

# HEINL RADIO BUSINESS LETTER

2400 CALIFORNIA STREET

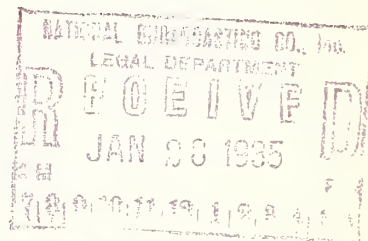
WASHINGTON, D. C.

**CONFIDENTIAL — Not for Publication**

## INDEX TO ISSUE OF JANUARY 25, 1935.

Wheeler, New Senate Chairman, Surprisingly Active.....	2
Sykes Denies Sensational Bilbo Charges.....	4
Short Wave Receiver For Tropics.....	7
Flamm Sorry About ABS But Glad Back At WMCA.....	8
Norton Becomes Sarnoff's Assistant.....	9
Seven To Eight Million All-Wave Sets In Use.....	9
Senate FCC Consideration Goes Over.....	10
Harbord Entertains Chinese Communications Mission.....	12

No. 793



*[Handwritten signature]*

## WHEELER, NEW SENATE CHAIRMAN, SURPRISINGLY ACTIVE

It had been predicted Senator Burton K. Wheeler, of Montana, new Chairman of the Interstate Commerce Committee, would have so many more important things to command his attention, such as railroads, bus transportation and so on, that he probably would not take much interest in communications matters, at least not early in the session. This idea was quickly dissipated by the way Senator Wheeler personally examined witnesses and the aggressive manner in which he handled the hearings in connection with the confirmation of the Federal Communications Commissioners.

At the close of the first day, someone remarked that insofar as communications were concerned, Senator Wheeler promised to be the most active Chairman the Committee had had in many years. While the fear had been expressed that Wheeler, being a Progressive with advanced views in many matters, might make considerable trouble for the industry, although decidedly outspoken and having plenty of views of his own, he appeared to be very considerate in dealing with witnesses and "to ride very easily in the saddle." However, he asked many pertinent questions.

"Isn't it a fact that what broadcasting stations are doing, when a transfer is made, is really selling their wavelengths?" Senator Wheeler inquired of Judge Sykes.

"I understand in the case of WBAL at Baltimore, recently bought by the Hearst interests, that the actual equipment was valued at only \$80,000 but the station sold for \$400,000."

"They were buying good will", the Judge replied.

"Do you think they gave \$320,000 just because they wanted the good will? On the other hand station promoters take a poor station and improve it and make the frequency more valuable."

"That may be true."

Wheeler wanted to know how many of the 40 clear channels are controlled by the two networks.

"Approximately half of them", Judge Sykes answered.

"Why is it that you permit all these choice channels to go to the chains - when connected with a network, stations don't need a clear channel?"

"The outlying sections must be reached."

"Thus you limit the programs the rural stations are able to receive to the programs of the two networks. In my state by giving clear channels to the network stations, you drown out the smaller stations."

Later Senator Wheeler said he had been informed that 35 out of the 40 clear channels were either directly or indirectly controlled by the networks and added:

"The Commission has allowed to be built up right under their noses a complete monopoly of the best channels thus forcing rural listeners at night to listen to identical programs almost entirely commercial."

"I have never favored it, but if we are going to foster monopoly, I think you are going to find a demand for government ownership of broadcasting."

Judge Sykes said that a survey of clear channels was being made to see if it would be possible to duplicate stations on these channels.

Senator Wheeler then paid his respects to broadcast advertising saying that commercial programs had deteriorated in this respect in the last two years.

"We have got to cut down the sales talks. I don't believe in censoring speeches but I am in favor of editing advertising. I heard a station on the air the other morning selling second hand clothes, old shoes, old things; it sounded like a pawn-shop. They did put in some music but almost the entire fifteen minutes was devoted to advertising."

Senator Wheeler took exception to the fact that Paul D. P. Spearman, General Counsel of the Commission, had served on the Commission, then had become a member of a law firm which had radio accounts, and had then returned to the Commission.

