

# HEINL RADIO BUSINESS LETTER

2400 CALIFORNIA STREET

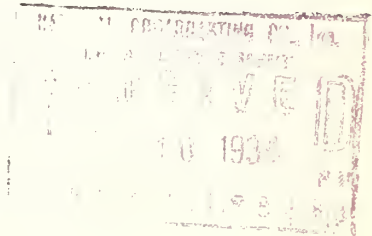
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## INDEX TO ISSUE OF DECEMBER 7, 1934

"We Will Not Upset The Applecart", Says Colonel Brown.....	2
Sarnoff Declares Radio's Future Ahead, Not Behind.....	4
Army-Navy Advocate System Free From Foreign Influence.....	6
S. O. Free Show Idea Charged To Radio.....	8
Capital Station Seeks Power Boost.....	8
Philadelphia NBC-Columbia Connection Denied.....	9
Labor Protest Will Probably Not Block Merger.....	9
New N.A.B. Committees To Be Announced At N. Y.....	10
Sees Code Forced Upon Big Industries.....	10
Radio Capital Plan Reported In Street.....	11
Applications Granted By Communications Commission.....	11
Radio Audible Arts Institute To Aid Program Appreciation....	12
Columbia Votes Two Dividends.....	12

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"WE WILL NOT UPSET THE APPLE CART", SAYS COLONEL BROWN

That the Communications Commission will act with discretion and for the benefit of the radio listeners, was the message of Col. Thad Brown, Vice-Chairman of the Commission, in an interview over National Broadcasting Co. network with Martin Codel.

"We make a change here, shift a station there, perhaps authorize a new station to serve a community that needs additional radio service -- and immediately there is talk about a general reallocation and how the listener may have to dial his set differently to tune in his favorite stations. Actually, ours is a job simply of keeping the radio structure on a sound technical basis, keeping abreast of the swift changes and improvements in radio engineering and preserving broadcasting as an instrument for good public service", Colonel Brown went on.

"When you consider that there are something like 20,000,000 home, automobile and other receiving sets in almost daily use in the United States, and when you consider that the American people have invested between four and five billion dollars in broadcast receiving equipment alone, not to ignore perhaps \$100,000,000 more in transmitting equipment, you may rest assured that we aren't going to upset the apple cart with any sweeping gesture. I might add, for the sake of completing my statistics, that the radio manufacturing industry also represents an investment of about \$250,000,000 -- and that, between them, the radio set producers and the broadcasters employ several hundred thousands of people."

"Then I gather that the basic structure of American radio isn't going to be changed so materially as to disturb those radio listeners who want to continue hearing Rudy Vallee, Paul Whiteman, Leopold Stokowski, Walter Damrosch and the rest?" Mr. Codel asked.

"Rest assured of that", was the reply. "Even if there were a wave of sentiment for government ownership and operation of the radio, which I don't believe exists, we would still want everyone to hear the kind of programs he likes to hear. And while we're on that subject, I'd like to say this: There's been a lot of talk, too, about governmental control of radio programs -- about censorship and all that. I'm a Republican serving under a Democratic administration, and I can vouch for the fact that this administration hasn't done one thing, directly or indirectly, to warrant any believe that it intends now or later to censor or limit radio as an avenue of free speech and free expression of talent. I'd like to say all the charges and innuendos are sheer bunk."

"What about advertising?" the interviewer asked.

"There again we have no powers of censorship", was the response. "My own opinion is that radio advertising is slowly but steadily becoming less offensive - cleaning itself up, as it were. Then, of course, there's the Federal Trade Commission to regulate improper advertising, and they are doing a very satisfactory job in outlawing offensive products and claims, if not actually stimulating the broadcasters to see that better advertising copy is written."

"Do you believe in the advertising support of radio?" the Commissioner was asked.

"There's only one other alternative - radio set taxes such as the British and most European countries impose. But over there, of course, the governments run the radio, which manifestly means the parties in power control it. I think our American system is superior in that it is kept free from political control, just like our newspapers. There should always be freedom of radio just as there is freedom of the press."

"What are some of the problems facing your Commission at this time?" Mr. Codel inquired.

