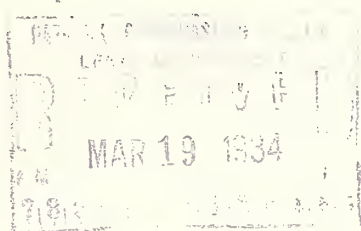


# HEINL RADIO BUSINESS LETTER

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No. 707

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## WILL ATTEMPT TO AMEND SENATE COMMUNICATIONS BILL

At the conclusion of four days of stormy sessions of protest against the Dill (Senate) Communications Commission bill, which witnesses declared went far beyond anything the President intended, Senator Wallace White, Jr., of Maine, served notice that he proposed to offer an amendment in committee to the bill.

"It will be designed to carry out the specific recommendations of the President for the creation of a unified Federal Communications Commission", Senator White said, and added, with emphasis, "And it will stop there."

It was plain to be seen as the hearings progressed that Senators Dill and White, co-authors of the 1927 Radio Act, were out of step with the present situation.

The first open clash between the Senators was while W. S. Gifford, President of the American Telephone Company was testifying. Senator White had criticized certain language in the bill.

"It is very easy to say how to write a bill but hard to do", Senator Dill admonished the Main solon, "as you would have known had you come to help me write it."

"I was not invited to help write it", Senator White retorted, his face reddening.

When Col. Sosthenes Behn, President of the International Telephone and Telegraph Corporation clashed over the section concerning the extent of alien ownership or control permitted a company operating a radio station, Senator White interjected:

"It looks to me as though this section was nationalism running wild."

"The company which owns and/or operates a radio station can, as a practical matter, be set up so that not more than one-fifth of its capital stock may be owned or voted by aliens", Colonel Behn testified.

"When we come to the attempt in this bill to apply the same rules to holding companies, we arrive at a situation which would be totally impracticable for the International Telephone and Telegraph Corporation and, I believe, for any of the other existing holding companies. As a matter of fact, so far as we have been able to ascertain, less than ten per cent of the

outstanding capital stock of the International Telephone and Telegraph Corporation is owned abroad. A large part of that stock is undoubtedly owned by Americans living abroad. Also I say - so far as we have been able to ascertain - for the reason that no corporation is ever in a position to know who are the real owners of its stock.

"All it knows is who are registered as such on its transfer books. And, as you gentlemen know, frequently stock certificates pass from hand to hand for long periods of time without the new owners ever registering themselves as stockholders. Even when an owner becomes a registered owner of stock, there is no machinery in existence at the present time, and there would not be, except at a very high cost in the case of any corporation of substantial size, to determine the nationality of the registered stockholders. The Corporation knows that 'John Smith' residing at No. 100 Central Park West, New York, is the registered owner of 100 shares of its stock. Presumably John Smith is an American citizen. He can easily be a citizen of another country.

"Moreover, whatever may be the nationality of its stockholders today, a part of its stock may be acquired by foreigners tomorrow or next week or next year. But the test proposed is not a test based on fact, but one based on possibility. If more than twenty per cent of the stock may be owned or voted by foreigners, it becomes the duty of the Commission to cancel the radio license granted to any subsidiary of the Corporation. Far greater thought and care must therefore go into the preparation of a section covering this point."

"The sentiment in favor of this alien section is stronger than it was a year ago", Senator Dill warned. "It is the contention of our Army and Navy officers that they don't want foreigners to be in a position to observe what American radio stations are doing."

"I am not sure that is the considered opinion of the Army and Navy", Colonel Behn replied.

"We are accordingly in complete accord with what was said by Mr. Gifford, President of the American Telephone and Telegraph Company, with regard to the features of this bill which are new and untried in their application to communications", Mr. Behn said in his opening statement. "While Mr. Gifford in commenting on specific sections of the Bill spoke only from the standpoint of his company and the telephone business, the International Telephone and Telegraph Corporation desires to state that the sections of the Bill specifically commented on by Mr. Gifford would produce equally chaotic results in their application to the telegraph, cable and radio-telegraph business.

"We suggest, moreover, that as the plan is to set up a new regulatory commission with a specific mandate to make a full and complete study of what additional legislation may be required in the public interest and to recommend the enactment of such



additional legislation at the next session of Congress, it is peculiarly appropriate that the Bill should limit itself at the present time to the transfer to the new commission of existing regulatory powers and not attempt to do either a half-way or what may turn out to be a destructive job in advance of such careful, orderly study being made.

"The Bill does not purport on its face to be emergency legislation. The message of the President made no reference to anything in the nature of a national emergency existing in this field and we believe it would be difficult to sustain the claim that such an emergency does exist in this field as would demand the immediate enactment of additional regulatory provisions in advance of the study and report for which the Bill provides."

