the laws of the State of New York.

The stated purposes of Free Europe at incorporation were, among others:

- To help Eastern European exiles to maintain themselves in suitable occupations.
- To help the exiles come to know the people of the free world and to understand their spirit and aims.
- To assist the exiles in maintaining contact with their fellow citizens in other countries by radio, press, other means.
- To help keep alive among the exiles the ideals of individual and national freedoms.

Free Europe today sees its mission as the indirect encouragement among the people of Poland, Czechoslovakia, Hungary, Rumania, and Bulgaria of peaceful assertions of national and individual identity.

In July 1949 a radio committee was established to find ways of putting the voices of exiles on the air to their own countries. In December of that year, the radio committee formally became the RFE division of Free Europe.

RFE went on the air in 1950 with a mobile 7.5-kilowatt shortwave transmitter located in Germany and a total programming schedule of 10 hours a week. By the end of 1950, RFE was broadcasting to the people of Rumania, Poland, Czechoslovakia, Bulgaria, and Hungary.

Early in 1951 negotiations were initiated with the Portuguese Government that resulted in permission for the organization of a Portuguese company, the Sociedade Anonima de Radio-Retransmissao, S.A.R.L. (RARET), to build and operate facilities in that country to relay RFE programs. In July 1951 RFE commenced its broadcasting from Portugal.

In 1951 it became apparent to Free Europe that "home service" type of broadcasting could not be done effectively from New York. Consequently it was necessary to substantially increase the program staff in Munich, along with the necessary supporting administrative, engineering, and information-gathering employees.

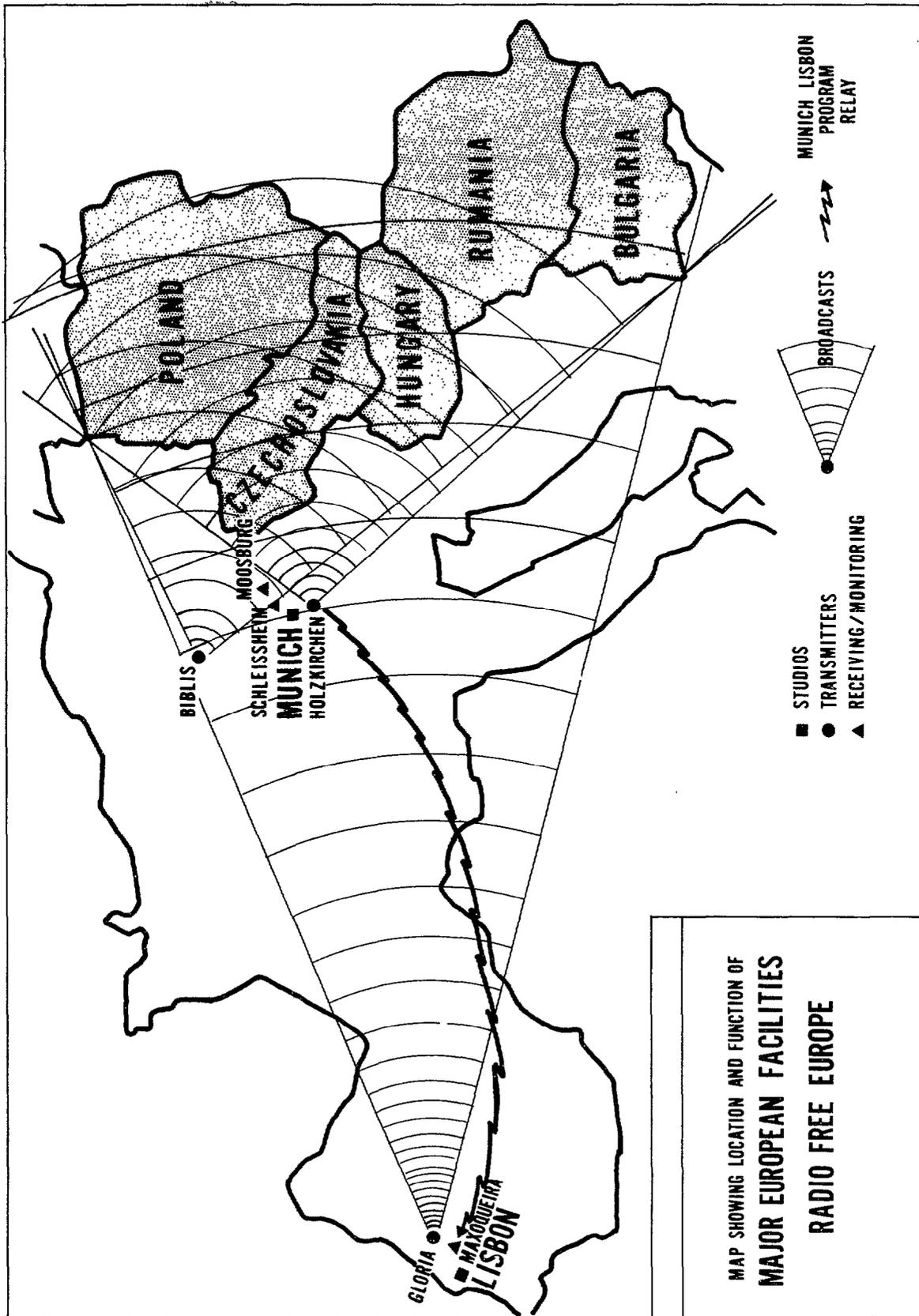
Today RFE's network consists of 32 transmitters having an aggregate power of over 2.2 million watts. RFE broadcasts daily about 20 hours to Czechoslovakia, 19 hours to Poland and Hungary, 12 hours to Rumania, and 8 hours to Bulgaria. In addition, RFE broadcasts a joint music program to the five countries from midnight Saturday to 3 a.m. Sunday. RFE estimates the RFE listening audience in Eastern Europe to be 31 million, or more than 50 percent of the population over the age of 14.

### ORGANIZATIONS AND FUNCTIONS

There are three legal organizational entities involved in the support of the RFE mission: Free Europe, RARET, and the Radio Free Europe Fund.

Free Europe and the Radio Free Europe Fund are governed by the same 19-man board of directors, which formulates the policy and direction. The operations of Free Europe and the Radio Free Europe Fund are directed by a president who is responsible to the board of directors. Free Europe maintains its executive offices in New York City and has its main news and broadcasting facilities in Munich. Radio transmitters are located at two sites in Germany and one site in Portugal. A listing of the officers and directors of Free Europe and the Radio Free Europe Fund are included in appendix II, pages 79 and 81.

RARET is a Portuguese corporation established to represent Free Europe in Portugal. RATET, a subsidiary of Free



Europe, is governed by a board of directors, of which 60 percent are Portuguese and 40 percent are executives of Free Europe. The president and one vice president are Portuguese citizens, and the other vice president is a representative of Free Europe. A listing of the officers and directors of RARET is included in appendix II, page 80.

As of June 30, 1971, Free Europe (including RARET) had 1,637 employees and the Radio Free Europe Fund had 15 employees. A brief description of Free Europe's major offices and activities follows.

#### President's staff

The president of Free Europe is responsible for determining the general policies on broadcasting, personnel and labor relations, and financing. In addition, the president is responsible for maintaining liaison with U.S. Government officials and with the board of directors. The president had a staff of 31 to assist in carrying out these responsibilities.

#### Exile Political Division

This division discharges Free Europe's responsibility for maintaining organizations of exiled Eastern Europeans and for providing support to distinguished exiles. Free Europe, as of June 30, 1971, had a staff of four assigned to administering the support and maintenance program. We were advised by Free Europe's officials that the support of this activity would be discontinued in fiscal year 1972.

#### Radio Free Europe

RFE, headquartered in Munich, is headed by a director who is responsible to the president, Free Europe, for the overall direction and management of the Munich headquarters and of all field components--the New York radio activities and RARET. The director is also a vice president of Free Europe.

Although basic RFE objectives are established by the president of Free Europe with the approval of the board of directors, the director of RFE is responsible for development

and implementation of day-to-day editorial guidelines. Most of RFE program material originates from Munich.

Organizationally the headquarters consists of five broadcasting departments--one for each of the five Eastern European target countries--Bulgaria, Czechoslovakia, Hungary, Poland, and Rumania; news departments; research and analysis units; the Audience and Public Opinion Research Department; the Administrative Department; and the Engineering Department.

A more detailed description of the organization, functions, and activities of Free Europe is contained in appendix II, pages 75 through 104.

#### Radio Free Europe Fund

Since April 1, 1951, the public fund-raising and related activities of Free Europe have been conducted by the Radio Free Europe Fund (formally the Crusade of Freedom, Inc.). The Radio Free Europe Fund is a separate corporate entity whose board of directors is identical to that of Free Europe.

The Radio Free Europe Fund entered into an agreement with Free Europe effective July 1, 1965, whereby its managerial functions with respect to operations were undertaken by Free Europe on a reimbursable basis.

The headquarters group under the vice president is responsible to the president of the Radio Free Europe Fund for coordination of the national campaign, preparation and distribution of fund-raising and educational material, public relations service, recordkeeping, gift receipt and accounting, and liaison among the Advertising Council, the RFE Broadcasters' Committee, and national organizations. To assist the staff in their fund-raising activities, there is a group of approximately 1,000 volunteer business leaders headed by the national chairman and by 59 State chairmen or cochairmen.

## AGREEMENTS WITH FOREIGN COUNTRIES

### Federal Republic of Germany

Until 1955 RFE was broadcasting under the sponsorship of the occupying powers in Germany; however, with the restoration of sovereignty to the Federal Republic of Germany (FRG), it became necessary to formalize the arrangements under which RFE had been broadcasting.

In July 1955 a radio license was granted to Free Europe by FRG, which, in return for a yearly fee of \$10,000, permitted RFE to operate for a period of 5 years. We were advised by Free Europe that there never had been a formal renegotiation of the original contract but that the license had been extended annually without any formal process. The license fee was increased to \$12,660, effective February 1, 1967, and to \$15,350, effective January 1, 1970.

### Portugal

RARET obtained a 10-year contract with the Portuguese Government on December 27, 1951, that authorized RARET to install and operate a broadcasting service destined exclusively for the retransmission of RFE programs. The contract provided that, after 10 years, ownership of all facilities revert to the Portuguese Government. The Portuguese Government agreed that it would reimburse RARET for all facilities built and improvements made during that time. By 1961 the amount to be reimbursed was a little over \$1 million.

Two amendments extended the first 10-year contract, until a new 10-year contract was signed in April 1963. The new contract relieved the Portuguese Government of its obligations to reimburse RARET for the \$1 million. Under the 1963 contract all installations were to revert to the Portuguese Government, except for the new 250-kilowatt transmitters which RFE installed in 1963. The investment cost as of June 30, 1971, was about \$3.9 million, of which \$1.4 million represented the cost for the 250-kilowatt transmitters.

An important difference between the new contract and the 1951 contract is that the original contract authorized

only retransmission of RFE broadcasts, whereas the 1963 contract provides for RFE broadcasts or rebroadcasts.

Under the new contract RARET, instead of paying any rental or license fee for the use of the installation or for the broadcast or rebroadcast, was to pay the sum of \$700,000 in the following installments.

1. \$200,000 on the date of the signing of the contract.
2. \$100,000 at the beginning of the second, third, and fourth years of the contract.
3. \$100,000 at the beginning of the ninth and 10th years.

### CHAPTER 3

#### ANALYSIS OF FREE EUROPE, INC.

##### RECEIPTS AND EXPENDITURES

From its inception (May 1949) through June 30, 1971, Free Europe received \$356,963,058 in U.S. Government cash and equipment grants and from public contributions, sale of fixed assets, interest, and miscellaneous income. The U.S. Government cash and equipment grants amounted to \$306,849,270, or 86 percent of Free Europe's total receipts. The next major source of income was public contributions. From its inception through June 30, 1971, the Radio Free Europe Fund or its predecessors raised about \$46 million through public fund-raising campaigns. The remaining amount, about \$4.2 million, was received from the sale of fixed assets, interest income, and miscellaneous income.

The U.S. Government, in addition to providing Free Europe with grants, provided the Radio Free Europe Fund with a total of \$16,474,371 for its operating expenses. This practice was discontinued after June 30, 1968. The Radio Free Europe Fund's operating expenses now are paid from the fund-raising-campaign receipts, and the net is transferred to Free Europe.

From its inception through June 30, 1971, Free Europe incurred expenses of approximately \$355.7 million. We estimate these expenses to have been distributed between operating and capital expenses as follows:

	Amount ( <u>millions</u> )	<u>Percent</u>
Operating	\$337.5	95
Capital	<u>18.2</u>	<u>5</u>
Total	<u>\$355.7</u>	<u>100</u>

Operating expenses included salaries, related personnel costs, rent, utilities, and administrative costs. The capital expenditures included investments in office buildings;

technical facilities; shop, office, power, and radio transmitting equipment; household furniture; vehicles; and antennas at transmitting stations.

Of the \$355.7 million in total expenses incurred by Free Europe, about \$248.9 million, or 70 percent, was for the operation and maintenance of RFE. The part of Free Europe total costs attributed to RFE has steadily increased over the past years as involvement in nonradio activities has diminished.

Free Europe also incurred costs of \$30.7 million, or about 9 percent of its total expenditures, for general management and administrative expenses. These costs included compensation and related employee costs, rent, utilities, outside professional services (certified public accountants, lawyers, consultants, etc.), and miscellaneous administrative expenses.

#### NONRADIO ACTIVITIES

The part of Free Europe costs charged to nonradio activities amounted to about \$76.1 million. We were advised by Free Europe officials that the nonradio activities concerned exile relations, publications, and redeployment of Eastern Europeans. The nature of these activities and the organizations conducting the activities are described below.

#### Exile relations and organizations

We were advised by Free Europe that, at the urging of the U.S. Government in 1949, it assumed the mission of aiding and maintaining contact with exiles from Eastern European countries. This assistance amounted to about \$29.2 million and included payment of stipends to exiles and support to organizations formed by the exiles. The organizations and Free Europe divisions administering this program and their expenses were:

Committee for National Councils	\$ 2,665,000
Exile relations program (later exile political organization division)	19,438,000
Citizen Services	1,466,000
Free Europe organizations and publications	3,090,000
West European operations division	<u>2,508,000</u>
	<u>\$29,167,000</u>

### Publications

We were advised by Free Europe that its publications activity embraced the printing, under various titles and by various methods over the years, of selected materials on Western affairs, the Western way of life, and Eastern European affairs and the distribution of those materials to the Eastern European countries and to Eastern Europeans in the West.

The publications activity included a project in the mid-1950's for distribution of the printed word behind the Iron Curtain by means of balloons. The publications activity included also a monthly magazine, East Europe, primarily for scholars in the West. The magazine was published in English-, German-, and French-language editions. The German-language edition is the only one being published by Free Europe. The English-language edition was taken over by a U.S. commercial publisher.

Total expenditures for the publications activity over 20 years amounted to about \$26.6 million. The organizations and Free Europe divisions administering this program and their expenses were:

Publications program (later publications and special projects)	\$12,252,000
Free Europe Press	11,769,000
Free Europe organizations and publications	1,765,000
Communist-bloc operations	<u>786,000</u>
	<u>\$26,572,000</u>

## Redeployment of Eastern Europeans

A variety of activities were organized in the 1950's and early in the 1960's with a view to carrying out one of Free Europe's original stated aims to "help East European exiles to maintain themselves in suitable occupations" and to put their knowledge and skills to use in the free world.

The largest project carried out under this activity was the organization and support of the Free Europe University in Exile which was located in Strasbourg, France, and which shared the teaching facilities of the University of Strasbourg. At this Free Europe University, the outstanding exiled students from Eastern Europe were able to complete work for their degrees so that they could find useful employment in the West as scientists, teachers, doctors, etc.

Other projects included in this activity were scholarship aid to young exiles (including some of the thousands of young Hungarians who fled their country in the 1956 revolution), who reached the West but who had incomplete educations; the Mid-European Studies Center which used the first-hand knowledge and professional training of exiled Eastern Europeans to perform scholarly research on Eastern European economic, social, historical, and legal subjects; and the placement of exiled scholars and technicians in teaching and development projects, chiefly in the underdeveloped countries. Total expenses for this activity were \$16.1 million. The organizations and Free Europe divisions and their expenses involved in administering this activity were:

Committee for Intellectual Cooperation	\$ 5,853,000
Committee for American Contact	204,000
Support of Free Europe University in Exile	4,874,000
Free Europe organizations and publications	2,501,000
West European operations division	627,000
Free-world operations division	996,000
Phaseout of program (note a)	<u>1,028,000</u>
	<u>\$16,083,000</u>

<sup>a</sup>The phaseout cost was in the form of a contribution to a successor organization, the International Development Foundation, Inc.

Other

In addition, Free Europe spent about \$2.1 million for designated projects. These projects were financed by contributions received for which the contributors specified a designated purpose. Free Europe spent \$2.2 million more on numerous small projects that related to projects listed above.

## CHAPTER 4

### ANALYSIS OF FREE EUROPE, INC.

#### EXPENDITURES FOR FISCAL YEAR 1971

For fiscal year 1971 Free Europe received \$21,502,644 from interest income, contributions, and Government grants. The U.S. Government contributed \$20,014,656, or 93 percent, of the receipts. The remaining amount was received from interest income and the fund-raising campaign. In addition to the above receipts, Free Europe had at the start of fiscal year 1971 an unexpended fund balance of \$2,429,315.

Free Europe operating expenses for fiscal year 1971 were about \$22.4 million. Of this amount about \$18.7 million, or 83 percent, was for operation of RFE. Expenses of \$2.4 million and \$1.2 million were incurred for general administrative expenses and nonradio activities, respectively. In addition to the operating expenditures, Free Europe had capital expenditures of \$244,036.

Of the \$2.4 million for general administrative expenses, about \$1.7 million was for costs of the pensions, insurance, and termination programs for all employees. The other \$0.7 million was for headquarters expenses which included salaries and related employee costs, rent, utilities, professional services, miscellaneous administrative expenses, and support of the Western European Advisory Committee.

The share of the Free Europe budget for nonradio activities has diminished over the years, and in fiscal year 1971 these activities accounted for 5 percent of the total cost of operation. Support for nonradio activities included \$584,370 for exile political organizations and \$610,826 for publications and special projects.

We were advised by Free Europe that for fiscal year 1971 it converted \$16,415,739 to foreign currencies in support of the overseas operations.

The following schedule itemizes the operating expenses of Free Europe for fiscal year 1971.