"There are a number of important problems facing the Commission, not the least of which is the Davis amendment, enacted by Congress in 1928 to guarantee equality of broadcast service in every part of the United States", Colonel Brown replied. Its original purpose, to prevent the concentration of all the broadcast stations in the thickly populated and congested areas of the United States, has been accomplished. Now there are manifest needs for more facilities in the sparsely settled sections of the West which cannot be supplied because of the present law. The Amendment has completely exhausted its usefulness."

Speaking of the clear channel survey now being made, Colonel Brown said:

"Primarily it is designed to determine whether the rural listeners are getting adequate service from our clear channel stations - that is, the big high power stations that operate on exclusive wave lengths at night. In other words, is it necessary to maintain clear rights-of-way on certain highways of the ether, so that what we might call express train service shall supplement local services? As you know, the new law empowers us to authorize new low power local stations in communities that need them, providing the wave lengths can accommodate them, and we're doing that. But it is just as important - probably more important - that the farmer and the remote listener should get a decent choice of radio programs. So far high power and clear channels seem to be the best way. But the Commission is extremely anxious to know if, in the light of scientific advancements which have recently been made, this is still the best possible method of assuring the widest and best service to all. That's the reason for our present survey."

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## SARNOFF DECLARES RADIO'S FUTURE AHEAD, NOT BEHIND

We stand on the threshold of developments which promise revolutionary results in bringing new methods of instant high-speed wireless communication to the service of industry and commerce in the United States, David Sarnoff, President of the Radio Corporation of America, declared to the Federal Communications Commission in advocating a definite American communications policy to enable the telegraph services of the country adequately to develop and to render a fuller public service.

"We are communicating with airplanes. There is no reason why we should not be communicating with moving trains", Mr. Sarnoff went on.

"The Commission has granted us experimental licenses for high-speed facsimile transmission on ultra high frequencies, and our laboratories are making amazing progress in that field. This development and the progress being made in multiplex radio transmission, will revolutionize our present habits of communication.

"Let me make it clear that neither the R.C.A. nor any of its subsidiaries has any plan or program for consolidation or merger with any other communication company, in the event legislation be enacted permitting this to be done. There is no agreement or understanding by the Radio Corporation or any of its subsidiaries with any other communication company for a consolidation or merger in the communications field."

In considering a Communications policy, the Commission will speedily find that the United States does not have an adequate telegraph service in the domestic field, and that in the international field, Americans are working at cross purposes with each other, resulting in benefit to foreigners and damage at home, Mr. Sarnoff observed.

"In the domestic telegraph field, there is needless duplication of investment, overhead and operating expenses. There has been great waste without compensating advantage to the public. The teletypewriter exchange service, recently introduced, has added further complications. The development of domestic radio telegraph services would have been greatly accelerated had there been a definite communications policy.

"The absence of such a policy is even a greater menace to American communications, in the international field. Foreign communications systems, each unified in its own country, can and increasingly will benefit from the keen competition of American companies to do business with them. In Germany, Norway, Sweden, Denmark, Finland, Czechoslovakia, Hungary, Jugo-Slavia, Roumania, Holland, Belgium, Russia, Poland, Japan and China, domestic and international telegraph services are operated under the control



12/7/34

of the same administration. In Great Britain international cable and radio telegraph facilities were recently consolidated. The foreigner has the advantage in every negotiation. A definite national policy is essential if the independence and security of America in world communications are to be preserved.

"There can be no effective remedy so long as American laws forbid unification of telegraph services in this country thereby preventing them from meeting on even terms and dealing effectively with unified systems in foreign countries with which American communication companies must necessarily meet and deal. We should not permit foreign communication agencies to apply a policy of "divide and rule" in their relations with Americans - neither in traffic arrangements nor in other dealings.

"In my opinion it would not be practical for the Commission or for Congress now to establish a fixed plan as to the precise form of telegraph unification which might be permitted. The art of communication is changing rapidly and progress being made in the research laboratories promises revolutionary developments in this field.

"As the law now stands, unification of American telegraph companies would appear to be unlawful, however much public interest, convenience or necessity would be served thereby. I believe it is desirable to change the law so that a proposed telegraph unification may be approved and put into effect if, after searching examination, the Government should find, through its regulatory body, that public interest would thereby be benefited."