In defense of the Senate bill, and in answer to the charges that it had gone beyond what President Roosevelt had asked for in his message, Senator Dill said that the President had seen the bill before writing the message. The Washington Senator added that he didn't want to appear to be quoting the President but intimated that the bill, including the features which had been so severely criticized, had the President's approval and that it was the Committee's interpretation of what the President wanted. The Senator told Colonel Behn that the provision of foreign ownership was one in which the President was interested.

F. D. McKinnon, Chairman of the Independent Telephone Companies said this organization had reached the conclusion that there was no need for new regulatory provisions to be enacted at this time. Mr. McKinnon testified that there were 6,000 companies not owned by the American Telephone and Telegraph Co., and that they served 4,500,000 telephones.

One of the witnesses, F. Clardy remarked that he wasn't in favor of a certain provision as it was interpreted by Mr. Gifford, to which Senator Dill replied tartly, "If all the provisions were interpreted as Gifford interpreted them, nobody would be in favor of them."

Capt. S. C. Hooper, Chief of Naval Communications, opposed the provisions allowing foreign directors. He said that the RCA had revised its organization so that it had no foreign directors and he didn't see why the I.T. & T. could not do it.

Frank B. Powers, President of the Commercial Telegraphers' Association of America, said that the companies had kept their rates up to war-time levels without increasing the pay of the operators. He complained that the A. T. & T. engaged in the telegraph business through the use of teletype machines and if there had been a Commission to regulate them, they would not have been allowed to do this.

Rev. John B. Harney, Superior General of the Paulist Fathers, Station WLWL, in New York, advocated that several



frequencies be assigned for the exclusive use of religious and educational institutions.

Among other witnesses heard were Andrew R. McDonald, of the Public Service Commission of Wisconsin, John Benton, Solicitor of the National Association of Public Utilities, and E. H. Nockels, American Federation of Labor.

The hearings closed Thursday morning and it is expected that the bill will be further considered by the Committee in executive session early this week.

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#### SARNOFF FURTHER URGES SINGLE UNIFIED SYSTEM

While it was known that David Sarnoff, of the Radio Corporation, had discussed "Communications Control in War", at the Army Industrial College, it was only revealed at the Senate Communications hearing that subsequently at the request of Secretary Roper he wrote to the commerce head a letter concerning the communications problem of the United States. He put both the address and the letter in the Committee record on Wednesday last.

The conclusions Mr. Sarnoff stated in his address before the college were:

1. The fund of information collected by Army and Navy authorities on a matter of such high importance to the national defense and to the economic stability of one of the nation's largest industries demonstrates the need for consideration by our Government of the establishment of a definite American communications policy.

2. A change in conditions is urgently required in the domestic communications field, where great waste results from duplication and intensive sales effort.

3. A change is also imperative in the field of international communications, where competition is equally intense on this side, and therefore American companies are not on a parity with foreign monopolies in negotiations affecting communications rates and services.

4. Existing conditions make difficult the formation of a satisfactory plan for coordination and prompt and efficient transfer of our communications facilities from a peace to war basis.

As a solution of these problems he suggested:

1. Voice communication by telephone be maintained as a separate unified system, using wires, cables or radio.

2. Internal and external communication of record be merged into a unified system, using wires, cables or radio.

3. A single governmental agency should be established, with sufficient power to regulate American communication companies in the public interest.

In his letter to Secretary Roper, Mr. Sarnoff said he stood on these suggestions, and then discussed communications plans that had been suggested, and said all the advantages contemplated in various proposals could be secured by a plan which would consolidate all telegraphic communications, both wire and wireless, domestic and foreign, into a single, complete and comprehensive organization.

"This plan is financially and economically sound", he declared.

"It incorporates the basic principles of a truly American communications policy. Under adequate government regulation of rates and services, it would assure to American business - domestic and foreign - the best and cheapest telegraphic service in the world.

"It would guarantee for that service the limitless possibilities of radio.

"It would create, for the purpose of national defense, a complete communications unit that would require no regrouping or reorganizing, should a national emergency arise.

"It should, in the near future, provide direct international telegraphic communication for inland cities of the United States, even as the present unified telephone system of wire and wireless makes possible direct telephonic communication between all parts of the United States and the rest of the world. It would end wasteful competition, stabilize an essential industry, extend its services to sections of our country now without telegraphic facilities, lower rates and make secure America's independent position in the field of world communications.

"No partial consolidation or divided set-up could secure such results.