Free Europe, Inc., Schedule of  
Operating Expenses for Fiscal Year 1971

<u>Item of expenses</u>	<u>Amount</u>	<u>Percent of total operating expenses</u>
Compensation and related employee benefits	\$15,601,777.50	69.8
Employee termination expenses	207,025.35	0.9
Program free-lance fees	492,689.12	2.2
Exile support	537,998.37	2.4
Outside professional services	416,227.52	1.9
Power purchased	568,185.39	2.5
Repairs and maintenance	447,293.82	2.0
Rent and utilities	338,802.00	1.5
Transmission lines	247,930.33	1.1
Office supplies	275,702.99	1.2
Licenses	115,350.00	.5
News service and information	174,926.68	.8
Travel	161,129.68	.7
Special projects	63,281.01	.3
Conferences	38,801.38	.2
Foreign currency conversion costs	1,295,952.35	5.8
Other expenses	<u>772,977.05</u>	<u>3.5</u>
 Total operating expenses of continuing divisions	 21,756,050.54	 97.3
 Expenses of publications and special projects division-- discontinued in January 1971	 <u>610,825.87</u>	 <u>2.7</u>
 Total operating expenses	 <u>\$22,366,876.41</u>	 <u>100.0</u>

ANALYSIS OF FISCAL YEAR 1971  
OPERATING EXPENSES

Our analysis of the approximately \$22.4 million for operating expenses incurred by Free Europe is discussed below.

Compensation and related  
employee benefits (\$15,601,778)

The major items of costs in this category are:

Salaries and wages	\$10,770,548
Pension and insurance plans	1,512,474
Foreign Service allowance	546,072
Social security and other employee taxes	944,531
Employee housing	1,403,539
Employee maintenance	<u>424,614</u>
Total	<u>\$15,601,778</u>

The salaries and most of the employee benefits for the majority of Free Europe employees are established as a result of negotiations with labor unions and agreements with employee councils. Only those employees in management positions are not covered by union agreements. Several contracts or agreements existed in October 1971.

Labor union contracts

Deutsche Angestellte-Gewerkschaft--This covers about 450 German technical, custodial, and clerical employees. It covers also about 500 non-German editorial, clerical, and production employees.

Bayischer Journalisten Verband--This covers about 40 non-German editorial employees.

New York Newspaper Guild--This covers about 225 non-German editorial, clerical, and production employees in Munich. It covers also about 75 editorial, clerical, and technical employees in New York.

Directors Guild of America--This guild covers five radio program producers and/or directors.

Company agreements--These agreements with employee groups are required by German law.

German Works Council--This council represents all German pay-scale employees.

Nationalities Works Council--This council represents all other pay-scale employees.

The contracts and agreements establish salary scales and stipulate the employee benefits required. For all employees (except Portuguese employees and local employees of news bureaus) these include:

1. Health and life insurance allowances.
2. Retirement benefits.
3. Notice and severance pay upon termination.

For U.S. employees and language dollar-scale employees (Munich and Lisbon), these include:

1. Housing.
2. Education allowances (dollar-paid employees only).
3. Moving expenses.
4. Passport fees, travel documents, and U.S. reentry permits.

In addition, Free Europe must provide, for most nonexecutive employees in Munich, Christmas bonuses which range from about \$25 to \$95 depending upon the employees' length of service. German employees also receive meal allowances in accordance with union requirements.

#### Salaries and wages (\$10,770,548)

The following salary scales are presently used by Free Europe.

- Executive scale (\$7,200 to \$25,500): This scale includes employees (principally Americans) who serve in management and some supervisory positions. Annual salary reviews serve as a basis for increases.<sup>1</sup>
- U.S. dollar scale (\$3,645 to \$16,239): This includes those employees paid in U.S. dollars whose salaries are negotiated with labor unions.
- Language dollar scale (\$1,899 to \$9,801): Foreign exiles who possess U.S. citizenship or immigration papers are paid under this scale; the salary is set by union negotiation.
- Language deutsche mark (DM) scale (DM7596 to DM39,204 or \$2,359 to \$12,175): Those foreign exiles who have German immigration papers are paid under this scale. The rates are determined by the labor union.
- German supervisory scale (DM20,000 to DM57,200 or \$6,211 to \$17,764): This scale is for those German employees serving in supervisory positions.
- German scale (DM9072 to DM32,604 or \$2,817 to \$10,125): All German employees in nonsupervisory positions are paid under this scale which is set by union negotiations.
- New York Newspaper Guild (\$4,888 to \$14,534): This level applies to New York employees in working levels and some supervisors in production jobs.
- Administrative scale (\$4,888 to \$14,534): This applies to clerical and administrative employees working with managers in New York. The salary levels for this scale are fitted to the guild scale and are identical to those negotiated rates.

---

<sup>1</sup>Salaries of officers of Free Europe are excluded from this scale. Four officers receive salaries ranging from \$29,150 to \$36,000.

At the time these salary scales were established, the rate of currency conversion was DM4 to \$1. On September 12, 1971, the official par rate was established at DM3.22 to \$1. To prevent a loss of purchasing power due to reevaluation, dollar-paid employees are permitted to convert their salary checks at the rate of DM4 to \$1--the rate under which their salary scale was established. Free Europe believes that, if dollar-paid employees were forced to exchange at the current rate, they would lose about 20 percent of their purchasing power on the local economy although their DM-paid counterparts who, in many instances, perform identical tasks would maintain the same purchasing power.

When the latest German labor union contracts expired on June 30, 1971, Free Europe was able to postpone renegotiations until its then-current financial situation was resolved. In effect, all promotions and salary increases (except in-grade step increases)<sup>1</sup> were frozen as of June 30, 1971. Free Europe expects that the labor union will demand retroactive salary increases as of July 1, 1971, when negotiations are finally resumed.

The salary scale for local nationals of RARET ranges from \$504 to \$7,552 annually. Like the Munich employees RARET's Portuguese employees receive Christmas bonuses (a month's salary) and retirement and life insurance benefits.

The average salary or wage for Free Europe for fiscal year 1971 was \$6,579. The majority of Free Europe employees at June 30, 1971, received compensation equal to the U.S. Government general pay schedule, GS-7 or below. At June 30, 1971, a GS-7 pay rate ranged from \$8,582 to \$11,156.

We found that the salary ranges of Free Europe for dollar-paid employees were comparable to those of the U.S. Government. These salary ranges are illustrated below.

---

<sup>1</sup>In-grade increases for U.S. citizens and employees holding U.S. reentry papers were postponed in accordance with President Nixon's 90-day wage price freeze.

Free Europe ranges:

Executives	\$7,200 to \$25,500
Nonexecutives	\$1,899 to \$16,239

U.S. Government ranges:

Civil Service (General Schedule)	\$4,564 to \$39,693 <sup>a</sup>
-------------------------------------	----------------------------------

<sup>a</sup>The maximum salary is \$36,000, GS-18.

Also four officers received the following salaries: president, \$36,000; vice presidents, \$31,500 and \$31,275; and vice president (director of RFE), \$29,150. The salaries of comparable positions in the Voice of America range from \$32,546 to \$36,000.

In addition to the basic compensation paid according to the scales listed above, the compensation account includes overtime, holidays, payment to temporary employees, bonuses, and severance pay.

Pension and insurance (\$1,512,474)

Free Europe has a number of pension and insurance plans to cover both active and retired employees. Free Europe pays, depending on the plan elected, either all or the major part of the cost of the coverage. On the basis of studies obtained from U.S. Government sources, it appears to be a common practice of private industry to finance either all or the major part of pension and insurance costs.

The costs incurred for the various plans in effect for fiscal year 1971 are summarized below.

<u>Plans</u>	<u>Active</u>	<u>Retired</u>	<u>Total</u>
Pensions	\$1,022,509	\$52,035	\$1,074,544
Life insurance	148,531	4,692	153,223
Health insurance	200,659	16,461	217,120
Workmen's compensation	<u>46,752</u>	<u>-</u>	<u>46,752</u>
Total			1,491,639
Consultants' expense			14,097
Miscellaneous expense			<u>6,739</u>
Total			<u>\$1,512,474</u>

<sup>a</sup>These costs represent one-time cash payments in lieu of vesting in pension plans in accordance with union agreements or cash payments for health insurance coverage.

Foreign service allowance (\$546,072)

As of October 1971 638 employees received German foreign service allowance payments. In addition, 10 employees in the field bureaus received foreign service allowances. These allowances are based on the employees' salaries and on the number of dependents residing in Europe. The rates range from \$267 to \$1,068 annually for dollar-paid employees and from DM1,068 to DM4,272 for those paid in German currency.

This allowance was initiated in 1955 when Germany regained her sovereignty and RFE employees lost the privilege of using the U.S. military commissary and post exchange facilities. (Although not specifically included in the past, future union agreements will provide for this allowance which is to be based on the cost of living in Munich.)

Social security and other  
employee taxes (\$944,531)

Free Europe is required to make matching social security payments as follows:

- U.S. social security payments for all U.S. citizen employees.
- German social security payments for all German employees, language employees, and U.S. citizens not exempt by German law. (The payments also include an amount for a mandatory health insurance coverage for certain Munich employees whose salaries do not exceed a certain amount.)
- Social security payments for employees from other countries who are in the field news bureaus.

Employee housing (\$1,403,539)

Agreements with the Nationalities Works Council required Free Europe to provide housing (and related expenses including furnishings, utilities, and maintenance) to all non-German employees and U.S. employees permanently assigned in Germany.

To meet this requirement Free Europe leases, on a continuing basis, 390 apartments and 43 houses in the Munich area. In addition, Free Europe has, as a part of its RARET operation, 10 duplexes, six houses, and two bachelor apartments (together accommodating up to 65 persons). The total lease costs for fiscal year 1971 were \$634,000; furnishings, utilities, and maintenance costs were an additional \$220,000. Other related expenses, including taxes, nonreturnable deposits, and hotel costs for employees in transit, amounted to \$90,000.

If leased housing is not available for employees, the agreement with the Nationalities Works Council requires that employees be provided an allowance based on their salary and number of dependents residing in Europe. The housing allowance scale ranges from DM3,240 to DM12,240 (about \$1,006 to \$3,800) annually compared with the Department of State housing allowance scale for Munich ranging from \$1,500 to \$3,700 annually.

The employee has the option of choosing to accept the housing allowance in lieu of leased housing. Since the allowance is less costly than providing leased quarters with all associated expenses, i.e., utilities and maintenance, Free Europe encourages its employees to accept the housing allowance. For fiscal year 1971 housing allowances paid to eligible employees (including RARET) totaled about \$459,000.

Employee maintenance (\$424,614)

This category includes all other employee benefits required by union agreements.

The major items of costs in this category are:

Home leave	\$113,461
Education allowance	99,247
Commuting allowance	57,314
Relocation expenses	49,813
Visa travel	38,702
Mess and commissary subsidy	36,416

Free Europe grants full-time employees outside the United States 30 days of home leave on completion of each 2-year contract. This contrasts with the Department of State policy of granting home leave ranging from 5 to 15 days for each 12 months of creditable service. Home leave of 15 days is earned by those employees accepting assignments anywhere in the world as the needs of the agency require, serving with a U.S. mission to a public international agency, or serving at a post where post differentials are 20 percent or more. Home leave of 10 days is earned by employees serving at posts where post differentials are at least 10 percent, but less than 20 percent. All other employees earn 5 days of home leave.

Due to uncertainty of the Free Europe future funding arrangements, all home leave for employees scheduled during the period September 15, 1971, through September 15, 1972, was postponed.

Employee termination (\$207,025)

Employee termination expenses were incurred by Free Europe in liquidating nonradio activities. For fiscal year 1971 Free Europe attributed these expenses to the liquidation of the publication and special projects division.

Program free-lance fees (\$492,689)

These expenses are payments for free-lance services. Free-lance services are used to obtain greater diversity in radio programming than would be possible if Free Europe were to rely exclusively on its own staff.

This activity consists of writers, musicians, consultants, and others who contribute talent, information, and experience to the program efforts. These persons are paid under contract for the specific service rendered rather than on a salary basis. They receive no employee benefits.

The directors of the RFE broadcasting departments are responsible for determining their free-lance needs. They may utilize as much of their operating funds as necessary for this program. The directors determine the compensation which is reasonable and appropriate for the service.

We obtained from RLC information regarding free-lance pay rates used by several German radio networks. In comparing these free-lance pay rates with those of Free Europe, we found that Free Europe's rates were, for most comparable services, lower than those paid by the German radio networks.

Exile support (\$537,998)

Exile support costs represent payments of stipends to persons and maintenance of symbolic organizations. Stipends are paid either directly to persons by Free Europe or indirectly by the exile organizations. Stipends paid indirectly by exile organizations are at a rate approved by Free Europe. For fiscal year 1971, stipends amounted to about \$232,000.

Free Europe also provided organizational maintenance to about 16 exile groups in the form of contributions.

Costs for organizational maintenance amounted to about \$306,000.

Free Europe incurred costs of about \$46,000 in administering the exile support program. The cost for administering the program is included in other Free Europe cost categories; i.e., salaries and related personnel costs and rents.

Free Europe support of exiles was discontinued in fiscal year 1972. By Presidential Determination No. 72-6, dated November 1, 1971, the U.S. Government will provide annuities to the exiles. We were advised by Free Europe, however, that no provision had been made to continue organizational maintenance.

Outside professional services (\$416,228)

The major costs charged to this account were for research, translation, clerical protective building-cleaning, and engineering consultants services. The expenses for outside professional services were distributed as follows:

<u>Type of service</u>	<u>Total</u>
Research	\$ 96,824
Protection	68,166 <sup>a</sup>
Building cleaning	61,721
Engineering consultants	46,328
Audits	27,132
Legal	26,479 <sup>b</sup>
Miscellaneous	<u>89,578<sup>b</sup></u>
Total	<u>\$416,228</u>

<sup>a</sup>At RARET, guard services are provided by the Portuguese Government on a contractual basis. For fiscal year 1971 the amount was about \$48,000.

<sup>b</sup>Miscellaneous services consisted principally of the costs incurred for translation and clerical services required in addition to those provided by Free Europe's own staff.

Power purchased (\$568,185)

This account represents the expenses for the electrical power required at RFE's three transmitting stations. Free Europe reported that the power consumption requirements of many of RFE's outmoded transmitters were excessive when compared with the power requirements of more modern equipment.

Repairs and maintenance (\$447,294)

This account includes costs for vehicles leased by Free Europe and for taxes on vehicles owned by Free Europe-- in addition to costs for the repair and maintenance of all facilities.

Rent and utilities (\$338,802)

In fiscal year 1971 Free Europe paid about \$339,000 for office rent and utilities. This cost was distributed as follows:

Free Europe headquarters		\$ 62,081
Radio Free Europe:		
Munich office	\$157,898	
New York office	110,489	
Lisbon office	<u>8,334</u>	<u>276,721</u>
		<u>\$338,802</u>

Transmission lines (\$247,930)

Transmission lines are leased from the German communications system to transmit programs from the Munich broadcasting studios to the Biblis and Holzkirchen transmitting stations. In addition, temporary lines are leased to relay direct onsite coverage of special events to the studios for use in RFE's programming. Also programs prepared in the New York studios are transmitted via leased radio circuits to the Munich studio.

Office supplies (\$275,703)

This category covers costs of materials other than just office supplies. It includes costs of materials for reproduction and printing, which are paper, ink, and other supplies necessary to reproduce the extensive daily output of the news department that is widely distributed within the organization.

Licenses (\$115,350)

This expense is for the right to operate in Germany and Portugal. Effective January 1970 FRG required Free Europe to pay an annual license fee of \$15,350. In Portugal Free Europe is operating under a 10-year contract through its affiliate, RARET. This contract required Free Europe, in fiscal year 1971, to pay \$100,000 for operation rights.

News service and information (\$174,927)

Expenses included in this category were costs for subscriptions to a number of news wire services (United Press International, Reuters, Agence-France Presse, etc.) and for free-lance news reporting. Payments are also made to confidential sources for information not commonly available through regular news sources.

Travel (\$161,130)

Included in the total for this account were expenditures for meals and lodging, transportation, fares, and tips.

The Free Europe per diem rate for employees traveling in Germany ranges from DM34 to DM63 a day (about \$10 to \$19), and, for employees traveling in Portugal, the per diem rate ranges from DM45 to DM60 (about \$14 to \$18). For Free Europe executives on official travel in Germany or Portugal, the per diem rate is \$25 a day.

In comparison, the Department of State has established the following rates for official travel of U.S. Government civilian employees in Germany and Portugal.

<u>Country</u>	<u>Range</u>
Germany	\$20 to \$26
Portugal	\$16 to \$19

The rates cover basically the same cost for which Free Europe reimburses its employees.

Conference (\$38,801)

Free Europe incurred conference costs in support of the Western European Advisory Committee (WEAC). For fiscal year 1971, expenditures in support of WEAC totaled about \$51,000, of which about \$39,000 was charged directly to conference costs. These costs included the travel expenses for the 31 participants, preparation for the conference, conference facilities, and publishing conference reports. The remaining cost was for Free Europe administrative support of WEAC and was charged to other accounts.

WEAC, established in 1959, consists of a group of European leaders who have made themselves available to the directors and officers of Free Europe for consultation on various aspects of RFE activities. In recent years WEAC has met once a year for a 2-day conference to discuss East-West relations, East European developments, and the work of RFE. In addition to the members of WEAC, distinguished West European guests are invited to participate in each meeting.

Special projects (\$63,281)

For fiscal year 1971 Free Europe charged about \$63,281 to the special projects account. Of this amount, \$54,000 was expended on various publications.

An example of these publications is Na Antenie. This publication consists of reprints of RFE scripts broadcast to Poland. The purpose of this publication is to reach the large Polish population living in Western countries and through them their fellow countrymen still living in Poland.

Foreign currency  
conversion costs (\$1,295,952)

Free Europe's RFE operation is funded in dollars, and all the financial statements relating to the operation are reported in dollars. A significant amount of its expenses, however, is paid in DMs and other foreign currencies.

Because of daily fluctuations in the exchange rate between the dollar and DM, Free Europe used a conversion rate of DM4 to \$1 for ease of accounting. To determine the actual cost of operation, however, the difference between the conversion rate used for accounting purposes and the actual market rate is computed and included in the foreign currency conversion account. Of the \$1,295,952 in fiscal year 1971 conversion costs, about \$400,000 was attributed to converting dollar-paid employees' salaries at DM4 to \$1. (See p. 24.)

The auditing firm retained by Free Europe reported that it planned to recommend to management that future financial reports show the conversion cost in the account to which it applied.