Mr. Sarnoff in his testimony attacked officials of the telegraph companies for what he viewed as failure to keep abreast of modernization and research efforts, and predicted that a unified telegraph organization would "put fear" into telephone officials.

"The impression I have gained from the testimony here", he said, "is that we have a dying horse, and that we are on our last legs, and that the future is doubtful. I believe the future of the communications business is brighter than ever before. The future of radio is ahead, not behind. They have criticized the teletypewriter exchange. Why, the teletypewriter will be deader than a dodo in five or ten years.

"The ideal way of sending messages is to hold up a printed sheet that will be immediately reproduced at the other end; facsimile transmission and television are about ready."

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## ARMY-NAVY ADVOCATE SYSTEM FREE FROM FOREIGN INFLUENCE

It is the opinion of the Joint Board of the Army and Navy that the Communications system of the nation is of vital importance to the national defense and its freedom from foreign influence is essential. This was among the conclusions presented to the Telegraph Division of the Federal Communications Commission by Col. Walter G. Krueger. They follow:

- "(a) All commercial communication facilities in the United States and its possessions should be owned and operated exclusively by citizens of the United States and its possessions.
- "(b) The directors of all communications companies, including holding companies and excluding foreign subsidiaries or subsidiary holding companies operating wholly in the foreign field, should be citizens of the United States or its possessions.
- "(c) No more than one-fifth of the capital stock of any United States communication company, including holding companies, should be owned by aliens or their representatives, foreign-owned stock should not be entitled to voting privileges.
- "(d) With respect to (a), (b) and (c) above, insofar as cables, all termini of which are not in the United States territory, are concerned, the laws and treaties governing their ownership and operation should stand in general as at present.
- "(e) The merger of foreign controlled communication services or facilities with American communication services or facilities, including holding companies, if such merger violates principles (a), (b), and (c), should be prohibited.
- "(f) The development and expansion of any phase of the communications art, either in the domestic or international field, should be allowed to proceed naturally insofar as the inherent limitations of the art permit. This natural development should be subject to the restrictions imposed by the needs of national defense, including the needs outlined in the succeeding paragraphs and those imposed by the Federal Radio Commission or such Communication Control Agency as may be set up in its place, whose actions are necessarily based on existing conditions in the radio field and the state of development of the radio art at the time.

12/7/34

- "(g) Provision should be made for the permanent assignment of these radio frequencies and other communication facilities required for national defense and other authorized agencies.
- "(h) Communications in certain strategic areas must be operated by the Army and Navy. It is essential that each service have its own self-contained, self-operated communications with its units, wherever located, subject to the joint command principles of the Army and Navy.
- "(i) The Government should operate certain public communication facilities such as radio aids to navigation for ships and aircraft and the transmission of weather, time and hydrographic reports.
- "(j) The commercial system should be capable of being quickly and effectively placed under such government control as will meet the needs of national defense upon the outbreak of hostilities.
- "(k) It is desirable that operating personnel of the commercial communications companies be trained in Army and Navy communication procedure in peace time.
- "(l) It is desirable that operating personnel of the commercial communication companies be commissioned or enlisted in the Army and Navy Reserve.
- "(m) In case of a proposed merger, the Army and Navy should reserve judgment on such merger until they have had an opportunity to study the effect of such merger on national defense.
- "(n) To safeguard the interests of national defense in all communication matters and to assure that the above principles are carried out, the Secretaries of War and of the Navy should have representatives present, in full discussions of proposals before any Federal body set up for the purpose of regulating communications, to present those features which may affect the national defense.
- "(o) The Army and Navy personnel, who are technical experts in communications, should be available in the civil agencies of the government when and as required."

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12/7/34

## S. O. FREE SHOW IDEA CHARGED TO RADIO

Radio is blamed for putting the idea into the heads of the Standard Oil Company of New Jersey of sending Guy Lombardo's band of radio fame, on tour with a free advertising show. All one needs to gain entrance to the travelling show is an automobile driver's license. The engagement opened in a theatre seating 2000 persons in New Haven and the place was filled to overflowing and crowds turned away. The performance was put on much the same as one of Lombardo orchestra's broadcasts. There was a reference to a new gas the Standard Oil is putting out but the advertising mentions were brief.