"This recommendation for a consolidation in the telegraphic field merely seeks to provide for the telegraph-using public the same privileges which the law now gives to the users of telephone services by permitting telephone companies to consolidate and to utilize for their services wires, cables and wireless. Without that permission the present high state of efficiency and world-wide telephonic service could never have been attained."

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## STORMY TIME BELIEVED AHEAD FOR A. T. &amp; T.

Apparently the Administration has it on the books to heckle the American Telephone and Telegraph Company one way or another. This was indicated by the attitude of Senator C. C. Dill, Chairman of the Interstate Commerce Committee, when Walter S. Gifford, head of the A. T. & T. voiced his objections to the Senate Communications Commission Bill. Senator Dill, who appeared to get warmer and warmer under the collar about the character of Mr. Gifford's testimony, and probably because his bill had been so generally disapproved by witnesses appearing before the Committee, with a considerable show of agitation the Washington Senator two days later proposed an investigation of the financial set-up of A. T. & T. and its 25 operating subsidiaries.

Almost at the same time a notice was issued setting Monday, April 2nd, as the date of a public hearing for the revision of the wire communication industry code. There were those who saw in this a threat that if the A. T. & T. didn't meet General Hugh Johnson's Code wishes, that the Administration might crack down by strongly supporting the Dill resolution for an investigation of the telephone company.

There were those who believed that Dill would, if he could, carry through the A.T.&T. investigation threat regardless.

"Dill is up for re-election next Fall", said one observer, "and it is hardly possible that he would overlook the red-fire advantages pitchforking the A. T. & T. would give him in the campaign."

It seems hardly probable that Senator Dill would have proposed such an investigation without first discussing it with President Roosevelt.

Dill said he would like, if possible, to have Ferdinand Pecora, recently in charge of the stock market investigation, conduct the inquiry.

"It is necessary to investigate all the ramifications of the telephone business", the Washington Senator said. "Here is an organization that never has been investigated, but has been allowed to form a monopoly without supervision."

"While the service of the A. T. & T. has been very good, there has been a feeling that the wire line charges connecting the broadcasting stations have been too high", a broadcaster said. "Therefore while we are very friendly with the A. T. & T., I don't believe any tears would be shed by us if they are investigated because we'd like to know more about the basis of the long-line charges."

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## RADIO WIRE COMPANIES RETORT SHARPLY TO MURPHY GROUP

There was a prompt reply to the charges made by Col. G. M.-P. Murphy, on behalf of the Radio and Cable Users' Protective Committee to the Senate Interstate Commerce Committee that American radio and cable companies comprise a monopolistic group and forced a rate boost from 60 to 100 percent. This came from J. C. Willever, First Vice-President of the Western Union, speaking also in behalf of the All America Cables, the Commercial Cable Company, the Mackay Radio & Telegraph Company, and R.C.A. Communications, Inc.

"We wish to make the point that Mr. Murphy represents a very small but vociferous number of stockbrokers, arbitragers and dealers in foreign exchange, who are here concerned solely in the perpetuation of the grossly discriminatory service secured by them to the detriment of the public at large, who, under the laws of this country, are entitled to equal service with them at the same rates", Mr. Willever told the Senators.

"Mr. Murphy represents 51 concerns located in the financial district of New York City. These 51 compare with 27,000 regular cable and radio users in New York City alone.

"The concerns which Mr. Murphy represents are engaged in international speculative transactions in stocks, commodities, and international exchange, and they require for their particular purposes not merely priority service but most extraordinary handling throughout and almost instantaneous flashing between sender and addressee in order to beat market changes.

"Because no other rate was provided except the excessive triple rate, the American communication companies in responding to the demand for this extraordinary service, provided at the ordinary rate the best possible service with ordinary facilities. This 'best' was not good enough, and the small group of users represented by Mr. Murphy, took advantage of the keen competition between the British, French and American companies and of the great need of these companies for revenue at any price, to coerce the communication companies into the installation of special and expensive private wires, telephones, and teletypewriter equipment, solely for the purpose of handling this limited but exacting class of traffic. They demanded the adoption of one special short cut after another until now messages are passed between stockbrokers in New York City and stockbrokers in London, Paris and Amsterdam in less than a minute. Speculative purchase or sale orders are given, executive abroad, and the results of the deal telegraphed back in two minutes or even less.

"There is no communication service which approximates this performance anywhere in the world and the exaction of it at the ordinary rate through the stress of cut-throat competition constitutes as clear a case of racketeering as any other.