Publications and special projects (\$610,826)

This cost was for the publication and distribution of books and other written material to the Eastern European countries and to East Europeans living in the West. Free Europe support of these activities was discontinued in fiscal year 1971. The publication of magazines was completely discontinued, although the book program, a part of publications and special projects, was reassigned outside the Free Europe organization on December 31, 1970.

Other expenses (\$772,977)

The remaining expenditures of Free Europe are included in the following categories.

Telephone, telegraph, and cable	\$199,226
Office equipment rental	113,950
Postage, freight, and express	129,633
Books, publications, and clippings	98,768
Royalties and copyrights	87,592
Property insurance	39,704
Entertainment	31,839
Public relations (Lisbon)	30,296
Studio recordings and tapes	15,348
Contributions	8,464
Monitoring expenses	5,277
Office furniture and fixtures	705
Miscellaneous expenses, net	<u>12,176</u>
 Total	 <u>\$772,977</u>

## MANAGEMENT CONTROLS OVER EXPENDITURES

The financial accounting for Free Europe is performed under the direction of the treasurer of Free Europe. The accounts of the RFE operation in Germany are handled by the Central European Accounting Office at the headquarters in Munich. RARET accounts are maintained by the RARET Accounting Office in Lisbon. The accounts of the New York operation are handled by the Central Accounting Office of Free Europe.

Accounting procedures used by Free Europe were established by Haskins & Sells, the corporation's certified public accounting firm, and were approved by the treasurer.

Another control over expenditures is indirectly achieved through the RFE accountable property control officer. Although part of the Central European Accounting Office, he keeps an independent perpetual inventory of capital and accountable items.

Expenditures and controls over expenditures at RFE headquarters and associated activities in Europe (except Portugal) are subject to internal audit on a continuing basis to ensure compliance with Free Europe operating regulations. The internal auditor reports directly to the president of Free Europe with copies to the treasurer's office of Free Europe.

The audit program used by the internal auditor was designed by Haskins & Sells and was approved by the president of Free Europe. It calls for an audit of transactions on a test basis and places emphasis on any account or activity that indicates discrepancies or deviations from authorized accounting procedures or regulations. An audit is performed quarterly of bookkeeping, cash on hand and in the Munich bank, payroll disbursements, inventories, and statements of the news bureaus and transmitting sites in Germany.

The internal auditor conducts special audits at the request of the president, Free Europe, or the director, RFE. He may also audit any area or activity that he feels warrants attention.

Free Europe is audited annually by Haskins & Sells. The audit includes an analysis of accounts; inventory procedures, including independent inventory checks; Program Free Lance expenditures; internal audit procedures; capital expenditures and fixed-asset accounts; and fiscal year-end expenditures (to ascertain whether large amounts of funds are obligated to expend year-end balances). The firm conducts a thorough audit of the internal controls of Free Europe, including the division of responsibilities, procedures for cash accounting, a system of checks and balances for transactions, and bookkeeping and purchasing procedures.

### CONCLUSIONS

We analyzed the pay scales and benefits provided to employees of Free Europe and compared selected pay scales, benefits, and selected positions with comparable ones of the U.S. Government. We believe that, on the basis of this analysis, the salaries and benefits paid by Free Europe were generally comparable.

We observed most of Free Europe administrative and technical facilities. From our observations we would not classify these facilities as elaborate.

Recognizing the nature of the operations here involved and recognizing the absence of reasonable standards on which overall judgments can be based, we have nevertheless concluded from the results of our review of records, observations of activities, inspection of facilities, and our independent judgment that the public monies have been reasonably accounted for, that the administration of expenditures has been reasonably effective, and that the expenditures have been applied for the stated purposes of RFE and the corporation.

## CHAPTER 5

### RADIO LIBERTY COMMITTEE, INC.

#### HISTORY

RLC was incorporated in the State of Delaware on January 18, 1951, as the American Committee for Freedom of the Peoples of the U.S.S.R., a nonstock, nonprofit organization. Since January 1951 the corporate name has changed four times, as follows.

<u>Name</u>	<u>Date of change</u>
American Committee for the Liberation of Russia, Inc.	Oct. 10, 1951
American Committee for the Liberation from Bolshevism, Inc.	Apr. 27, 1953
American Committee for Liberation, Inc.	Oct. 17, 1956
Radio Liberty Committee, Inc.	Jan. 2, 1964

As the name of RLC changed over the years, so did its mission. Generally the objective at incorporation was to make grants or loans, directly or through other parties, to refugees or exiles from U.S.S.R. and to promote or carry on literary and educational projects and activities. In September 1956 the objective was stated as the fostering of the ideals of the free world, mainly among the peoples of U.S.S.R. and among refugees and exiles from U.S.S.R.

RLC advised us in September 1971 that its mission was:

\*\*\* to actively influence and accelerate internal trends in the U.S.S.R. in directions favorable to the interests of the U.S. and the free world. Internal trends which can result in limitations on Soviet interests in and ability to engage in outside adventures. Trends which will change the power structure of the Soviet Government to where a genuine detente with the U.S. becomes possible-- a detente based on the best interests of the

citizens of the U.S.S.R., as differing from a tactical detente based on self-perpetuation interests of the ruling elite."

Radio Liberty's first broadcast to U.S.S.R. on March 1, 1953, from a single station at Lampertheim, was with one shortwave transmitter of 10 kilowatts and in one language, Russian. Since then Radio Liberty reportedly has become the most powerful free voice heard in U.S.S.R.

In July 1971 Radio Liberty had 17 transmitters at locations in FRG, Spain, and Taiwan, broadcasting 295 transmitter hours a day in Russian and up to 18 other languages of U.S.S.R. Radio Liberty's combined power totaled 1,830,000 watts, and its target area consisted of U.S.S.R. and U.S.S.R. troops and civilians in Eastern Europe, including East Germany.

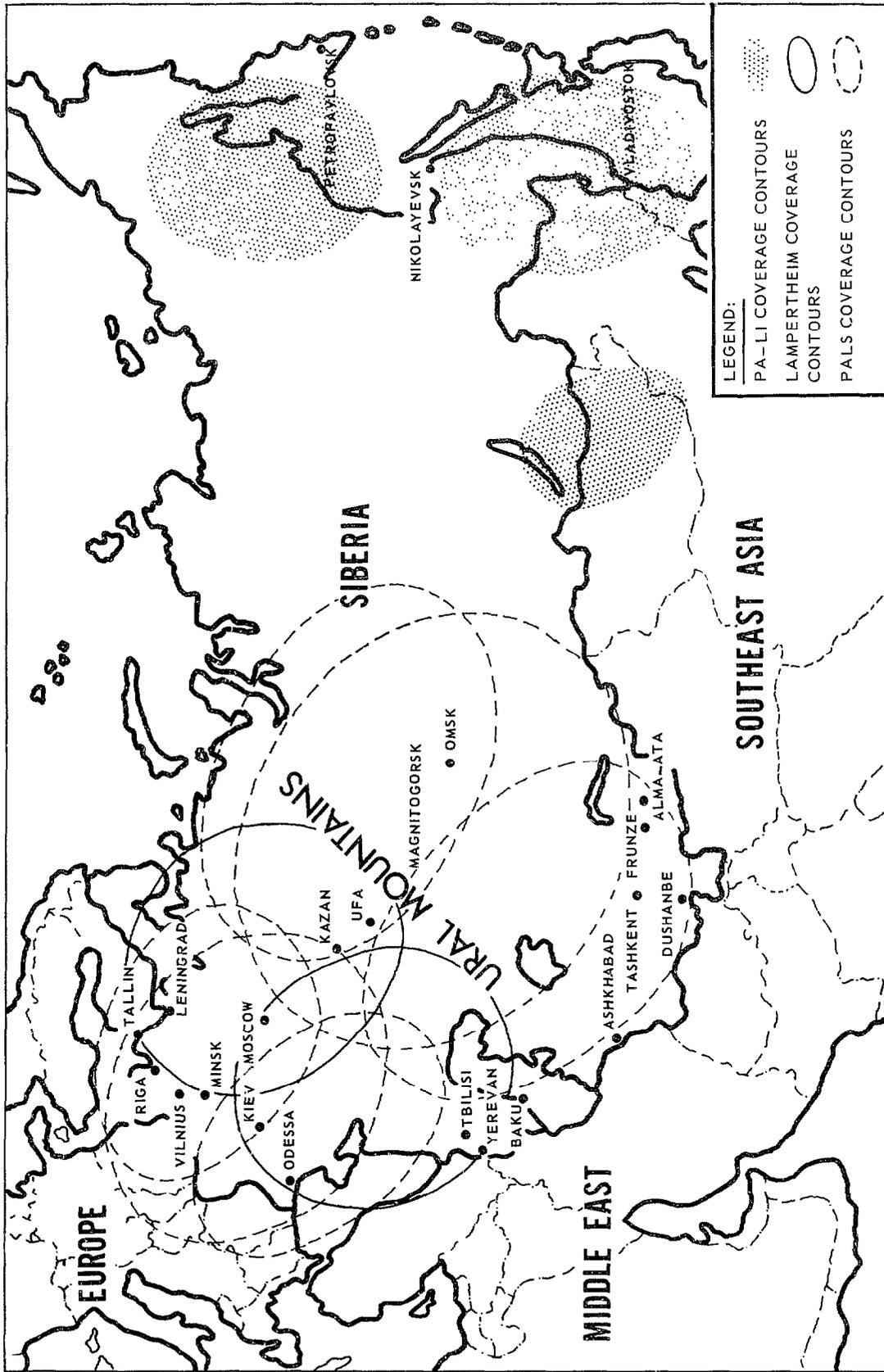
#### ORGANIZATION AND FUNCTIONS

RLC is directed by a 15-member board of trustees who elect one of their members as president of RLC. The president is responsible to the board for the formulation and implementation of all RLC policies as well as for general management and control of RLC's business affairs.

The general functions of RLC are to:

- Broadcast radio programs directed to the peoples of U.S.S.R.
- Operate radio broadcasting facilities, including studios, transmitters, antennas, and related equipment.
- Give financial support and policy and administrative advice and guidance to the Institute for the Study of the USSR.
- Conduct administrative, legal, and general-service activities.

The principal executive and administrative offices of RLC are in New York City. In addition to the office of the



president, the elements in New York City include administration and information divisions and the comptroller's office. A contingent of Radio Liberty's programming and network personnel is also located in New York City.

Radio Liberty, headquartered in Munich, is a self-contained and integrated element of RLC. It is headed by an executive director who is responsible to the president of RLC. The executive director is responsible for administering all aspects of the Radio Liberty's operations at all locations in accordance with policies set by the president, helping to make or revise those policies, and representing RLC in FRG.

At June 30, 1971, RLC had 967 employees, of which 129 were stationed in the United States and 838 were stationed at posts in Germany, Spain, England, France, and Taiwan. Of the 967 employees, 229, or 24 percent, were U.S. citizens and 738, or 76 percent, were foreign nationals.

A more detailed description of the organization, functions, and activities of RLC is contained in appendix III, pages 105 to 126.

#### AGREEMENTS WITH FOREIGN COUNTRIES

RLC has agreements with the Government of Spain, FRG, and the Broadcasting Corporation of China to operate transmitter stations in the respective countries.

##### Spain

RLC and the Spanish Ministry of Information and Tourism signed an extension agreement effective for 5 years--March 24, 1971, through March 23, 1976--for operation of a shortwave transmitter center at Playa de Pals. The original agreement, signed July 15, 1957, and effective for a 12-year period, provided, in part, that:

- RLC grant to Spain (1) all the equipment required to initially establish the transmitter station, including a transmitter, generator, antennas, and accessorial power and transmitting equipment and (2) all buildings and constructions to be erected.

- RLC reimburse Spain for acquisition of the necessary land.
- RLC bear all expenses for installation and maintenance of the station.
- Spain grant to RLC the right to use the station.

The extension agreement provided that RLC help the Spanish Government to amplify its radio stations by financing the purchase of materials and services amounting to at least \$285,000 annually. The extension agreement provided also that the Spanish Government retain all existing property without compensation but pay RLC the cost, less depreciation of 20 percent a year, of any additional transmitter antenna groups and related elements authorized by the Spanish Government. This provision is to be exercised only in the event that the agreement is terminated prior to March 1976. Title to property installed by RLC and costing about \$5.9 million has passed to the Spanish Government.

Both parties have now agreed that RLC, in lieu of helping to finance the purchase of electronic equipment, will make an annual cash payment of \$285,000 to the Spanish Government for the use of the radio installation at Playa de Pals.

The extension agreement also allows the Spanish Government to cancel the agreement at any time. If the agreement is canceled, RLC must turn over the facility within 6 months. RLC can terminate the agreement by giving notice at least 2 months in advance.

### Germany

RLC leases a 200-acre transmitter site near Lampertheim from Land-Hessen (Forest Administration) under an agreement which runs to March 31, 1983. The land on which the station is located is the property of Land-Hessen. The lease, signed on March 26, 1954, became effective after the U.S. Army released the property. The original lease cost, subject to reassessment by the lessor, was \$5,000 annually and for fiscal year 1971 was \$6,000.

RLC is authorized to retain the structure and antenna installations existing when the agreement was signed. If the lease is not renewed, RLC must remove all buildings, equipment, and plant facilities and restore the property to its original condition. If the removal and restoration is not done, the lessor has the right to do them at RLC's expense less salvage value. Transfer of the lease to a successor is subject to the approval of the lessor. The lease can be terminated by RLC by giving 3 months' notice.

To transmit from this facility, RLC pays an annual license fee of \$15,000.

### Taiwan

An agreement was signed on December 4, 1954, between RLC and the Broadcasting Corporation of China, which allowed RLC to use certain transmitting facilities owned by the corporation. The agreement, which, as amended, runs through June 30, 1974, provides that the corporation furnish the land and personnel for operation and maintenance of the facility and that RLC provide and maintain the antenna system and related equipment and parts.

Under the agreement the corporation assigned transmitting time blocks to RLC for its use during 8 hours each day. RLC was required to pay the corporation \$16.50 an hour for each transmitter provided. In addition, RLC agreed to loan the corporation \$12,500, repayable at the rate of \$1,000 a month, for providing high-voltage power at a new transmitter and antenna location. The loan subsequently was repaid. Besides making the loan, RLC, as stated in the agreement, made a \$20,000 grant to the corporation to help defray the moving cost.

The agreement is to be automatically extended for 1-year periods after June 30, 1974, unless terminated by either party by giving 6 months' notice. Until June 30, 1974, either party, on 6 months' notice, may cancel the agreement if specific causes are shown.

All antennas installed, or to be installed, by RLC become the property of the corporation. RLC will retain title to such property as office equipment, electronic equipment installed on the premises, household equipment, and tape-recording equipment purchased at RLC's expense.

## CHAPTER 6

### ANALYSIS OF RADIO LIBERTY COMMITTEE, INC.

#### RECEIPTS AND EXPENDITURES

From January 1951 through June 30, 1971, RLC received \$159.1 million from Government grants, income from sale of fixed assets, and miscellaneous receipts. RLC conducted no public fund-raising campaigns. Instead, RLC depended on Governments grants, which amounted to \$158,833,599 from its inception for support of its mission. In addition, about \$265,000 was received from miscellaneous sources.

During the same period, RLC expenses amounted to about \$156.7 million, of which \$144.5 million was for operating expenses and \$12.2 million was for capital expenses. Except for certain nonradio activities, RLC expenses from 1951 were incurred mainly for Radio Liberty operations.

RLC operating expenses were for salaries and related personnel costs, rent, utilities, and other administrative services and for technical expenses. Salaries and related personnel costs were RLC's major operating expense. We estimated this cost to be about \$101.2 million from inception to June 30, 1971.

RLC nonradio expenses principally were in support of the Institute for the Study of the USSR. The Institute, incorporated in FRG in 1950 as a scholarly organization, was engaged in research on U.S.S.R. Since fiscal year 1954--funding data before then was not available--RLC has provided the Institute with about \$7.2 million.

In addition to incurring the expense in support of the Institute, RLC incurred expenses of \$4.6 million to assist emigrants, emigrant associations, and special projects; i.e., book mailings, youth programs, and contacts with travelers between the East and West.

## CHAPTER 7

### ANALYSIS OF RADIO LIBERTY COMMITTEE, INC.

#### EXPENDITURES FOR FISCAL YEAR 1971<sup>(1)</sup>

In fiscal year 1971 RLC received \$13,655,411 from U.S. Government grants and from the sale of capital assets. Of this amount, the U.S. Government contributed \$13,647,000. At the start of fiscal year 1971, RLC had, in addition to the above receipts, about \$2.3 million in cash or other readily convertible assets.

RLC's total expenses for fiscal year 1971 were about \$14 million, of which about \$13.9 million was for operating expenses and about \$102,000 was for capital expenditures.

Of the \$13.9 million for operating expenses, \$11.6 million, or 83 percent, was for the operation of Radio Liberty and \$1 million was for general management costs. In addition, RLC had expenses of about \$1.3 million in support of nonradio activities. These nonradio activities consisted of \$767,018 for the special projects activities, which were discontinued in June 1971, and \$563,000 for the Institute for the Study of the USSR.<sup>2</sup>

For fiscal year 1971 RLC converted \$10.5 million to foreign currencies in support of the overseas operations. Most of the dollars were converted to deutsche marks.

Our review of RLC's operating expenses covered all active fiscal year 1971 accounts. Although we did not visit all of RLC's overseas offices, we did examine, for those

---

<sup>1</sup>The financial data discussed in this chapter is based on RLC preaudited records, as its certified public accountant firm had not completed its audit for fiscal year 1971 at the time of our review.

<sup>2</sup>We were informed by RLC that the funding of the Institute was discontinued in fiscal year 1972 in the light of current funding limitations.

offices not visited, the procedures for, and the use made of, petty cash and working cash funds assigned to those offices. These funds are replenished, as required, by either the New York office or the Munich office on the basis of detailed operating expense statements, which we examined on a test basis.

Our analysis of selected expenditures incurred by RLC are discussed below. As will be noted in the discussion of some of the accounts, the allowance rates and pay scales are in DMs. For ease in reporting we have used the official par rate of DM3.22 to \$1 that was established on September 12, 1971.

Our approach in analyzing RLC operating expenses was to (1) determine the nature of the expenses incurred, (2) obtain information on, and test, the internal accounting controls over the expenses, and (3) develop more detailed data on selected expenses. The selection of accounts for a more in-depth analysis was based mainly on the materiality of the amounts involved and the nature of the goods or services acquired.