There has been a protest from the moving picture industry claiming the free shows will hurt the picture business. Also rumors that there will be counter-attacks on the part of picture houses, such as urging patrons to discontinue using Standard Oil gasoline. However, those who have planned the free show tour have refused to back down and the tour, said to be costing the oil people upwards of \$10,000 a week, is booked for a month.

The motion picture officials claim that 50,000 persons attend radio broadcasts in New York free every week.

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## CAPITAL STATION SEEKS POWER BOOST

Station WRC in Washington, which, along with WMAL in the same city is owned by the National Broadcasting Company, is seeking a power increase to 1000 watts at night and 5,000 watts in the daytime. It is always a matter of surprise to outsiders that the stations in the National Capital are obliged to operate on such low power.

WRC broadcasts with 500 watts, WMAL, 250 watts, and WOL, 100 watts. WJSV, Columbia outlet, virtually a Washington station, is a 10,000 watter but its transmitter is located several miles across the Potomac from the Capital and it is charged to the Virginia quota.

WRC also asks a construction permit to install new equipment and to move its transmitter, site to be determined later.

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12/7/34

## PHILADELPHIA NBC-COLUMBIA CONNECTION DENIED

Apropos the declaration of a Senator recently that he proposed to "look into the Philadelphia situation" whereby Dr. Leon Levy, with Columbia affiliations is Program Manager for the new National Broadcasting Company, Station KYW, a broadcasting official declared that it was not a tie-up between the two major networks. Dr. Levy, along with his brother, Isaac Levy, owns WCAU, Columbia station in Philadelphia, and is a brother-in-law of William S. Paley, President of the Columbia Broadcasting System. KYW, a Westinghouse property, was recently moved to the Quaker City from Chicago.

"The NBC has complete control of Station KYW and the Levy brothers will simply sell local time commercially under NBC's direction", the broadcaster declared.

"There is no connection between Columbia and NBC and this is simply a case of efficiency and less costly operation under the absolute direction of NBC with an over-all control by Westinghouse Company."

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## LABOR PROTEST WILL PROBABLY NOT BLOCK MERGER

It has been learned that the protest made by labor representatives against wire and wireless telegraph consolidation at the Federal Communications Commission hearings are receiving serious consideration. There was also evidence of this when Commissioner Payne made quite a point of saying at the hearing: "Whatever is done, you can be certain that labor will be protected to the best of our ability."

However, the general belief is that this will not prevent the Commission from recommending to Congress that telegraph consolidation under certain conditions be approved.

F. G. Burton, President of the Association of Western Union Employees, said that 8,500 would be added to the relief rolls. He testified that the Western Union facilities were sufficient to care for all the possible wire traffic with the addition of about 1,000 workers now employed by the Postal Telegraph & Cable Corporation.

He asserted that while the consolidation of telegraph properties would undoubtedly mean substantial savings in operating costs, the savings would "obviously" be made at the expense of labor in the industry.

12/7/34

The chief cause, Frank B. Powers, International President of the Commercial Telegraphers' Union of North America, said, was an "overdose" of machinery and automatic telegraphy, which began in 1918 and has subsequently cost the jobs of thousands of capable operators. He said that the proposed consolidation would cause 15,000 workers to lose their jobs.

Continued competition, said George H. Young, President of the United Telegraphers of America, was the only hope for workers, and he added that if the proposed merger would be managed under one head, the only salvation of those who would be thrown out of work would be a "great long breadline."

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NEW N.A.B. COMMITTEES TO BE ANNOUNCED AT N. Y.

President Ward, at a meeting of the Board of Directors of the National Association of Broadcasters in New York next Tuesday and Wednesday (Dec. 11 and 12), will announce the appointment of 1935 committees of the Association.

Copyright and vital matters will be considered with a view to action during the coming year.

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SEES CODE FORCED UPON BIG INDUSTRIES

Legislative means of placing the big telephone, telegraph, shipping and meat-packing industries under codes were considered this week by the NRA Administrative Board, according to Douglas Warrenfels, who wrote in the Washington Post:

"With their more than 750,000 employees and billions of dollars in operating capital, the four recalcitrant groups have resisted all codification efforts. Officials regard their enlistment under pacts as essential to success of the Blue Eagle movement.