"Since this service is international and highly competitive and is participated in by the nationals of other countries, notably Great Britain, France and Holland, correction of the abuses and discontinuance of discrimination against the great bulk of cable and radio users - which discrimination had long been a matter of deep concern to American communication companies - obviously could not be brought about without the concurrence of all communication agencies involved. It is only in this sense that there was any discussion with foreign companies and there is absolutely no basis for Mr. Murphy's statement that the consent of the British Post Office had to be secured. No foreign Government has ever attempted to fix charges applicable in the United States. American companies can do business in foreign countries only under licenses issued by the Governments of such countries and they, of course, do fix the charges made there.

"There is no basis for Mr. Murphy's intimation that messages paid for at the ordinary rate are held up in order to compel the use of the more expensive preferential service."

C. O. Pancake, of New York, head of the Communications Division of the Guaranty Trust Company, submitted to the Senate Foreign Relations Committee, on behalf of the Protective Committee, a memorandum contending that the January 1 increase in certain cable rates was inaugurated with the Madrid convention of 1932 as a "pretext."

The memorandum urged postponement of ratification of the treaty "until a determination can be had as to the rights of the companies to impose such increased rates and artificially to slow up ordinary traffic."

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#### SHEPARD POURS MONEY INTO YANKEE NETWORK NEWS SERVICE

The following information has been received as to the situation in Boston where John Shepard III is making a spectacular fight in his effort to establish the Yankee Network News Service supplying news to radio stations which refuse to be bound by the recent agreement with the press associations:

"Shepard has 27 men on the payroll, as of last week. Twelve of these are outside correspondents paid space rates. The others are on regular assignments at police headquarters day and night, city hall, State House, waterfront, three court houses and several rewrite men at the studio. The hours are rather peculiar for the first broadcast goes on the air at 7 A.M. That's a lot earlier than any P.M. paper hits the street so the boys must get their news in early.

"I understand from sources which are reliable that it is costing about \$2,500 a week and so far they have sold time before, during and after the news which runs something like \$1,850 a week. That's not too bad.



"The papers have been scooped by several hours on several important items in the past by this radio system. You see it takes much longer to set type, etc. than it does to oper a mike and put it on the air.

"Protests are flowing in to all papers. The Boston Globe has received over 2000 (they broadcast through WEEI), and I understand that WEEI is going to start some sort of a news broadcast. Just how or when has not been decided. WEEI is being forced into it by listeners and advertisers. The Boston Herald-Traveler has received about 400 letters and the American (Hearst) over 1500. Right now, because none of the papers are listing the time of the Yankee Net news nor Lowell Thomas, Carter, Hill, Kaltenborn or the others, the Yankee Net is telling listeners to write in that the programs are not listed correctly. The Yankee Network also says at the start of the broadcast that 'this news has been gathered by the Yankee Network news service and reproduction in whole or in part is forbidden to newspapers unless full credit is given the Yankee Network news service.' That's a smile.

"Shepard insists that he is going to broadcast news and right now is doing a pretty good job. The publishers feel that it will die, but you can't make Shepard believe it as long as someone pays for it."

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#### NATIONAL NETWORK ADVERTISING CONTINUES TO RISE

Broadcast advertising during the first month of the current year showed slight gains over December, 1933 volume. Total expenditures for time on the part of advertisers during the month amounted to \$8,165,011.00, a gain of two tenths of one per cent over the previous month.

National network advertising continued its remarkable rise of recent months. January network revenues amounted to \$3,759,995.00, having increased 1.7% over the December figure. Network revenues for the current month were 34.0% above those of January, 1933. It is also of interest to note that January national network revenues were but 5.6% below those of January, 1932, which in turn was the third highest month in the history of national network advertising.

Individual station advertising decreased .9% as compared with December, and amounted to \$2,351,438.00. The January individual station volume was 4.5% under that of November, the high month of the current season. The decline in individual station revenues was due almost entirely to the normal season downswing in retail advertising. Local advertising for the month decreased 10.7% as compared with December. Retail advertising declined 13.4% in spite of the fact that advertising by automobile dealers considerably more than doubled as compared with the previous month. Department and general store radio advertising was approximately 50.0% as high as in December.

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Among the out-of-town unofficial observers at the Communications Commission hearings in the Senate were M. H. Aylesworth, President of the National Broadcasting Company; Col. Manton Davis, General Attorney for RCA; Frank W. Wozencraft, Assistant General Attorney, RCA; William A. Winterbottom, Vice-President and General Manager of R.C.A. Communications, Inc.; "Tug" Wilson, Vice-President, A. T. & T., Frank Page, Vice-President of the I. T. & T., and Alfred J. McCosker, President of the National Association of Broadcasters.