A schedule of RLC fiscal year 1971 operating expenses is presented below.

Radio Liberty Committee, Inc.  
Schedule of Operating Expenses  
For Fiscal Year 1971

	<u>Amount</u>	<u>Percent</u>
Salaries and fees	\$ 7,886,038	56.6
Employee benefits	2,379,446	17.1
General and administrative expenses	1,187,515	8.5
Information and production	119,449	.9
Travel and entertainment	61,279	.6
Technical expenses	937,799	6.7
Special projects	768,018	5.5
Promotion	11,671	.1
Grants	<u>563,000</u>	<u>4.0</u>
Total	<u>\$13,944,215</u>	<u>100.0</u>

ANALYSIS OF FISCAL YEAR 1971  
OPERATING EXPENSES

Salaries and fees (\$7.9 million)

Salaries and fees represented about 57 percent of RLC's total operating cost for fiscal year 1971. Our analysis showed that expenses included in this category were a variety of payroll and related costs, as described below.

Regular payroll (\$7,135,921)

This payroll represented basic salaries of:

- Employees under headquarters salary scale.
- Employees under local salary scale.

Premium payroll (\$126,081)

This payroll represented payments, in addition to regular salaries, for:

- Work in excess of 40 hours a week.
- Night work.
- Sunday work.
- Holiday work.

Special payroll (\$84,601)

Charges to this payroll were for employees hired generally for periods of 90 days or less. These temporary employees were hired to replace regular employees on vacation. Temporary employees were not entitled to the fringe benefits to which full-time employees were entitled. Charges to this payroll included the costs of salaries, transportation, and housing of persons enrolled in trainee programs; that is, potential employees for programming positions involving the wiring and voicing of scripts.

Miscellaneous fees (\$486,953)

These fees included payments for:

- Free-lance services, such as the writing and voicing of scripts, translation, research, consultation, and audience research.

- Such items as instructors' fees for internal training, tuition fees for external training, transportation costs and subsistence costs of potential employees for and during interviews, and transportation costs and subsistence costs of RLC employees on recruiting activities.
- Confidential expenses of free-lance monitors and correspondents.

Professional fees (\$52,482)

These fees included legal fees, actuarial services for pension plans, and computer services.

Of the five expense items listed above, we selected for further review and analysis (1) regular payroll, (2) special payroll, and (3) miscellaneous fees.

Regular payroll--RLC employees are paid primarily under either the headquarters salary scale or the local salary scales. Of the 967 employees at June 30, 1971, 215 were under the headquarters salary scale and 752 were under the local salary scales. The headquarters scale applied to all employees in New York City and Germany who either were hired in New York or were able to negotiate in Munich for inclusion under this scale. We were advised by RLC that the headquarters scale was patterned after the U.S. Government general pay schedule (which ranges from \$4,564 to \$36,000). The average salary for employees paid under the headquarters scale was approximately equivalent to the salary of a GS-11, step 4 (\$13,878).

The local salary scales apply to all employees hired in Germany, Spain, or elsewhere outside the United States for local employment. These scales are established by labor agreements.

For fiscal year 1971 the average regular payroll cost for each RLC employee was \$7,379.

The salary ranges in 1971 under the headquarters scale, the German local scale, and the Spanish local scale were as follows:

<u>Scale</u>	<u>Range</u>	
	<u>From</u>	<u>To</u>
Headquarters	\$4,135	\$33,670
German	2,311	22,774 <sup>a</sup>
Spanish	756	9,468 <sup>b</sup>

<sup>a</sup>Based on DM-to-dollars exchange rate of 3.22 to 1.

<sup>b</sup>Based on Spanish pesetas-to-dollars exchange rate of 69 to 1.

The headquarters scale excludes the salaries of the president of RLC (\$35,000) and the executive director of Radio Liberty (\$35,305 which includes an allowance for taxes). As a note of comparison, the United States Information Agency's Assistant Director for Broadcasting and the Deputy Assistant Director for Programming receive \$36,000 and \$32,546, respectively.

RLC has established local salary scales for employees in England, France, and Taiwan

Special payroll--Some of the activities for which expenses are incurred under this payroll are translation of books, research on special projects, and part-time clerical help.

We analyzed the special payroll account for the administrative division of Radio Liberty in Munich that had expenses of \$21,100. The \$21,100 comprised \$7,300 for payments to temporary employees hired to replace regular employees on vacation and \$13,800 for training programs.

Participants in the training programs are not considered permanent employees. If they do not progress satisfactorily in the programs, they are not given employee status.

During fiscal year 1971 seven persons were in the training program. Of these seven, only two became permanent employees, two were unable to obtain German work permits, one decided to return to college, and two did not qualify for the positions involved. We asked about this seemingly low hire rate and were informed that, because of the unique

skills required by the positions, RLC considered the training program successful even if no more than 25 percent of those participating were hired.

Miscellaneous fees--For fiscal year 1971 miscellaneous fees charged to RLC's Munich accounts amounted to about \$315,100. A breakdown of the charges to this account was not available. We therefore selected the month of June 1971 and analyzed charges of \$34,900 made to the account during that month. Of that amount, \$15,800 represented the cost of free-lance services incurred by various operating divisions of the Munich office. The remaining \$19,100 was for (1) recruiting and employee-training expenses, (2) salaries and fees, free-lance services, and confidential expenses paid out of petty cash by the London, England, and Paris, France, offices, and (3) fees for monitoring U.S.S.R. and Radio Liberty broadcasts.

RLC did not have overall cost and personnel data on free-lance services. Almost all divisions use free-lancers for various purposes, such as the writing and voicing of scripts, translation, audience research, typing consultation, and confidential purposes. Each division arranges for its own free-lance services as required. According to the executive director of Radio Liberty, about 110 free-lancers are available for programming services.

Through our analysis of payment requests for June 1971, we learned that 74 free-lancers were used during the month. Of the 74 free-lancers, 11 were regular full-time employees serving also as free-lancers. RLC justification for using employees as free-lancers was that the services could not be performed during regular working hours by the employees because the free-lance work was not related to the employees' hours by the employees' regularly assigned duties. Compensation for overtime is not considered by RLC to be appropriate.

We were informed that some free-lancers had been used regularly for many years. For example, one person who was writing and voicing scripts had been a free-lancer from 1966 and, during calendar year 1970, was paid about \$9,000. We were told that some persons were hired as free-lancers rather than as regular employees to avoid paying payroll taxes and fringe benefits.

In some cases free-lancers are paid for annual leave. The RLC basis for paying for annual leave to certain free-lancers is based on German laws. RLC guidelines therefore provide that:

"\*\*\* a free lance who is a quasi-employee - that is, one who is economically dependent upon his free lance work, is entitled to the same annual leave as German law provides for employees."

In calendar year 1970 three free-lancers were paid for annual leave. One free-lancer was paid for both annual leave and free-lance services during the same period. An RLC official estimated that 10 other free-lancers were entitled to annual leave payments, but payments are made only on request by the free-lancer.

Free-lancers are paid in accordance with RLC-established guideline rates. Payments for free-lance services are required to be approved by division directors or department managers depending on the amounts involved. Authorized employees had approved requests for the free-lance payments which we selected for test.

RLC provided us with information on free-lance pay rates used by several German radio networks. This information indicated a wide range of differences between those rates and the pay rates used by RLC. RLC's pay rates generally were lower than those of the German radio networks.

Employee benefits and payroll taxes (\$2.4 million)

Employee benefits and payroll taxes represented about 17 percent of RLC's total expenses. These benefits and taxes included:

1. Payroll taxes (\$604,789):
  - a. RLC's share of U.S. social security payments for U.S. employees.
  - b. RLC's share of social, health, and unemployment insurance for local employees.
2. Employees' moving expenses (\$65,782):
  - a. Home leave travel of headquarters-scale employees assigned overseas.
  - b. Educational travel for dependents of employees paid under the headquarters scale.
  - c. Moving expenses, including shipping and storage costs and transportation costs of dependents, for employees recruited outside Germany at start and end of employment.
  - d. Travel document leave--leave granted to employees to secure and keep current reentry permits to their home countries.
3. Housing (\$454,656):

Furnished living quarters, including utilities and repairs, to certain RLC employees.
4. Pension program (\$717,627):
  - a. Headquarters-scale employees' pension plan.
  - b. German pension plan and life insurance.

5. Other fringe benefits (\$418,531):

- a. Location allowances--post allowance to headquarters-scale employees.
- b. School tuition for dependent children of employees under overseas contracts.
- c. German income tax allowance.
- d. Group life and disability insurance for headquarters-scale employees.
- e. Benefits required by union agreement and paid to German-scale employees:
  - (1) Children's allowance--employees having one child received about DM35, or \$10 a month, and those having two children received about DM95, or \$30 a month.
  - (2) Meal coupons--about 27 cents for each employee, provided each workday for use at Radio Liberty's restaurant.
  - (3) Anniversary gratuities of DM200, or about \$60, for each employee upon completion of 10 years' service.

In further clarification of employee fringe benefits, we inquired about provisions for granting to employees home leave, housing, and pension and insurance plans.

Home leave

Eligible employees receive home leave of 30 calendar days upon completion of each 2 years of continuous service at a permanent duty station overseas. Unused home leave is forfeited. To save transportation costs, RLC implemented temporary home leave provisions effective April 1, 1971, through December 31, 1971, which provide that, if an employee waives home leave to his home country, including all transportation and travel expenses, he be given 22 workdays of leave with pay outside his home country.

From July 1, 1970, through October 15, 1971, 29 RLC employees took home leave as provided under the temporary provisions. It was estimated that the temporary provisions had resulted in savings of \$15,000 in transportation costs.

As previously stated in chapter 4, the Department of State grants 30 days of home leave for each 2-year period. The Department's basis for granting 30 days of leave, however, is that an employee accepts as a condition of employment the availability for assignment anywhere in the world, assignment to an international organization, or assignment to a post that is authorized a post differential of 20 percent or more (hardship post).

#### Housing

RLC leases houses and apartments which are provided, together with furniture, heat, and utilities, to all employees hired outside Germany to fill positions which the executive director considers key positions and which cannot be filled locally. Generally employees provided with housing are those at the upper management level (headquarters-scale employees) and are those having needed language skills. Any housing assistance to employees must be approved by the executive director.

RLC's housing cost for Munich was \$487,300. At June 30, 1971, 135 employees were occupying furnished houses or apartments and 10 others were receiving direct housing allowances in lieu of furnished housing--a total of 145 employees, or about 29 percent of the total 495 employees in Munich.

RLC has established guidelines setting forth amounts which may be paid for housing. The amount payable depends on the employee's grade and number of dependents. Current guidelines provide the following annual amounts.

<u>Grade</u>	<u>No dependents</u>	<u>Six or more dependents</u>
17 and over	\$5,100	\$6,500
15 and 16	3,600	5,000
13 and 14	2,800	4,300
11 and 12	2,000	3,700
8 through 10	1,800	3,500
7 and below	1,700	2,500

In June 1971 the annual rental of housing provided to three employees exceeded the amounts allowable under the guidelines. We were told, however, that the guidelines were not rigid and that, because of the limited housing available in the Munich area, some houses were leased at rates which exceeded the dollar guidelines.

Pension and insurance

RLC has established a pension program to cover headquarters-scale employees and local-scale employees in Germany. In addition, RLC has established disability and life insurance plans for headquarters-scale employees and life insurance for local-scale employees in Germany. (Health insurance for local-scale employees in Germany is provided through the German social security program to which RLC contributes a share for each eligible employee.) RLC pays the entire cost of the employee pension and insurance programs.

On the basis of studies obtained from Government sources, it appears to be a common practice of private industry to pay all, or the major part, of the employees' pension and insurance programs.

General and administrative expenses (\$1.2 million)

The major expense items in this category and their costs were:

Rental of facilities	\$ 438,922
Maintenance and repairs	152,105
Telephone and telegraph	131,712
Financial charges	69,060
Licenses and fees	92,090
Utilities	62,634
Other	<u>240,992</u>
Total	<u>\$1,187,515</u>

An analysis of some of these expenses is presented below.

Rental expenses represented the cost of facilities in Germany (\$306,991), New York City (\$122,468), Taiwan (\$6,431),

and Spain (\$3,032). The rental expenses in Germany consisted of the amortization of the financing contribution to the lessor for construction of the Munich headquarters building (\$112,500), rental fees for the Munich headquarters (\$171,107), amortization of the architect fee for Munich headquarters and miscellaneous rental fees (\$17,442), and rental of facilities in Lampertheim (\$5,942).

Rental expenses in New York City were for the executive offices of RLC, studio facilities, the library, and a \$3,000 housing allowance for the president of RLC.

Financial charges (\$69,060) resulted from the differences between the actual DMs-to-dollars exchange rate and the exchange rate used by RLC. RLC used a DMs-to-dollars exchange rate of 3.66 to 1.

Licenses fees of \$92,090 were incurred for operating rights in Germany (\$15,000) and Spain (\$77,090). In January 1971 RLC executed an agreement with the Spanish Government that required an annual payment of \$285,000. The period of this agreement was to be a maximum of 5 years commencing on March 24, 1971. For fiscal year 1971 RLC charged \$77,090 to this account as costs incurred for that part of the year covered by the agreement.

RLC also incurred administrative expenses of \$240,992 for postage, freight, office supplies, operation of automobiles, insurance, books, and periodical subscriptions.

Information and production (\$119,449)

Our analysis showed that the amounts charged for information and production consisted of

- \$49,296 for wire services from United Press International and Reuters,
- \$42,389 for books and periodical subscriptions,
- \$13,073 for copyrights and royalties, and
- \$14,691 for miscellaneous production expenses.

Travel and entertainment (\$91,279)

Our analysis of this account showed that \$21,126 was for overseas travel, \$37,527 for domestic travel, and \$26,198 for entertainment expenses. We reviewed data on RLC's travel policy and analyzed RLC's Munich entertainment expenses of \$1,509 for the month of June 1971.

Travel

RLC uses the per diem allowances established by the United Nations. National and international per diem allowances are used. The national per diem allowance applies to travel within the employee's country of assignment, and the international per diem allowance applies to travel outside the country of assignment. We compared the per diem allowances of RLC and the Department of State applicable to selected major cities in Europe, as follows:

<u>City</u>	De- part- ment of State	<u>RLC</u>			
		<u>Grades 14 and below</u>		<u>Grades 15 and above</u>	
		<u>National</u>	<u>Inter- national</u>	<u>National</u>	<u>Inter- national</u>
Munich	\$26	\$16.00	\$20.00	\$20.00	\$25.00
Paris	\$30	\$21.60	\$27.00	\$25.00	\$27.00
London	\$26	\$17.60	\$22.00	\$22.50	\$25.00
Brussels	\$30	-	\$22.00	-	\$25.00
Rome	\$28	-	\$18.00	-	\$22.50

## Entertainment

RLC's guidelines on reimbursable entertainment expenses provide essentially that any employee be reimbursed for entertainment expenses if reimbursement is authorized by either a division director or a department head. No allowances or limitations are prescribed.

We found that the payments had been authorized by appropriate employees for all payments selected by us for test. We found also that the RLC's Munich entertainment expenses paid during June 1971 included entertainment of foreign government officials, a recent defector, and a confidential source.

## Technical expenses (\$937,799)

Following are expense items charged to this category and their costs.

Power	\$400,079
Program transmission	251,521
Rental of facilities in Taipei	144,383
Maintenance and repair	114,691
Transmitter tubes	11,326
Miscellaneous	15,799

## Social projects (\$768,018)

For fiscal year 1971 RLC incurred expenses of \$768,018 in connection with special projects which reportedly were ways of distributing written material to U.S.S.R. The distribution was carried out basically for the same reason Radio Liberty broadcasts--censorship of printed material. We were informed by RLC that this distribution was discontinued as of July 1, 1971.

## Grants (\$563,000)

RLC provided a grant of \$563,000 to the Institute for the Study of the USSR. This grant was to support the Institute's research on developments in U.S.S.R. The results of the research were available to interested parties.

Of the \$563,000, \$272,900 was for salaries and free-lance services. Other major expense items were printing costs of \$89,900, other administrative expenses of \$62,400, and shipping costs of \$35,700.

We were advised by RLC that the grant to the Institute was discontinued at the end of the fiscal year. This action was attributed to RLC budgetary restrictions.

#### MANAGEMENT AND ACCOUNTING CONTROLS

RLC has established and maintains internal control over daily operations by means of policies and procedures which control personnel; budget and accounting; communications; procurement and supply; travel; acquisition, maintenance, and use of buildings and facilities; physical security; and office services. The policies and procedures are included in the Manual of Operations which originally was prepared as part of a 1954 management survey by a management consultant firm.

In addition, RLC's operations are reviewed at the quarterly meetings of the executive committee of RLC whose membership includes the president and treasurer of RLC. This committee is advised at all of its meetings by legal counsel. Detailed audits of RLC's financial activities are made every year by Lybrand, Ross Bros & Montgomery, certified public accountants.

The principal internal management controls consist of

- an annual budget approved by the board of trustees,
- monthly financial statements for the board of trustees and the president,
- executive committee approval of contracts over \$5,000,
- review of leases by RLC's legal counsel and approval by the board of trustees,
- approval by the president and the board of trustees of appointments and promotions at the management level, and

--executive committee approval of unusual or sensitive financial transactions.

## CONCLUSIONS

We analyzed the pay scales and benefits provided to employees of RLC. We also compared the headquarters pay scale, employee benefits, and selected positions with those of the U.S. Government. We believe that the salaries and benefits paid by RLC were comparable.

We observed the major part of RLC's administrative and technical facilities. On the basis of our observation, we believe the facilities to be appropriate for RLC's operations but not elaborate.

Recognizing the nature of the operations here involved and recognizing the absence of reasonable standards on which overall judgments can be based, we have nevertheless concluded from the results of our review of records, observations of activities, inspection of facilities, and our independent judgment that the public monies have been reasonably accounted for, that the administration of expenditures has been reasonably effective, and that the expenditures have been applied for the stated purposes of Radio Liberty and RLC.

## CHAPTER 8

### MATTERS FOR CONSIDERATION BY THE COMMITTEE

With regard to the third area of interest expressed by the Committee--whether the U.S. Government should continue to provide public monies to support the Radios--we believe that this is a matter for consideration by the Committee and by the Congress.

We believe that, because world conditions and international relationships have altered in the 20 years since Government support of the Radios began, the need for continued support through appropriated funds should be reassessed in the light of present conditions and U.S. foreign policy rather than on the accomplishments under the earlier conditions or on how the Radios are organized and managed.