"None of the important hold-outs would be mentioned by name, but the purpose of the maneuver, if adopted, would be to make it so hot for outside industries by congressional edict that the telephone, telegraph, shipping and meat-packing groups would welcome instead of scorn, codes.

"All of these industries signed the President's reemployment agreement and still are subject to voluntary wage and hour supervision. The telephone and telegraph corporations have argued they already are regulated by the Federal Communications Commission, while the shippers and meat packers have contended there is no necessity for their inclusion in pacts.



"Gen. Hugh S. Johnson last Spring threatened to impose a code on the telephone and telegraph industries. He wrote his own compact and called a public hearing for its consideration after the interests involved refused to propose a code. Nothing ever came of it, however, despite Johnson's charges that the industries were guilty of 'abuses inimical to the public interest.'"

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#### RADIO CAPITAL PLAN REPORTED IN STREET

Radio Corporation of America, it was reported reliably in Wall Street, the Associated Press says, is considering plans for a capital reorganization.

The plans are in the hands of a special committee of Directors, which is giving special attention to the question of eliminating accumulated dividends on the two classes of preferred stock.

A move toward rearrangement of the radio capital set-up has been expected in Wall Street for some time, although officials continued to withhold comment on the reported plans.

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#### APPLICATIONS GRANTED BY COMMUNICATIONS COMMISSION

Telephone Division: WNC, American Telephone & Telegraph Co., (Long Lines Dept.), Hialeah, Fla., modification of license authorizing two additional points of communication, namely Kingston, Jamaica and Santo Domingo, Dominican Republic; W1XY, New England Tel. & Tel. Co., Marshfield, Mass., renewal of special experimental station license in experimental service in exact conformity with existing license; WKFQ, Ed. V. Turner, "Monte Carlo," Long Beach, Cal., third class public ship radio station license; WKEM, Rohl Connolly Co., "R.C. Co. No. 4," San Pedro, Cal., WKFK, Same Co. "Rocona", WKFN, Same Co. "Sonoma", San Pedro, Cal., third class private ship radio station license.

Telegraph Division - WAG, Mackay Radio & Telg. Co., Inc., Thomaston Me., modification of license to change hours of operation from unlimited to 5 A.M. to 9 P.M. EST; W2XBU, Same Co., New York City, W2XBV, Same Co., Southampton, N. Y., experimental Genl Exp. license to cover C.P., 86000-100000 kc., 250 watts power; WDU, Same Co., Brentwood, N. Y., modification of C.P. extending completion date to Jan. 15, 1935; W4XAC, Police Dept., Salisbury, N. C., experimental-Gen. Exp. license to cover C.P., 30100, 33100, 37100, 40100 kc., 20 watts.

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12/7/34

## RADIO AUDIBLE ARTS INSTITUTE TO AID PROGRAM APPRECIATION

The Radio Institute of the Audible Arts, founded by the Philco Radio & Television Corporation, with Pitts Sanborn, nationally known music critic, as its Director, has been organized to stimulate a wider and more active appreciation of good radio programs among the American people. Offices are at 254 Fifth Avenue, New York City.

"It will endeavor to increase the discrimination of the public and encourage the cultural growth of the vast audience by stressing the advantages and enjoyment to be derived from the best programs and to encourage the public demand for better things over the radio", its prospectus sets forth.

"If the Radio Institute of the Audible Arts can quicken public interest in worth while radio programs, the enormous, potential influence of the radio for good, may be realized.

"Important groups and organizations can cooperate to create an inspiring future for radio broadcasting.

"The Radio Institute of the Audible Arts is dedicated to the furtherance of merit in radio broadcasts in all fields, without favor or discrimination. It stands for the best, and aspires to excellence."

In explaining the purposes of the organization, Mr. Sanborn said:

"The Institute believes that by furthering appreciation of the better things now on the air, the general level of appreciation is raised, which must result in increasing demand for the better things.

"Our activities will extend into the four main fields of education, music, news dissemination and entertainment."

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## COLUMBIA VOTES TWO DIVIDENDS

Columbia Broadcasting System, Inc., declared on Wednesday a quarterly cash dividend of 50 cents a share plus a special cash dividend of \$1 a share on each of 309,220 shares of Class A stock and 253,000 shares of Class B stock.

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