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Richard C. Patterson, Jr., Executive Vice-President of the National Broadcasting Company, announces the inauguration of a complete electrical transcription service for advertisers, effective April 2nd.

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Former Commissioner W. D. L. Starbuck is still in Washington and reported to be trying to line up something for himself on the new Communications Commission.

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## DECISIONS OF THE FEDERAL RADIO COMMISSION

### Applications Granted (March 16, 1934)

WRHM, Minneapolis Broadcasting Corp., Minneapolis, Minn. C.P. to move transmitter locally from near Fridley to Richfield, Minn.; KYW, Westinghouse Electric and Manufacturing Co., Philadelphia, Pa., modification of C.P. to extend completion date from Feb. 27, 1934 to October 27, 1934; KERN, The Bee Bakersfield Broadcasting Co., Bakersfield, Cal., modification of license to change frequency from 1200 kc to 1370 kc.

Also, The Associated Press, Portable and Mobile, C.P. and license (Gen. Exp.) for a period of 15 days from March 19, 1934; frequencies 31100, 34600, 37600, 40600 kc., .5 watts power; City of Boston, Police Dept., C.P. (Gen. Exp.) 30100, 33100, 35600, 37100, 40100 kc., 500 watts; same same for 5 other portable and mobile applications, except 10 watts; also C.P. 1712 kc., 500 wass, for police service; City of Piedmont, Cal., portable and Mobile (10 applications), C.P.s, frequencies 30100, 33100, 37100, 40100 kc., 5 watts; New England Tel. and Tel. Co., near the King's Highway, Provincetown, Mass., C.P. 63000 and 65000 kc., 15 watts; to determine usefulness of the very high frequencies for radio-communication in pt. to pt. tel. service over short distances where wire lines are not available or are impracticable because

of excessive cost; also at Marshfield, Mass., C.P. same as above, except location Marshfield, Mass.; Shepard Broadcasting Service, Inc., Quincy, Mass., C.P. 61500 kc., 100 watts, for special high quality telephony; City of Mobile, Ala., C.P. for police service, 2382 kc., 400 watts; Press Wireless, Inc.: at Little Neck, N.Y., Hicksville, N. Y., and New York City, C.P.s Gen. Exp. service, 31600, 35600, 38600, 41000, 86000-400000 kc., 100 watts; also granted license covering same; WIF, Mackay Radio & Telg. Co., Inc., Sayville, N. Y., modification of license to change serial No. of Transmitter; The Penna. Railroad Co., Portable and Mobile on R.R. Rolling Stock, two licenses, frequencies 31600, 35600, 38600, 41000 kc., 5 watts; WPGC, State of New York, South Schenectady, N. Y., modification of license to change frequency from 1534 to 1658 kc., and change power from 1 KW day, 500 watts night, to 5 KW day, 1 KW night; KNRA, National Broadcasting Co., Inc., aboard Schooner "Seth Parker", license (3rd class private ship) to add frequencies 12345, 8230 and 6160 kc.;

#### Action On Examiner's Reports

WMCA, Knickerbocker Broadcasting Co., New York City, dismissed application for special authorization to use 500 watts additional power experimentally, sustaining Examiner George H. Hill; WSYR, Sentral New York Broadcasting Corporation, Syracuse, N. Y., denied application for C.P. to increase power from 250 to 500 watts and to operate unlimited time on 570 kc.

#### Miscellaneous

KLCN, Chas. Leo Lintzenich, Blytheville, Ark., regular renewal license dated from March 10th granted; station has now installed satisfactory equipment; Western Penna. Broadcasting Co., C.P. 800 kc., 250 watts, daytime hours, heretofore set for hearing was dismissed at request of applicants

#### Ratifications

Action taken March 12: KWCR, Cedar Rapids Broadcast Co., Cedar Rapids, Ia., granted special temporary authority to operate on 1430 kc., 250 watts, for a period ending at commencement of program tests, but not later than July 1.; WLEQ, Star and Crescent Boat Co., San Diego, Cal., granted 60 day authority to operate aboard vessel "Cuyamaca," in accordance with previous license; Action taken March 13: WGST, Georgia School of Tech., Atlanta, Ga., granted special temporary authority to operate with reduced daytime power of 500 watts for period of 10 days; Action taken March 14: WJCR, Radiomarine Corp. of America, New York, granted 60 day auth. to operate 200 watt transmitter frequency range 313 to 500 kc., aboard vessel "Felix Taussig"; WKBV, William O. Knox, d/b as Knox Battery & Electric Co., Richmond, Ind., granted special authority temp. to operate specified hours March 16 and March 17.

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