It should be noted that the conference report dated March 15, 1972, on Senate bill 18 (62 Stat. 11), which authorizes \$36 million (\$32 million appropriated) for grants to RFE and Radio Liberty for the fiscal year ending June 30, 1972, recognized that further enabling legislation would need to be considered before the end of the fiscal year. The report recognized also that, should there be a decision to terminate the Radios' activities, fairness and equity would require that funds be made available for the Radios' orderly termination.

We believe that, in considering whether to continue Government support, the following information should be of assistance.

#### CONTINUATION OF GOVERNMENT SUPPORT

Since the activities of both Free Europe and RLC have diminished to strictly radio broadcasting, it appears that the cost for providing an uncensored news service to the people of Eastern Europe and U.S.S.R. could be reduced if these organizations were consolidated and if some or all of their activities were merged.

We did not consider the possibility of merging the radio activities of Free Europe and RLC with the Voice of

America because of the stated differences in their basic reporting objectives. Free Europe and RLC state their reporting objective to be that of providing the target areas with home-service-type reporting, whereas the Voice of America reporting objective basically is that of providing the official views of the U.S. Government or news in the national interest.

We noted during our review that both Free Europe and RLC had similar operations and managerial and administrative practices. We noted also that it appeared that there were similar technical functions being performed by both organizations. Common functions performed by both organizations included (1) general management, i.e., financing, labor relations, and relations with the U.S. Government and foreign governments, (2) administration, i.e., personnel, accounting, budgeting, and support services, and (3) news services, i.e., lease of wire services and news bureaus.

Both organizations have separate executive offices in New York City, have extensive news-gathering and radio studio operations housed separately in Munich, and have separate studios in New York City for preparation of radio-broadcasting material.

It appears that some technical operations and facilities could be combined. One example is the operation and maintenance of a transmitter station at Biblis by RFE and at Lampertheim by Radio Liberty. We observed that these stations were about 5 to 10 air miles apart and that both had station managers, administrative employees, and other service support employees.

This proposal to consolidate the operations of Free Europe and RLC was not presented to the principal officials of the respective organizations for comment.

The possibility of combining technical operations and facilities is especially important in the light of Free Europe's and RLC's long-range modernization plans for updating transmitters, other technical equipment, and facilities. It is the belief of both organizations that, if they are to effectively compete for the listening audience, they must modernize their present technical facilities. If all

phases of the modernization plans were to be implemented, the cost, according to current estimates, could go as high as \$35 million. We did not evaluate the reasonableness of the cost of these modernization plans. These modernization plans are outlined below.

Free Europe modernization plans  
for technical facilities

With the exception of the four 250-kilowatt transmitters installed at Gloria, Portugal, in 1964, Free Europe is using essentially the same transmitters that it was in 1954, 17 years ago. According to a Free Europe study, the highest powered transmitter in regular service on shortwave broadcasting bands in 1954 was 100 kilowatts--RFE had four at the time. At that time, a 50-kilowatt transmitter was considered a large unit and many stations used only 10- or 20-kilowatt transmitters for international broadcasting.

The study also pointed out that the standard unit being used in new construction by international broadcasters was 250 kilowatts or more. The reasons cited for this increase in power of standard transmitters were:

- Technical progress which permitted fabrication of shortwave transmitters up to or over 1,000 kilowatts, something not possible in 1954.
- Interference problems in the broadcast bands caused by a growing number of transmitters having an increased average power in use throughout Europe, North Africa, and the Middle East.

The results of tests and surveys performed by Free Europe demonstrated that the 250-kilowatt transmitters produced usable signals in the target areas at a time when the 50-kilowatt and smaller transmitters were marginal or useless. The Free Europe study shows that basically this stemmed from the fact that RFE's 10- and 50-kilowatt transmitters were hemmed in by high-powered transmitters which were operated by other broadcasters and which interfered with its signals.

Free Europe also pointed out that nine of RFE's 10-kilowatt transmitters were obsolete by current standards. Free Europe reported that these transmitters

- were physically large,
- were inefficient from a power-consumption standpoint,
- were difficult to maintain, and
- did not meet the current international standards.

The Free Europe study concluded that a gradual diminishing of signal intelligibility could be expected unless actions were taken to modernize RFE transmitter configuration.

A long-range plan has been developed by Free Europe that calls for an ultimate goal of twenty 250-kilowatt shortwave transmitters and an increase in power for its medium-wave transmitter. According to Free Europe officials, this goal is essential not only for RFE to regain a competitive position with friendly broadcasters, such as the British Broadcasting Corporation, Deutsche Welle, Radio Netherlands, and Voice of America, but also for RFE to carry its message to Eastern European countries in competition with Radio Moscow, Cairo Radio, and other unfriendly voices.

The first phase of this plan, which could be completed about 2 years from the time construction is authorized, is projected to cost about \$6.2 million at current rates, and an ultimate annual increase in operating costs is estimated at \$800,000. This phase consists of the following steps.

1. Partial modernizing of the Biblis station by installing four 100-kilowatt transmitters and associated improvements to the antenna system.
2. Increasing the power of the Holzkirchen medium-wave station by installing a new transmitter and modifying the present antenna system.
3. Augmentating the Gloria station facilities by installing four 250-kilowatt transmitters and retiring six of the smaller transmitters.

The second phase to complete the long-range plan is projected to cost about \$11.3 million at current rates. The required increase in operating costs has not been projected. This phase would consist of the following steps.

1. Completing the Biblis modernization which includes installing three 250-kilowatt transmitters and rebuilding the antenna field to accommodate high-powered transmitters and to provide vertical slewing-capability.
2. Installing five additional 250-kilowatt transmitters either at a new base in a third country or at existing German and Portuguese sites. The projected \$11.3 million does not include cost estimates for acquiring property and building a transmission site in a third country.

Radio Liberty Committee plans for modernization and replacement

RLC has developed plans to start a long-range facilities modernization and enhancement program. The implementation of these plans is dependent on the availability of funds. RLC estimates that the program will take several years to complete.

The plans include the following proposed projects.

1. Purchase of four 250-kilowatt transmitters for the Lampertheim or Playa de Pals facilities.
2. Modification and extension of an antenna group at Playa de Pals.
3. Improvement of recording and studio facilities in Munich, New York, Paris, and London.

RLC justifies these improvements on the basis that free-world broadcasters have been, or will be, using 250-kilowatt transmitters and that, for attracting an audience, the 50-kilowatt transmitter that Radio Liberty currently is using at Lampertheim is at a disadvantage in competing with higher power on adjacent channels.

RLC reports that increasing power to 250 kilowatts would attract the searching listener because of Radio Liberty's greater audibility. RLC estimates that, with the 250-kilowatt transmitters, its potential audience would be increased from 64 million to 151 million, or about 236 percent. RLC also states that modification and extension of an antenna segment was needed so that greater power could be used on these antennas and so that the ability to reach the target area on low frequencies thus could be enhanced. RLC expects the use of lower frequency bands to be greatly increased in future years.

RLC advised us that, as of October 1971, the estimated cost of the above projects was \$4.5 million. RLC advised us also that there were contingency plans to be implemented if RLC could not improve and expand the present facilities in Europe and the Far East. RLC estimates that, if new sites have to be obtained in Europe or the Far East, building new sites at each location will cost about \$13 million.

We recognize that, before any action can be taken on the consolidation or merging of the two organizations' activities, a detailed study will be required on the following matters: (1) the legal aspects of such action, (2) its effect on the arrangements with the foreign governments, (3) the impact of such action on the audience, and (4) the consolidation of the technical facilities.

COST TO BE CONSIDERED  
IF GOVERNMENT SUPPORT IS DISCONTINUED

If the U.S. Government were to discontinue providing grants to support these organizations, then the cost for liquidating these operations will need to be considered. Free Europe and RLC provided us with estimates of what it would cost to liquidate their operations. We have been advised by the Department of State that there is no contractual obligation on the part of the U.S. Government to finance the liquidation costs. We did not evaluate the reasonableness of these costs; however, we believe that the Committee should be aware of these estimated liquidation costs. The estimated liquidation costs for these organizations range from \$44.1 million to \$81.3 million. The details of these cost estimates are set forth below.

Free Europe

Free Europe estimated that it would cost between \$31.4 million and \$59.8 million to liquidate its activities. These estimates were prepared on February 29, 1972. Free Europe liquidation costs are divided into 3 categories.

Mandatory costs (\$31.4 million)--These are costs that will be required because of law, union or other contracts, and Free Europe policy. These costs include termination payments to employees, nonpersonal liquidation costs (i.e., disposal of leases, contracts, assets, and records), and phaseout and liquidation staff costs.

Voluntary costs (\$18.4 million)--These are costs that Free Europe considered to be voluntary or moral obligations. These included continuing obligations (pensions and insurances) and special resettlement or employment assistance to persons whose employment was terminated.

Unknown costs (\$10 million)--These are contingency costs which, Free Europe believes, could arise from additional termination costs and costs resulting from delays, arbitration or labor court decisions, and special settlements.

Free Europe estimates that most of the liquidation could be accomplished in 1 year and that it could be completed in 1 more year.

Radio Liberty Committee

On March 6, 1972, RLC estimated that it would cost between \$12.7 million and \$21.5 million to liquidate its operations. RLC's major cost categories are:

Mandatory costs (\$12.7 million)--These will be the costs that will be required to be incurred under either contractual agreements or general practice. These include costs for employment termination, employee moving, lease terminations, and administrative matters.

Voluntary costs (\$7.7 million)--These are costs which are not required under contractual agreement but which RLC considered desirable. These include unfunded past service costs of pension plans and posttermination assistance.

Indefinite and unknown costs (\$1.1 million)--These are costs which are not covered by agreements, but RLC believes that these costs conceivably could arise. These include restoration of grounds in Taiwan, loss of assets, and a contingency reserve for litigation costs.

J. W. FULBRIGHT, ARK., CHAIRMAN  
 JOHN SPARKMAN, ALA.  
 MIKE MANSFIELD, MONT.  
 ALBERT GORE, TENN.  
 FRANK CHURCH, IDAHO  
 STUART SYMINGTON, MO.  
 THOMAS J. DODD, CONN.  
 CLAIBORNE PELL, R.I.  
 GALE W. MCGEE, WYO.

GEORGE D. AIKEN, VT.  
 KARL E. MUNDT, S. DAK.  
 CLIFFORD P. CASE, N.J.  
 JOHN SHERMAN COOPER, KY.  
 JOHN J. WILLIAMS, DEL.  
 JACOB K. JAVITS, N.Y.

CARL MARCY, CHIEF OF STAFF  
 ARTHUR M. KUHL, CHIEF CLERK

## United States Senate

COMMITTEE ON FOREIGN RELATIONS  
 WASHINGTON, D.C. 20510

June 8 , 1971

The Honorable Elmer B. Staats  
 Comptroller General of the  
 United States  
 Washington, D. C.

Dear Mr. Staats:

The Committee on Foreign Relations is presently considering legislation that would authorize public funds for Radio Free Europe and Radio Liberty.

During its consideration of these proposals, the Committee came to the conclusion that it needed additional information on these two radio operations. The purpose, therefore, of this letter is to request that members of your staff prepare for the Committee an analysis of the public monies which have already been spent on these radio operations and/or the corporations to which they belong.

I should hope that your analysis would lead to some conclusions as to how effectively the public funds involved have been spent and, from this standpoint, whether or not it is in the public interest to provide additional tax dollars for the two radios.

I should appreciate this project receiving your earliest consideration. If you have any questions about this matter, please contact Mr. Robert Dockery of the Committee staff.

Sincerely yours,

  
 J. W. Fulbright  
 Chairman

Enclosures

APPENDIX I

J. W. FULBRIGHT, ARK., CHAIRMAN  
JOHN SPARKMAN, ALA.  
MIKE MANSFIELD, MONT.  
FRANK CHURCH, IDAHO  
STUART SYMINGTON, MO.  
CLAIBORNE PELL, R.I.  
GALE W. MC GEE, WYO.  
EDMUND S. MUSKIE, MAINE  
WILLIAM B. SPONG, JR., VA.  
GEORGE D. AIKEN, VT.  
KARL E. MUNDT, S. DAK.  
CLIFFORD P. CASE, N.J.  
JOHN SHERMAN COOPER, KY.  
JACOB K. JAVITS, N.Y.  
HUGH SCOTT, PA.  
JAMES B. PEARSON, KANS.

CARL MARCY, CHIEF OF STAFF  
ARTHUR M. KUHL, CHIEF CLERK

*United States Senate*

COMMITTEE ON FOREIGN RELATIONS  
WASHINGTON, D.C. 20510

August 5, 1971

The Honorable Elmer B. Staats  
Comptroller General of the  
United States  
Washington, D. C.

Dear Mr. Staats:

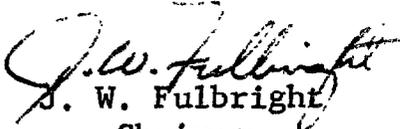
In connection with my request of June 8 asking the General Accounting Office to prepare a background study on Radio Free Europe and Radio Liberty for the Committee on Foreign Relations, I am enclosing a copy of the Committee's report on Senate Bill 18 (as amended), which the Senate passed on August 2.

You will note in the report that the Committee considers S.18 as stopgap legislation for fiscal year 1972, and that it is divided in its opinion on the merits of Radio Free Europe and Radio Liberty. The report also notes that for fiscal year 1973 the Committee will place great emphasis on the studies being prepared by the GAO and the Library of Congress.

In view of the Committee's comments and its emphasis on these studies for next year, the urgency which I attached to my earlier request has subsided somewhat. Accordingly, I should hope that your efforts would be concentrated on the preparation of a full, complete report that would afford the Committee a solid basis for judging the two Radios in terms of the public funds spent on them and, in turn, any expenditure of these funds by the Radios themselves.

For the Committee's purposes, I am hopeful that your study will be available no later than the end of this calendar year.

Sincerely yours,

  
J. W. Fulbright  
Chairman

Enclosure



BACKGROUND INFORMATION

ON

FREE EUROPE, INC.



CONTENTS

<u>Section</u>		<u>Page</u>
1	Free Europe, Inc., officers and board of directors	79
2	RARET officials	80
3	Radio Free Europe Fund, Inc., officers and board of directors	81
4	Description of Radio Free Europe operations	82
5	Radio Free Europe programming	87
6	Procedures used by Free Europe in determining the effectiveness of Radio Free Europe	90
7	Physical plant of Free Europe, Inc.	94
8	Schedule of U.S. Government contributions to Free Europe, Inc., from inception through June 30, 1971	101
9	Schedule of U.S. Government contributions to Radio Free Europe Fund, Inc., from April 1, 1951, to June 30, 1968	102
10	Free Europe, Inc., income and expenses from inception through June 30, 1971	103

2000

2001

2002

2003

2004

2005

2006

2007

2008

2009

2010

2011

2012

2013

2014

2015

2016

2017

2018

2019

2020

2021

2022

2023

SECTION 1

FREE EUROPE, INC.

OFFICERS AND BOARD OF DIRECTORS

OFFICERS:

Lucius D. Clay, Chairman of the Board  
Eli Whitney Debevoise, Chairman of the Executive Committee  
William P. Durkee, President  
Bernard Yarrow, Senior Vice President  
J. Allan Hovey, Jr., Vice President-Secretary  
Ralph E. Walter, Vice President--Europe  
Eugene D. O'Brien, Treasurer

BOARD OF DIRECTORS:

Eugene N. Beesley  
Lucius D. Clay (note a)  
Stewart S. Cort  
Winthrop Murray Crane 3d  
Willis D. Crittenberger (note b)  
Eli Whitney Debevoise (note a)  
William P. Durkee (note a)  
Ernest A. Gross (note a)  
Michael L. Haider  
John D. Harper  
Roy E. Larson  
Neil H. McElroy  
Donald H. McGannon  
H. B. Miller (note b)  
Robert D. Murphy  
William B. Murphy  
Earl Newsom (note b)  
James M. Roche  
Frank Stanton  
Theodore C. Streibert  
H. Gregory Thomas (note a)  
Leslie B. Worthington

<sup>a</sup>Executive committee.

<sup>b</sup>Life honorary member of the board.

January 1, 1972

APPENDIX II

SECTION 2  
RARET OFFICIALS  
GENERAL ASSEMBLY

PRESIDENT:

Dr. Tito Castelo Branco Arantes

VICE PRESIDENT:

Vacant

SECRETARIES:

Dr. Ruy Leitao

Dr. D. Jose Luis Camara Saldanha

VICE SECRETARIES:

Vacant

BOARD OF DIRECTORS

PRESIDENT:

General Alberto G. Peixoto e Cunha

VICE PRESIDENTS:

Gregory Thomas

Thomaz Pinto Basto

ADMINISTRATORS:

Harry N. Black

William P. Durkee

General Lucius D. Clay

Bernard Yarrow

Dr. Antonio de Certima

Pedro de Brito e Cunha

Dr. Antonio de Quadros Ferro

SECRETARY:

Dr. Ruy Leitao

MINISTRY OF COMMUNICATIONS REPRESENTATIVE:

General Antonio M. Reymao Nogueira

October 1, 1971

SECTION 3

RADIO FREE EUROPE FUND, INC.

OFFICERS AND BOARD OF DIRECTORS

OFFICERS:

Stewart S. Cort, Chairman of the Board  
James M. Roche, Chairman, Executive Committee  
William P. Durkee, President  
J. Allan Hovey, Jr. Executive Vice President-Secretary  
Eugene D. O'Brien, Treasurer

BOARD OF DIRECTORS:

Eugene N. Beesley  
Lucius D. Clay  
Stewart S. Cort (note a)  
Winthrop Murray Crane, 3d  
Eli Whitney Debevoise  
William P. Durkee (note a)  
Ernest A. Gross  
Michael L. Haider (note a)  
John D. Harper  
Roy E. Larsen  
Neil H. McElroy (note a)  
Donald H. McGannon  
Robert D. Murphy  
William B. Murphy  
James M. Roche (note a)  
Frank Stanton  
Theodore C. Streibert  
H. Gregory Thomas  
Leslie B. Worthington

<sup>a</sup>Executive Committee.

January 1, 1972

## SECTION 4

DESCRIPTION OF RADIO FREE EUROPE OPERATIONS

Broadcasting departments--The organization of RFE is built around five broadcasting departments. The departments' staff members--all exiled from Eastern European countries--are headed by a director and a deputy director who direct both the editorial functions of preparing scripts and the actual production of the radio programs. In these departments programs are conceived, organized, written, supervised, edited, and finally produced--either taped or live.

News department--The RFE news department collects, processes, and distributes material for newscasts and other information programs. The department consists of a central news room, an audit section, a monitoring section, and news bureaus located in 10 West European cities. In addition, a small news unit is located in New York. Correspondents also are stationed in Washington, D.C., and at U.N. headquarters.

Staffed 24 hours a day by journalists, teleprinter operators, and copy clerks, the central news room receives approximately a million words of news and views each day from major Western news agencies (United Press International, Reuters, Agence France-Presse, and Deutsche Presse Agentur), radio teletype services of 11 Communist news agencies, the department's news bureaus, and its monitoring section. The news room staff edits and rewrites this mass of information to issue daily a news file of about 100,000 words. The news stories move to the broadcasting departments over internal teletype networks, and feature and commentary material are provided in printed form. Only after news items have been verified by two sources are they released for broadcast.

The audio section of the department is responsible for providing the broadcasting departments with sounds to illustrate news and feature materials. Such sounds include interviews with pop stars, sports figures, and intellectuals and taped excerpts from major East European announcements and speeches to reinforce or illustrate major developments.

The monitoring section listens to 40 Communist radio stations broadcasting in Bulgarian, Czech, Slovak, Hungarian, Polish, Rumanian, and other languages. The material

received from these sources is used to keep RFE abreast of news developments in East Europe and also enables the broadcasting departments to know how the Communist regimes' news media are treating the day's news and to react accordingly.

News bureaus located in Athens, Berlin, Bonn, Brussels, Geneva, London, Paris, Rome, Stockholm, and Vienna regularly supply news and feature items of special East European interest which would not be available from other news sources. The bureaus report on the news treatment and editorial comments of the local press in their respective areas for use by the broadcasting departments in their press review and political programs.

Research and analysis--The objectives of research and analysis are to provide continuing assessments of events, developments, and trends in the five East European countries to which RFE broadcasts and to produce and disseminate research materials dealing with Communist parties and affairs outside the target area. It serves as an analytical tool for developing programming policy guidance and for supporting the broadcasting departments by making available information they need to prepare individual scripts or series of programs. This service is provided by two units at the headquarters who report directly to the director of RFE.

East Europe research and analysis provides services for the five countries to which RFE broadcasts.

Communist area analysis performs analyses of events taking place within those parts of the Communist world other than the target countries (U.S.S.R., Yugoslavia, East Germany, Communist China, and Albania) as well as of important developments affecting nonruling Communist parties.

The research and analysis services may include:

- Providing the broadcasting departments with copies of East European newspapers or subject files on specific areas of reporting interest.
- Researching facts related to specific items on which departments wish to report.

## APPENDIX II

--Discussing with the departments' staffs and interpreting East European developments.

--Analyzing East European events which may result in background information papers.

Broadcasting analysis department--This department is responsible for keeping the director of RFE informed concerning all political programming of the five broadcasting departments and for reviewing all other aspects of the broadcasting departments' output to make evaluations and recommendations for improvements. This is handled through post-broadcast checking of scripts for overall content and effectiveness of presentation. Only in times of emergency does the director require that all commentaries be reviewed prior to broadcasting to avoid possible incitement or misunderstanding by the audience.

Audience and public opinion research department--The basic responsibilities of this department are to measure the extent to which RFE is reaching and affecting its listeners and to furnish guidance to policymakers and the broadcasting and engineering departments. Investigating the effectiveness of RFE broadcasts involves studying the nature and size of the audience; listening habits; station and program preferences; and specific reactions to particular broadcast approaches, broadcast categories, and specific broadcasts.

Administration department--This department provides the logistical support for the work of RFE through the services of its employees, security, data processing, warehousing, and records management activities.

Engineering department--The engineering department is responsible for the technical operation and maintenance of all RFE electronic installations, for general supervision of technical operations in Portugal and New York, and for structural changes and major repairs in the headquarters building.

Radio Free Europe, New York--The New York office of RFE is similar to the organization setup of the Munich headquarters. Its main mission is to provide the Munich broadcasting departments with programming on the U.S. scene,

the U.N., the Western Hemisphere, and major areas of U.S. interest and involvement. It also supplies a running file of news; press comments and information on U.S., Asian, and Latin American affairs; and production plus sound tracks and music for use in Munich program production. Its director is responsible to the director of RFE, and its five broadcasting desks are under the operational control of their respective counterparts in Munich.

RARET, Portugal--To operate in Portugal, Free Europe had to form a company, the Sociedade Anonima de Radio-Retransmissao, S.A.R.L., and sign a contract with the Portuguese Government. RARET legally was registered on April 10, 1951. As required by Portuguese laws, it is administered by a board of directors, 60 percent of whom are Portuguese citizens and 40 percent of whom are executives of Free Europe. The president and one vice president are Portuguese, and the other vice president is a representative of Free Europe.

RARET is a nonprofit Portuguese corporation licensed only to transmit RFE broadcasts. Its budget support is derived from funds supplied by Free Europe which thereby controls its activities. The RARET board of directors delegates the direction of operations to a managing director designated by and under the overall supervision of Free Europe.

As of October 26, 1971, the organization was made up of 342 people--five Americans and the remainder Portuguese. Organizationally it consisted of administrative sections which provided accounting, personnel, procurement, warehouse and inventory, security, medical and other general service support, and a field operations section. The field operations section comprised the bulk of RARET's organization. This unit is responsible for operating and maintaining the Gloria transmitting station and the Maxoqueira receiving station.

In addition to its radio operations, RARET also operates an industrial school as a public service for the benefit of the underprivileged young people of the Gloria region. A radio technician and mechanics course and home economics are taught by RARET staff members who divide their time between their regular jobs and teaching chores. For the younger students RARET operates an elementary school

## APPENDIX II

center which is taught by television; it is a service prepared and broadcast by the Portuguese Government to serve rural areas lacking school facilities. RARET provides the classrooms, monitor teachers, and supplies. As of November 4, 1971, 142 students were enrolled in the industrial school and 36 students were enrolled in the elementary school center.

The RARET Medical Clinic fulfills the Portuguese Government requirements for a medical center for RARET employees and also offers free service to the indigent people of the Gloria community. General medical assistance is provided on an outpatient basis, and maternity care is offered free on an inpatient basis.

## SECTION 5

RADIO FREE EUROPE PROGRAMMINGBroadcasting

RFE broadcasts about 20 hours daily to Czechoslovakia, 19 hours to Poland and Hungary, 12 hours to Rumania, and 8 hours to Bulgaria. In addition, all stations broadcast a joint music program from midnight Saturday to 0300 hours Sunday.

RFE Weekly Programming Time  
(hours and minutes)

<u>Country</u>	<u>Total time (note a)</u>	
	<u>Hours</u>	<u>Minutes</u>
Bulgaria	56	12
Czechoslovakia	142	3
Hungary	135	12
Poland	134	35
Rumania	<u>89</u>	<u>40</u>
Total	<u>557</u>	<u>42</u>

<sup>a</sup>Includes 3 hours of joint programming.

Newscasts and programs of political significance (press reviews and commentaries) make up just over 50 percent of RFE's broadcasting time. The hourly news broadcasts are the mainstay of each day's program schedule and are followed by commentaries and analyses to aid listeners in understanding events and trends in their own countries in relation to the world scene.

The remaining broadcast categories cover drama, music, sports, and entertainment. The programs are tailored for each country and attempt to represent as closely as possible the kind of programming each country would have if its own radio stations were free.

## APPENDIX II

### Composition of RFE's Weekly Broadcasts

<u>Program</u>	<u>Percent</u>
News	16.1
Political significance	34.7
Music	21.6
Culture	18.8
Religion	2.2
Miscellaneous	<u>6.6</u>
Total	100.0

### Publications

Directly related to, and essentially a by-product of, RFE's broadcasting is its extensive volume of publications which are supplied to various worldwide groups and institutions involved in East European affairs.

Na Antenie--This is a Polish-language publication containing exclusively broadcasts originating in the Polish broadcasting department. About 2,800 copies are distributed monthly, of which 2,000 are distributed by reimbursable subscription and the remaining 800 copies are complimentary. The purpose of the publication is to reach, as a supplement to RFE's broadcasts, the large Polish population living in Western countries and to reach through them their fellow countrymen still living in Poland.

Osteuropaische Rundschau--This German-language monthly publication having a distribution of about 12,000 copies reports on important events occurring in RFE's five East European audience countries and on items of interest in other Communist countries. The information contained in the publication is taken from information prepared by the research and analysis section and serves as a public relations tool in support of RFE's extensive operation in Germany.

East Europe News--This small publication service provides each month, upon request and free of charge, news and feature items based on material gathered by RFE from the Communist radio and press to about 475 scholars, libraries, research institutions, journalists, and others. This publication is printed in English, French, and German.

Research and analysis--These publications are printed routinely as a part of RFE's broadcasting operation and also are provided to about 900 recipients worldwide each month. These include background reports, situation reports, press surveys, press summaries, and monitoring reports. Recipients pay a fee to cover the cost of handling and postage.

Audience and public opinion research reports--These are the published results of interviews with East European travelers. About 800 copies are printed as the survey results are completed and supplied on request and at no cost to interested government activities, universities, and other agencies.

## SECTION 6

PROCEDURES USED BY FREE EUROPE IN  
DETERMINING THE EFFECTIVENESS OF  
RADIO FREE EUROPE

Audience and public opinion research

The RFE listening audience in East Europe is estimated to be 31 million, or more than 50 percent of the population over the age of 14.

Listeners Over Age 14  
(Based on 6,416 interviews during 1970)

<u>Country</u>	<u>Percent</u>
Bulgaria	44
Czechoslovakia	50
Hungary	55
Poland	59
Rumania	57

Since no internal samples could be drawn from the resident population of these countries, other means to arrive at these estimates were developed. People from the target countries traveling to Western European countries each year are interviewed for opinion samples.

In selected major West European cities, local opinion research institutes conduct in-depth interviews. As of September 27, 1971, seven different institutes were being used in the cities of Vienna, London, Copenhagen, Stockholm, Paris, and Athens. From 1964 through April 1971, a total of 30,965 East Europeans had been polled on whether they listened to RFE and on their preferences as to types of subject matter, methods of presentation, etc.

No refugees, legal immigrants, or other persons intending to stay in the West are interviewed--only East European nationals visiting the West who, after a short stay, return to their home countries. To ensure objectivity the interviewers of the institutes are not made aware of RFE's sponsorship of the survey.

RFE's rationale, in support of its sampling method, stresses the fact that:

- East European surveys have shown that the desire to travel to the West is widespread, thus the travelers and those remaining in the home country are similar.
- Since only small amounts of currency may be taken out of the country, the socioeconomic background of the travelers is not so significant.
- The regimes are politically committed to satisfy the travel aspirations of the less privileged groups as well as the better educated and better positioned.
- Most of the regimes have established a policy under which citizens are granted an exit visa only once every 3 years, thus a turnover of travelers is ensured.

The procedures used by RFE are known as continual and comparative sampling and are based on the principle of repeated independent samples. Because different types of people traveling from the East European countries may choose different Western countries in which to travel, many independent samples are drawn from among travelers in a wide variety of countries over a wide period of time. If individual samples show results that are inconsistent with an otherwise predominant pattern, the sample size is increased until the predominant pattern is either reaffirmed or thrown so seriously in doubt that the reliability of all the samples comes into question, in which case the findings are not published. No survey is published until at least four independent samples have been taken in different countries. Generally a survey of any nationality includes more than 1,000 interviews and is judged to be reliable only if the key results obtained from all the samples correlate highly.

Even with the sampling method used, however, certain population groups (people with lower educational and occupational attainments) are frequently underrepresented in the sample and other groups (better educated, better employed, and urbanites) often are overrepresented. To make the sample results as nearly representative of the

## APPENDIX II

population-at-large as possible, the disproportions are corrected by increasing the weights of the underrepresented groups and decreasing those of the overrepresented groups in the correct ratio.

Free Europe has been able to check the results of its surveys with the results of surveys taken by the East European countries themselves by incorporating into the questionnaires the same questions which appeared in East European surveys. Free Europe reported that the results of these validation studies had shown a high degree of similarity between its survey and the internal surveys conducted by the Eastern European countries.

### Jamming

Free Europe officials stated that one measure of RFE effectiveness was the extent to which some target countries attempted to jam the RFE broadcasts by interjecting various types of noises. Free Europe believes that the jamming occurs because of the influence the broadcasts have in each respective country. It attributed the development of this influence to four factors: (1) the credibility and scope of RFE news and commentary, (2) the emphasis on the internal affairs of each target country and the area as a whole, (3) the variety and appeal of the programming, and (4) the wide choice of listening hours throughout the day.

Free Europe officials pointed out, however, that jamming not only was irritating to the listeners but was expensive, was not completely effective (a broadcast cannot be jammed all the time), and was a continuing confession of the Communist regimes' fear of free speech and thought.

Currently Free Europe gives this brief description of the status of jamming in each country to which it broadcasts.

Bulgaria--Both domestic and foreign transmitters are used to jam Western broadcasts, including RFE.

Czechoslovakia--All RFE programs are jammed by domestic and foreign transmitters.

APPENDIX II

Hungary--No domestic jamming since 1964. Some weak interference comes from a U.S.S.R. jammer believed to be located in a Hungarian-speaking area of U.S.S.R.

Poland--In March 1971 Poland resumed jamming RFE Polish programs. They stopped in 1956 and started again briefly during the December 1970 unrest. U.S.S.R. also jams the Polish frequencies used by RFE.

Rumania--No jamming since 1963.

SECTION 7

PHYSICAL PLANT OF FREE EUROPE, INC.

Office and studio facilities

New York City studios and offices--Free Europe leases office space at Two Park Avenue, New York. This space serves as the headquarters for Free Europe, the New York office of RFE, and headquarters for Radio Free Europe Fund. About one half of the 38,000 square feet is devoted to program production and related support activities of RFE. The remainder of the space is devoted to editorial staffs, administrative staffs, fund-raising activities, and presidential staff. The estimated annual cost for rent and utilities is about \$200,000.

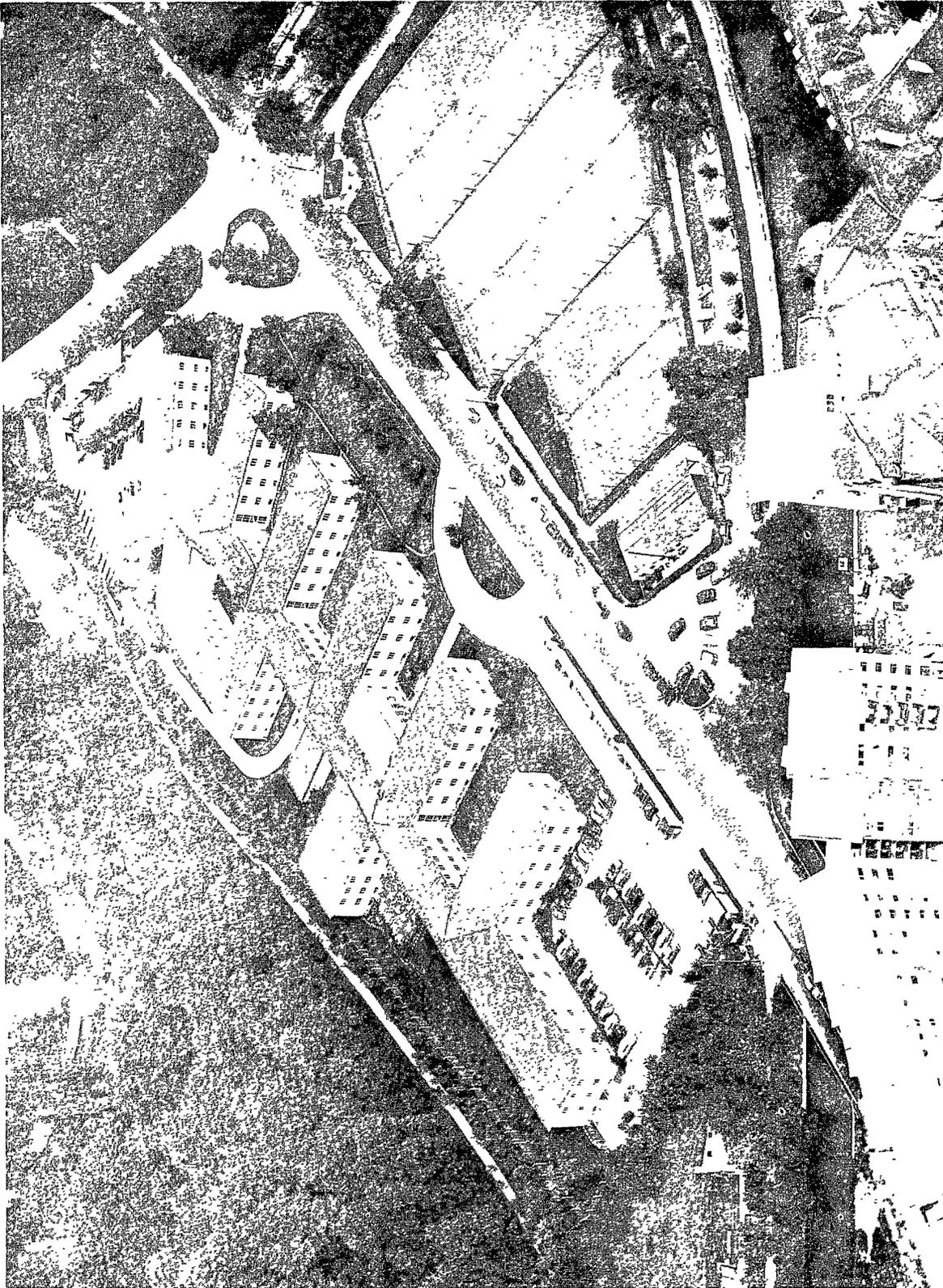
Radio Free Europe headquarters, Munich--The headquarters building contains 115,000 square feet of space on three floor levels and houses the main studios, offices, and support activities. It is situated on 11.7 acres within 2 miles of the city's center. The building was built at an initial cost of \$1.1 million on property acquired under a 30-year lease in February 1951. The lease rate is \$8,700 annually. A picture of RFE Munich headquarters is shown on page 95.

RARET office, Lisbon, Portugal--RARET administrative offices occupy the top two floors of an office building near the center of Lisbon. A total of 26,400 square feet of space is rented at an annual cost of about \$8,300, including utilities.

Personnel housing

The only owned employee housing is in Portugal. It consists of six two-story houses, 10 two-story duplex units, and two two-story bachelor quarters which can accommodate up to 65 people.

In support of its Germany operations, Free Europe leases about 430 houses and apartments in the Munich area.



RADIO FREE EUROPE HEADQUARTERS, MUNICH, GERMANY

Courtesy of Free Europe, Inc.

APPENDIX II

Technical facilities and transmitting stations

Biblis transmitting station--This station is located about 16 miles north of Mannheim, Germany. Programs are fed directly from the studios in Munich over five shortwave telephone circuits to the stations which transmit over nine shortwave transmitters.

	<u>Number of transmitters</u>	<u>Power of each</u>	<u>Total kilowatts</u>	<u>Year operational</u>
	3	50	150	1951 to 1952
	1	20	20	1951
	<u>5</u>	10	<u>50</u>	1953
Total	<u>9</u>		<u>220</u>	

The buildings and antennas are situated on 119.6 acres with an additional 216.7 acres encumbered to ensure a clear area in front of the antennas. Structures, having a total floor space of 17,700 square feet, consist of a transmitter building, a garage and guard building, an antenna material shed, a VHF transmitter house, an antenna-lighting substation, and a security tower. Built at an initial cost of \$124,000, the station occupies property acquired by a 50-year lease in January 1951. The annual lease costs \$2,944.

Holzkirchen transmitting station--This station is situated on 139.2 acres near Holzkirchen, about 21 miles south-southwest of Munich, and serves a dual purpose.

Programs produced in the Munich studios are sent to the station over six leased telephone circuits, and from there they are relayed over high-frequency independent sideband transmitters to the Portuguese base (Maxoqueria) for broadcasting.

At the same time some of the programs are transmitted to the audience countries from the station's five transmitters on high-frequency broadcast bands or over the medium-wave transmitter.

	<u>Number of transmitters</u>	<u>Power of each</u>	<u>Total kilowatts</u>	<u>Year operational</u>
	4	10	40	1951 to 1952
	<u>1</u>	150	<u>150</u>	1951 <sup>a</sup>
Total	<u>5</u>		<u>190</u>	

<sup>a</sup>Modified to 150 kilowatts in 1967. The 150-kilowatt transmitters are RFE's only medium-wave transmitters. All others in Germany and Portugal are shortwave.

The Holzkirchen site consists of a transmitter and office building; guard house, mess hall, and garage; primary transformer and generator house; antenna-switching house; antenna power-dividing house; and four antenna-phasing houses composing a total of 16,300 square feet. It was built with an initial investment of \$114,000 on property acquired by lease in September 1950, which is currently running on a year-to-year basis. Annual lease costs are \$4,400.

RARET transmitting station--Situated 37 miles northeast of Lisbon on about 485 acres is the Gloria transmitting station. Programs are relayed from the Munich studios to the Holzkirchen transmitter station and are transmitted to the Maxoqueria receiving station in Portugal where they are received and relayed to Gloria transmitters for rebroadcasting. Eighteen program transmitters feed a permanent field of 20 curtain and five rhombic antennas for target service.

	<u>Number of transmitters</u>	<u>Power of each</u>	<u>Total kilowatts</u>	<u>Year operational</u>
	4	250	1,000	1964
	4	100	400	1954
	8	50	400	1951 to 1952
	1	25	25	1959
	<u>1</u>	10	<u>10</u>	1958
Total	<u>18</u>		<u>1,835</u>	

APPENDIX II



RADIO FREE EUROPE GLORIA TRANSMITTING STATION, GLORIA, PORTUGAL

Courtesy of Free Europe, Inc.

In addition to the main transmitter building, the station area contains electrical power substation and generator buildings, guards' quarters, a mess hall, and a sewage-disposal plant. A total of 66,900 square feet of space is utilized for technical facilities and related services structures.

The housing area part of the station contains 67,000 square feet of floor space, which includes personnel housing, a canteen building, carpports, a medical clinic building, a storage building, and an industrial school building.

The site was constructed at an initial cost of about \$490,000 and is on property purchased for about \$57,200. A picture of the Gloria transmitting station is shown on page 98.

#### Technical facilities and receiving stations

Maxoqueria receiving station--This station located on 124 acres 28 miles northeast of Lisbon serves to receive the programs transmitted from the Holzkirchen transmitting station and to relay them to the Gloria station for transmission to the audience countries. The site includes the receiving station and related support services. The site was constructed at an initial cost of \$46,500 on the property acquired by lease.

Schleissheim receiving station--This station located on 235.85 acres near Munich serves three purposes.

First, it provides for day-to-day monitoring of broadcasts and news transmissions from 40 Communist radio stations. The signals received by the station are relayed by telephone to the Munich headquarters where trained observers and translators convert them to print for editorial use.

Secondly, the station serves as a reception for the programs relayed from the New York studios via press wireless transmitters near New York. This relay also is passed along to the Munich studios for recording and for later use by program production departments.

## APPENDIX II

Finally, it is capable of observing the technical quality of signals from the transmitters of RFE and other broadcasters.

The station building and support service structures were constructed at an original cost of \$66,000 on land occupied by the Allied Powers. Upon release from occupation, RFE officials negotiated a lease with FRG for the site which today costs about \$1,000 annually. The lease can be terminated only by violation of its terms.

Moosburg, Germany, receiving station--Certain monitoring assignments that are difficult to discharge at the Schleissheim station because of interference there are accommodated at the Moosburg station which is located about 30 miles north-northeast of Munich. The receiving station and standby generator buildings contain 740 square feet of floor space and occupy .66 of an acre of land. It operates unattended and is supervised from Schleissheim. The original cost for constructing the station was \$5,900. The facility is on land acquired by lease in December 1952. The lease currently runs year to year and costs \$490 annually.

## SECTION 8

## SCHEDULE OF U.S. GOVERNMENT CONTRIBUTIONS

TO

FREE EUROPE, INC.

FROM INCEPTION THROUGH JUNE 30, 1971

<u>Fiscal year</u>	<u>Contributions</u>
1949	\$ 69,000.00
1950	3,108,968.73
1951	8,681,715.50
1952	16,164,867.25
1953	14,871,703.51
1954	12,230,764.38
1955	11,728,850.01
1956	12,299,669.29
1957	14,430,322.30
1958	10,103,301.32
1959	13,480,187.36
1960	13,190,405.72
1961	12,423,686.85
1962	13,658,182.10
1963	14,309,097.90
1964	15,011,422.16
1965	15,351,224.55
1966	15,375,455.34
1967	15,223,461.36
1968	16,742,062.94
1969	19,272,434.02
1970	19,107,380.68
1971	<u>20,014,656.32</u>
	<u>\$306,849,269.59</u>

Note: Government contributions were obtained from records made available by Free Europe, Inc.

APPENDIX II

SECTION 9

SCHEDULE OF U.S. GOVERNMENT CONTRIBUTIONS

TO

RADIO FREE EUROPE FUND, INC.

FROM APRIL 1, 1951, TO JUNE 30, 1968

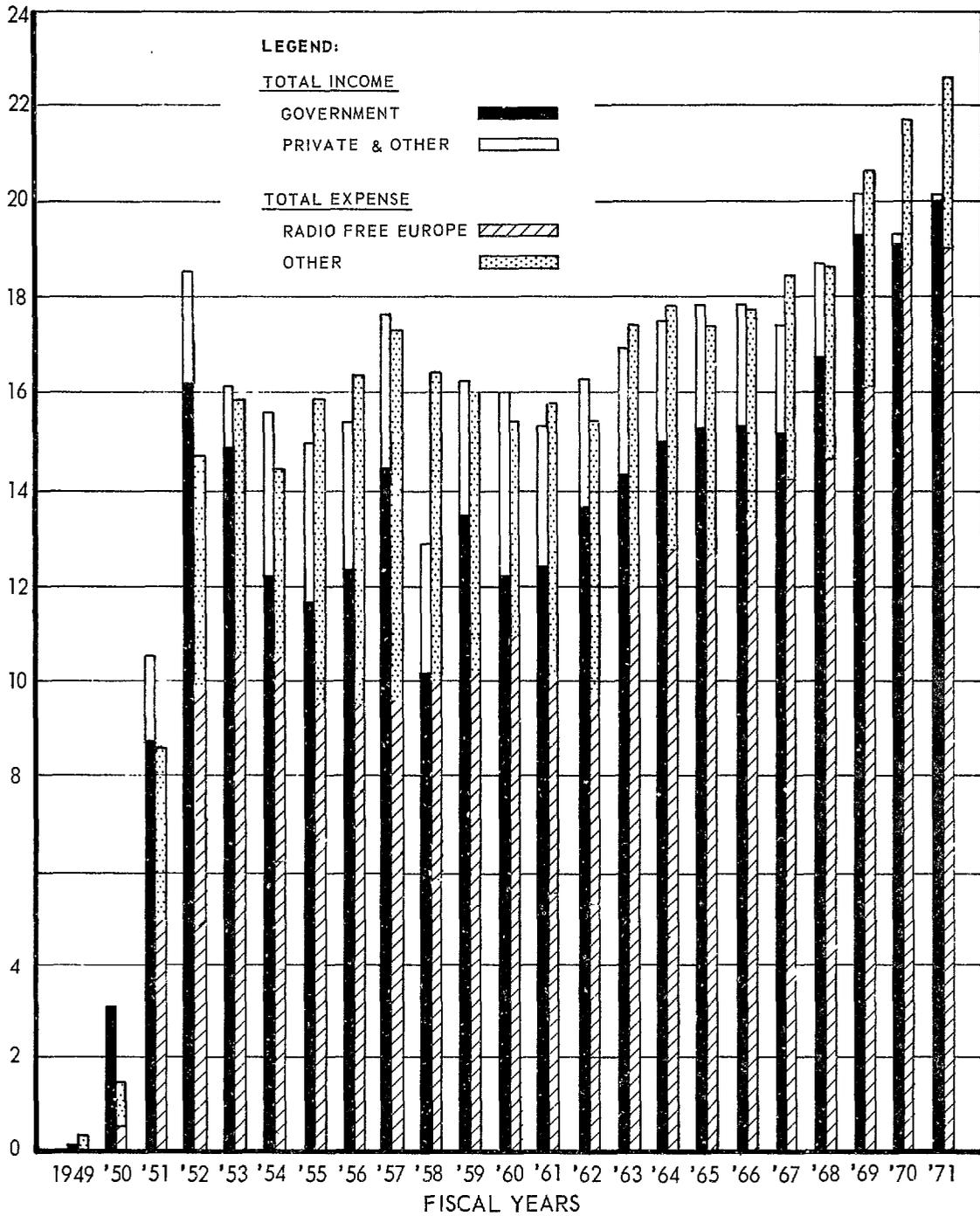
<u>Fiscal year</u>	<u>Contribution</u>
1951-52	\$ 2,343,534
1953	793,528
1954-55	1,747,500
1956	1,070,167
1957	1,000,000
1958	1,000,000
1959	925,000
1960	900,000
1961	851,200
1962	890,600
1963	913,800
1964	928,920
1965	827,600
1966	812,000
1967	870,000
1968	<u>600,882</u>
	<u>\$16,474,731</u>

Note: Government contributions were obtained from records made available by Free Europe, Inc.

SECTION 10

FREE EUROPE, INCORPORATED  
 INCOME AND EXPENSES  
 FROM INCEPTION THROUGH JUNE 30, 1971

(IN MILLIONS OF DOLLARS)





BACKGROUND INFORMATION  
ON  
RADIO LIBERTY COMMITTEE, INC.

10/10/10

10/10/10

<u>Section</u>	<u>C o n t e n t s</u>	<u>Page</u>
1	Radio Liberty Committee, Inc., board of trustees	109
2	Description of Radio Liberty operating divisions	110
3	Radio Liberty programming	111
4	Radio Liberty Committee audience research	114
5	Physical plant of Radio Liberty Committee	118
6	Institute for the Study of the USSR	122
7	Schedule of U.S. Government contributions to Radio Liberty Committee, Inc., from inception through fiscal year 1971	125
8	Radio Liberty Committee, Inc., Government contributions, operating and capital expenses from inception through June 30, 1971	126



SECTION 1

RADIO LIBERTY COMMITTEE, INC.

BOARD OF TRUSTEES

Howland H. Sargeant	President
Reginald T. Townsend	Vice President
John R. Burton	Treasurer
Allen Grover	Secretary
Mrs. Oscar Ahlgren	
J. Peter Grace, Jr.	
Alfred M. Gruenther	
John S. Hayes	
H. J. Heinz II	
Isaac Don Levine	
Henry V. Poor	
Whitney N. Seymour	
Dr. John W. Studebaker	
William L. White	
Philip H. Willkie	

January 1, 1972

APPENDIX III

SECTION 2

DESCRIPTION OF RADIO LIBERTY

OPERATING DIVISIONS

<u>Division</u>	<u>Duties</u>
Program operations	Produces radio programs and broadcasts at all overseas locations, monitors and uses U.S.S.R. broadcasts, and maintains library.
U.S.	Produces radio programs in support of Program Operations Division and ensures coverage of U.S. news events.
Network	Operates and maintains all broadcast facilities and equipment, plans new or modified broadcast facilities, and directs construction.
Program policy	Prepares and implements basic program policy and provides research for policy formulation, programming, and program planning.
Audience research and program evaluation	Conducts research programs involving listener audience, U.S.S.R. attitudes, and program evaluation and reports thereon.

## SECTION 3

RADIO LIBERTY PROGRAMMING

RLC considers itself unique in that it operates Radio Liberty primarily as an internal radio station, does not represent any government, and is the major target of continuous U.S.S.R. jamming. According to RLC the programming staff is made up almost entirely of former U.S.S.R. citizens who speak to their fellow countrymen from an internal viewpoint with a soft tone, "as a guest in the living room." We were informed that Radio Liberty did not (1) appeal for direct action, (2) tell listeners what to do, (3) attack individuals or nationalities, or (4) encourage overt resistance. In 1953 RLC reportedly adopted, as one of its first, a rule that it would never indicate that freedom and democracy would be achieved except through the will and endeavors of the peoples of U.S.S.R. themselves.

In carrying out its mission, Radio Liberty's research staff analyzes and reassesses the strengths and weaknesses of the U.S.S.R. system and studies the attitudes and aspirations of U.S.S.R. listeners. According to RLC broadcast objectives are formulated to conform with these aspirations to achieve faster political, economic, and social reform.

The broadcast programs are developed through (1) analytical reviews of approximately 90 U.S.S.R. newspapers and 200 U.S.S.R. periodicals, (2) the monitoring of up to 50 U.S.S.R. radio stations and one television station, (3) the examination of "samizdat" material, and (4) general research and analysis. To help do this, RLC maintains research facilities in both New York and Munich. The library collection in New York consists of 14,000 books, subscriptions to 200 Western periodicals and 220 U.S.S.R. periodicals, 2,500 microfilms, and a record and tape library. The library in Munich has 65,000 volumes, subscriptions to 291 U.S.S.R. periodicals, and mimeographed research material dating back to RLC's inception in 1951. Radio Liberty is reportedly on the air about 497 hours a week, of which 81 hours is original program time.

### APPENDIX III

About one fifth of Radio Liberty's Russian programming is derived from samizdat literature. "Samizdat" literally means self-publishing and refers to the practice of U.S.S.R. authors illegally publishing and distributing their writings. RLC considers these materials ideally suited for Radio Liberty's use, and the writings either are broadcast verbatim or are used for commentary. Because of its involvement in programming of samizdat materials, RLC states that 17 percent of the authors of Radio Liberty Russian programs are still in U.S.S.R. RLC also reports that 81 percent of its own writers, editors, producers, and broadcasters are former U.S.S.R. citizens. As of July 1971, 187 employees were actively engaged in writing, editing, producing, and voicing programs. Most of the other programming employees have native identity because either they or their parents were born in U.S.S.R.

RLC also purchases, as a source of program materials, wire services of the United Press International (UPI) and Reuters. Other sources are contacts with U.S.S.R. citizens, mail from U.S.S.R., and private research organizations.

Radio Liberty devotes one half of its air time to broadcasts of news and news features because the U.S.S.R. regime reportedly imposes tight controls on coverage of news events at home and abroad. Most of the remaining time is allocated to feature programs.

In preparing a typical day's broadcast program, the central news room prepares a list of morning news and attaches actual news items for the previous day for use at a 10:30 a.m. (central European time) meeting of policy and program personnel. Policy guidance is set forth in a daily note which includes the main trends in U.S.S.R. news for the broadcast day. Editors use this to select and edit Radio Liberty's news to "fill in holes" and, to a lesser extent, correct distortions in U.S.S.R. news. The broadcast day begins at 4:45 p.m. Moscow time and runs for the next 24 hours. Newscasts, followed by news features, go on the air every hour.

We selected a recent event seemingly of international importance to compare the coverage given by Radio Liberty and by U.S.S.R. information media. In preparing for Nikita S. Khrushchev's death, Radio Liberty had developed broadcast guidance in December 1970 "For Contingency of N.S. Khrushchev's Death." In line with this guidance, Radio Liberty provided extensive coverage after his death on September 11, 1971, and over the following week.

UPI reported that U.S.S.R. had ignored the event. According to UPI, U.S.S.R. newspapers, the official Tass news agency, Moscow Radio, and the U.S.S.R. television had maintained Khrushchev's "unperson" status and none had announced his death; but, the Communist party newspaper, PRAVDA, had published a brief obituary 2 days later on September 13. UPI reported that only those Russians who had listened to Western shortwave radio broadcasts or who had Western friends had been aware of the death.

Radio Liberty's main studio facilities in Munich include eight studios and a master control complex, which are stated to be among the most modern in the shortwave field. The master control unit feeds program material in 17 languages to transmitter sites in Germany and Spain around the clock. The unit also reproduces program materials for a transmitter site in Taipei, Taiwan.

News bureaus located in New York, Paris, London, and Taipei provide material to the Munich headquarters on tape ready for broadcast in the language of Radio Liberty's programs. In addition, correspondents located in various cities, usually hired as free-lancers, provide program material to Radio Liberty.

## SECTION 4

RADIO LIBERTY COMMITTEE AUDIENCE RESEARCH

Audience research is conducted by the audience research and program evaluation division, headed by a director who is responsible directly to the president of RLC. The division plans, directs, and reports on audience research, including U.S.S.R. attitude and opinion studies, and makes critical evaluations of programming. At June 30, 1971, the division comprised 16 positions, its operating cost for the year ended was \$321,000, and it had offices in Paris, France; Munich, Germany; and London, England. The division also contracts with free-lance correspondents and outside research organizations for certain research and program evaluations.

According to RLC officials the effectiveness of Radio Liberty broadcasts cannot be measured quantitatively and absolutely. Various methods and sources are used, however, to determine whether the broadcasts are getting through to U.S.S.R. citizens. The information used for this purpose includes listener mail, responses of U.S.S.R. citizens engaged in conversation, and analysis of U.S.S.R. press and radio attacks against Radio Liberty. Also cited as evidence of broadcasting effectiveness is the extensive and costly campaign by U.S.S.R. to continuously jam Radio Liberty broadcasts. RLC reports that Radio Liberty broadcasts have been the target of jamming--defined as the rendering of radio signals unintelligible by sending interfering signals--by U.S.S.R. from Radio Liberty's first broadcast in March 1953. Radio Liberty has reportedly been subjected to continuous U.S.S.R. jamming ever since and is the only major Western station which has never been free of jamming.

Listeners' mail responses are received by RLC via accommodation addresses. About 50 such addresses were available for use in Western European countries, as reported by RLC in June 1971. These mailboxes are serviced by friends of RLC who receive about \$20 to \$25 monthly plus \$1 for each mail item to cover forwarding expenses. Most of the mail is received as a result of questions posed during broadcasts. Giveaways, such as books and magazines, were discontinued as of August 21, 1968, and, instead, Radio Liberty began to mail substantive questions to its listeners, such as "What is liberty?" and "Is communism feasible?"

RLC, using this mail, prepares listener mail reports for substantive letters. The mail also is analyzed and grouped regarding whether friendly or hostile, the country of origin, and the broadcast language. Of the total mail which reached Radio Liberty in fiscal year 1971, RLC reported, for example, that 67 percent either was friendly toward Radio Liberty or was antiregime and that 33 percent either was critical or hostile toward Radio Liberty. In contrast, RLC reported that less than 10 percent of the mail which reached Radio Liberty in the prior fiscal year was hostile; the discrepancy was attributed by RLC to at least two factors--its discontinuation of giveaways and the stepped-up U.S.S.R. attacks against the station.

RLC accumulates available data on U.S.S.R. attacks on Radio Liberty and the Institute for the Study of the USSR. RLC reported that a total of 344 such attacks were reported during fiscal year 1971. These included articles in leading U.S.S.R. newspapers and magazines, such as Pravda, Izvestic, Literaturnaya gazeta, and Kommunist. Radio Liberty was reportedly also mentioned in broadcasts of Radio Moscow, Radio Kiev, and Radio Minsk, as well as in many other Russian and nationality media. The attacks RLC noted either were registered in regime reaction reports or were reported in special regime reaction reports.

During the period of January through March 1971, RLC reported an unprecedented number of U.S.S.R. attacks against Radio Liberty; during the period January through September 1971, the number more than tripled those registered for the entire 1970 calendar year. In a semiannual comparison made during the period January through June 1971, 261 attacks were reported; during the corresponding 1970 period, 27 attacks were reported. This was almost a tenfold increase. RLC reported that the recent U.S.S.R. attacks were pegged mainly to the public disclosure in January 1971 of its source of funds, the 1972 Olympic games scheduled in Munich, and negotiations for the Bonn-Moscow agreement.

In recent years RLC has placed emphasis on making contacts with various classes of people coming out of U.S.S.R.--such as Western scholars and students returning from visits, defectors, U.S.S.R. emigres, repatriates, and others. According to RLC this is necessary because U.S.S.R. censorship

### APPENDIX III

has been largely successful either in intercepting letters addressed to RLC or in frightening potential letter writers out of writing. The interviews are aimed at learning more about conditions in U.S.S.R.; U.S.S.R. attitudes toward Radio Liberty; and the listeners' profiles, such as their age level and preferred listening times.

RLC has reported that several thousand contacts are made each year with Western visitors to U.S.S.R., U.S.S.R. repatriates, emigres, defectors, and others, who are engaged in conversation by free-lance correspondents or are contacted by private research organizations. According to RLC listening to a radio station that is vehemently and bitterly condemned by the country's totalitarian regime is frowned on by U.S.S.R. authorities. In order not to compromise the safety of any listener and to prevent alerting U.S.S.R. authorities to the research techniques used, RLC does not reveal the absolute numbers of interviews it conducts. The results of these conversations are issued in the form of reports which are used to identify such things as listener age groups, socioeconomic status, and listener interests. The reports are intended to provide inside information to programmers on attitudes, sentiments, and aspirations of the U.S.S.R. people. The interviews also provide information on the respondents' problems and interests, reception and interference conditions, and ways to help overcome jamming.

A quarterly analysis report series, based on documentary and empirical evidence of listening to Radio Liberty, includes an analysis of the audience as far as available statistics permit. During fiscal year 1971 other analysis reports were issued that covered such topics as the number of estimated radio sets in U.S.S.R. and the foreign-radio listening behavior of the U.S.S.R. people. In July 1971 RLC stated that the estimated number of shortwave receivers in U.S.S.R. was 30 million (compared with 2 million in the United States), or about one for every two family units. In August 1971 a report on foreign-radio listening behavior of the U.S.S.R. people was issued. The report was conducted by an independent research bureau and was based on interviews with 700 U.S.S.R. citizens conducted during a 16-month period between 1969 and 1971. Personnel conducting the interviews were reportedly unaware of any connection with a single radio station.

Program evaluation is conducted by RLC through a program evaluation panel composed of persons who are, or were, U.S.S.R. citizens. This effort is designed to assess the effectiveness of programming. The newly selected panelists are considered to provide fresh reactions to Radio Liberty programs and, according to RLC, could be considered the best available substitute audience.

During fiscal year 1971, 26 panelists had participated in program review; 14 had arrived in the West during the preceding 12 months. Members of the panel are asked twice monthly to evaluate 1-1/2-hour blocks of daily Russian programming, which are chosen by a random-sampling procedure. On the basis of these evaluations and other panel efforts, RLC reported issuing 24 quality control reports, seven special program evaluation reports, and other evaluative data during fiscal year 1971.

SECTION 3

PHYSICAL PLANT OF RADIO LIBERTY COMMITTEE

From inception through June 30, 1971, Radio Liberty Committee has expended about \$12.2 million for capital items. These included offices and technical facilities and equipment. RLC has office and technical facilities in the United States and five other countries--Germany, Spain, Taiwan, France, and the United Kingdom.

New York, N.Y.

RLC occupies executive offices at 30 East 42d Street, New York, N.Y. Under a lease agreement expiring in 1972, RLC is required to make an annual rental payment of about \$137,000. RLC maintains, in addition to the office space, a 14,000-volume library and studio facilities at this location.

Munich, Germany

In Munich RLC leased office and studio facilities which were constructed in accordance with its requirements. Under a 10-year lease agreement, RLC made an initial cash outlay of \$1,125,000, of which \$1,000,000 was a financing contribution for construction and \$125,000 was a nonrecoverable contribution for adapting the building to meet the needs of RLC and a lump-sum settlement of construction cost. In the event that RLC must terminate the lease, part of the contribution for construction can be recovered.

The building, located in a major urban development in the Bogenhausen section of Munich, includes monitoring facilities, studios, offices, a cafeteria, basement and outside parking facilities, storage areas, and workshops. The building consolidated operations which were previously in three other locations. RLC appointed an architect to help design and oversee the building construction.

The current lease began on RLC's occupancy date and expires in April 1977. RLC can terminate the lease with 1 year's notice or with 6 months' notice if its broadcast license is canceled or if the number of employees decreases

more than one half. RLC has the right to demand extension of the agreement for another 10-year period.

We were told that the new office building was required because the city of Munich wanted the previous site in connection with the 1972 Olympic games to be held in Munich and because RLC's operations were previously at different locations. We were informed that about two thirds of the building was occupied by RLC and that one third was occupied by another lessor.

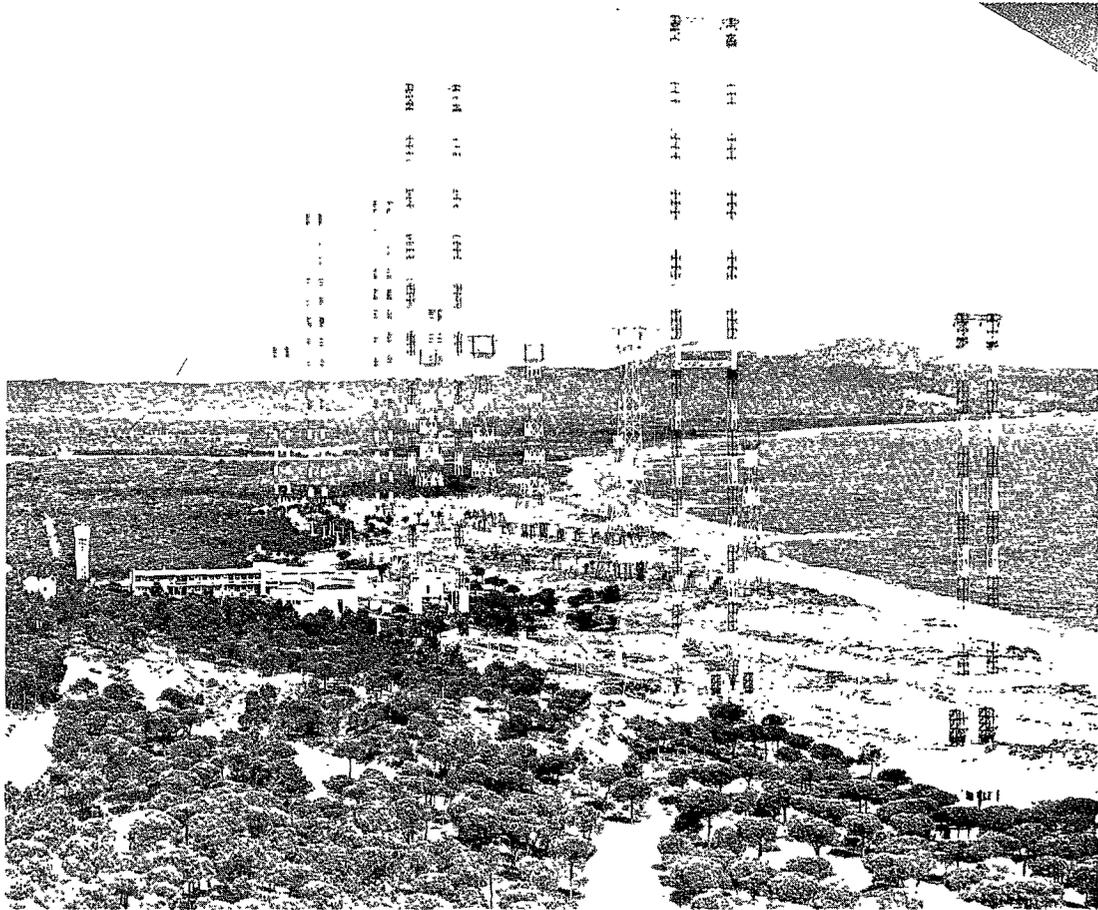
RLC's main studio facilities located in the Munich building include eight studios and a master control complex. These are considered by RLC to be among the most modern in the shortwave field. Included also is a monitoring unit with the capacity to monitor up to 50 U.S.S.R. radio stations. A closed-circuit television network has been installed to present monitored U.S.S.R. television programs to various offices within the building. A library is maintained in the building and includes about 65,000 volumes and numerous subscriptions to U.S.S.R. periodicals. The library also stocks documents, reports, pamphlets, microfilms, and in-house research materials.

#### Playa de Pals, Spain

The transmitter station at Playa de Pals, about 84 miles from Barcelona in northeast Spain, began operations in March 1959. In June 1971, five 250,000-watt transmitters, considered by RLC to be modern and highly efficient, and one 100,000-watt transmitter were installed. The four groups of high-gain antenna curtains, which reach a height of 6 feet less than the Washington Monument, were designed, engineered, and constructed to carry the total transmitter power of 1,350,000 watts. According to RLC the Pals station is best suited for coverage of those areas close to the Western border of U.S.S.R. The antennas stretch about 1-1/4 miles along a beach on the Mediterranean Sea permitting overwater reflection which is considered important in overcoming jamming. RLC estimates that 175 million people are located in the target area covered by the Pals site.

According to RLC the high-power transmitting equipment at the Pals station achieved wide recognition in 1960 as the

APPENDIX III



first shortwave in the world to use superpowered 250-kilowatt transmitters. Broadcast programs are transmitted to Pals from Munich via leased land lines and have a short-wave emergency backup from the Lampertheim station.

As of June 30, 1971, RLC's invested capital in the Pals facility totaled \$6.1 million. Under a 5-year lease agreement with Spain, RLC is required to pay \$285,000 annually for use of the facility.

#### Lampertheim, Germany

The Lampertheim station, about 45 miles south of Frankfurt, Germany, was erected by RFE and was acquired by RLC in July 1952. The site is considered well suited for the delivery of broadcasts to East Berlin and to the more distant parts of Western U.S.S.R.; Moscow is the main point of impact.

RLC leases the 200-acre site for \$6,000 a year from the German Land Hessen under an agreement which runs until March 1983. In February 1971 total capital investment in the facility was estimated by RLC to be \$3.5 million.

In October 1971 there were six 50,000-watt, one 20,000-watt, and one 10,000-watt shortwave broadcast transmitters at Lampertheim. The facility has the capability to transmit programs from Munich via Lampertheim to Pals in emergencies.

#### Taipei, Taiwan

The transmitter station on Taiwan is leased from the Broadcasting Corporation of China. RLC has made some improvements to the station. According to RLC the station was made more efficient by modernizing and strengthening its technical plant and by relocating it in an area free from obstruction. This provided overwater reflection for signals directed to the U.S.S.R. Far East. Radio Liberty operates three 50,000-watt transmitters.

## SECTION 6

INSTITUTE FOR THE STUDY OF THE USSR

The Institute for the Study of the USSR was incorporated in FRG as a scholarly organization and is located in Munich. The Institute has been engaged in research and publication on U.S.S.R. since 1950. Its stated purpose was to study developments in U.S.S.R. and to make the results of these studies available to interested persons and institutions.

Except for a small income derived from the sale of books and periodicals and nominal grants from other sources, the Institute's activities were financed out of RLC funds. From July 1, 1954--funding data before then was not available by individual grantee--through June 30, 1971, RLC had provided funds to the Institute that totaled \$6.3 million; the Institute's other receipts totaled \$352,800.

RLC's official relationship to the Institute was one of grantor-grantee even though their personnel were intermingled. Under a March 24, 1969, grant agreement, RLC agreed to make annual grants to the Institute on the basis of budgets submitted annually by the Institute for approval by RLC. RLC considers that the scientific research on conditions in U.S.S.R. conducted by the Institute was in furtherance of RLC's stated objectives and purposes.

As provided under the grant agreement, RLC assigned an administrative consultant and staff personnel to the Institute to help prepare the annual budget, to disburse funds, and to do other duties as assigned by the Institute's director. At July 1, 1971, RLC had nine persons, forming its institute division, assigned and located at the Institute. In fiscal year 1971 the salaries and related benefits paid directly by RLC amounted to \$138,900.

In addition, RLC personnel in Munich provided certain administrative support services to the Institute. The costs of these services were not accumulated separately, and therefore the amount was not available.

Institute's organization and functions

The Institute was headed by a director and comprised of editorial and administrative departments. At July 1, 1971, its staff consisted of 31 employees. Institute research was conducted by its resident staff, U.S.S.R. specialists at universities in many countries, as well as specialists in U.S.S.R. affairs throughout the world. The Institute maintained a 75,000-volume library which the Institute stated was one of the richest specialized collections on U.S.S.R. According to the Institute the library, consisting mainly of U.S.S.R. books, periodicals, and newspapers, as well as maps, slides, and photographs on U.S.S.R., was widely used by visiting researchers from all parts of the world. Daily monitoring reports of Radio Liberty supplemented the library.

The Institute has reported that more than 4,800 articles and longer studies have been published since its beginning. Its publications included a monthly Bulletin, a quarterly Studies on the Soviet Union, a weekly Analysis of Current Developments in the Soviet Union, and other periodicals prepared in Turkish, Arabic, Spanish, German, French, and Russian. These materials were mailed, at a fiscal year 1971 circulation figure of 574,000 copies, to about 40,000 recipients. Among its books was Who's Who in the USSR, the fifth edition of which was being prepared in September 1971. The book was expected to contain about 5,000 biographies of persons prominent in U.S.S.R.

The Institute also held conferences and international symposiums, attended by specialists in U.S.S.R. affairs, on major topics of interest, such as censorship in U.S.S.R. and U.S.S.R. penetration of the Middle East. The proceedings usually were published by the Institute in book form.

Through its program of multilanguage publications, the Institute reportedly sought to provide readers in the Third World, that is, the developing nations, and others interested with reliable, properly documented, objective information on U.S.S.R. During fiscal year 1971, of the subscribers to the Institute's publications, about 16,000 were in North Africa and the Middle East, 8,000 in South Central Asia and

### APPENDIX III

the Far East, and 10,000 in sub-Sahara Africa and Latin America. Subscriptions in the Third World made up 85 percent of all subscriptions.

Under a contract with the Institute, the University of Oklahoma provided a year-round program of study of U.S.S.R. at the Institute for undergraduate and graduate students. For the 1971 summer semester, 33 students from 25 colleges and universities in the United States were enrolled. For the facilities and services furnished to the University, the Institute was to receive \$12,000 a year plus \$30 a student each semester.

## SECTION 7

## SCHEDULE OF U.S. GOVERNMENT CONTRIBUTIONS

TO

RADIO LIBERTY COMMITTEE, INC.

FROM INCEPTION THROUGH FISCAL YEAR 1971

<u>Fiscal year</u>	<u>Contributions</u>
1951	\$ 92,550
1952	907,995
1953	2,377,047
1954	2,657,700
1955	2,798,602
1956	3,567,895
1957	5,394,734
1958	5,522,549
1959	6,339,469
1960	7,695,573
1961	8,000,000
1962	7,475,000
1963	8,525,000
1964	10,550,000
1965	11,240,000
1966	11,785,000
1967	11,210,000
1968	12,285,332
1969	13,025,000
1970	13,737,154
1971	<u>13,647,000</u>
	<u>\$158,833,600</u>

Note: Government contributions were obtained from records made available by Radio Liberty Committee, Inc.

APPENDIX III

SECTION 8

RADIO LIBERTY COMMITTEE, INC.  
 GOVERNMENT CONTRIBUTIONS  
 OPERATING AND CAPITAL EXPENSES  
 FROM INCEPTION THROUGH JUNE 30, 1971

(IN MILLIONS OF DOLLARS)