"That's a bad practice and a bad precedent", Senator Wheeler admonished. "We ought to pass a law that a member of the Commission or an attorney should be prevented from appearing before the Commission for a certain period of time. I believe there is some such law but I don't believe it is applicable in this case."

"Was General Harbord formerly on the Radio Commission?" Senator Shipstead, of Minnesota asked.

Senator Wheeler said he thought it was wrong that out of the seven Communications Commissioners, three should be from the East and three from the South.



"There is no representative on the Commission West of Ohio to the Coast", the Senator pointed out. "I am going to introduce a bill providing hereafter that there shall be at least one representative from each of the five zones so that every part of the country will be represented.

X X X X X X X X X

#### SYKES DENIES SENSATIONAL BILBO CHARGES

All charges made by Senator Bilbo, of Mississippi, opposing the confirmation of E. O. Sykes, as Chairman of the Federal Communications Commission, because the latter had allegedly worked against his election, were sweepingly denied by Judge Sykes. The two political enemies, at one time close friends, faced each other for the first time since the last campaign. It was the most dramatic moment at the confirmation hearings.

It was generally reported that Senator Bilbo was making the attack on Judge Sykes simply for "home consumption" and would not press the charges. When asked about it by this writer, the Senator said:

"Regardless of what action the Senate may take, it is a campaign pledge that I keep after Judge Sykes. I am unfamiliar with Senate procedure but if they go ahead and confirm him, I promise you they will receive a dose of their own medicine later.

Mr. Bilbo, making his initial bow in the Senate, and heralded by some as a "second Huey Long", told how, when Governor of Mississippi, he had appointed Sykes to be a Judge of the State Supreme Court. Later, Senator Pat Harrison and Senator Stephens, both of Mississippi, were responsible for the Judge's appointment to the Radio Commission, and subsequently to the Communications Commission. When Senator Stephens ran for re-election against Mr. Bilbo, Judge Sykes, as related by Bilbo, "took it upon himself and resolved in his heart at the very time I was sorely pressed from the heat of battle during my campaign for the Senate, to leave his exalted station in Washington and travel all the way to Mississippi, and there place himself in the front ranks of the opposition that was fighting so stubbornly to encompass my defeat, and did everything that was humanly possible to turn the tide of battle against me.

"This interference became all the more reprehensible when he dared to make, not one trip on his proselyting mission, not two trips, but three trips at timely intervals to Mississippi, spending altogether many weeks apart from his duties in Washington and there labored with all his might and main, resorted to all manner of political intrigue and machinations, from the petty practices of ward politicians to the exercise of the great power and influence that goes with high position, to encompass my defeat."



Furthermore, Senator Bilbo said that Judge Sykes sent two employees of the Commission, natives of Mississippi, Paul D. P. Spearman, General Counsel, and George Hill, Associate General Counsel, respectively, of the Commission to that State to "destroy Bilbo."

"It is a matter of common knowledge among many reputable people that George Hill did pay as high as \$50 to one man to turn his support and influence against me", the Mississippi Senator alleged.

Senator Bilbo charged that Judge Sykes enlisted the services of broadcasting stations in three States "subject to his control as Chairman of the Communications Commission, requesting them to broadcast a speech of Ross Collins, my opponent.

"When each of these stations, in due course of this conversation, mentioned compensation, C. A. Lacey, of Station WJDX, of Jackson, advised, in the presence of Sykes, that Judge Eugene O. Sykes, Chairman of the Communications Commission, desired and in his presence requested service free; free service was accordingly granted and later rendered.

"This act, within itself, is of such culpability as to justify a denial of confirmation of the appointment of Judge Sykes to the office he has so ignobly, if not unlawfully, prostituted.

Mr. Bilbo, in passing, said that he had denounced Judge Sykes "throughout the entire State as the most conspicuously despicable personification of ingratitude that ever clouded the horizon of Mississippi politics."

The Mississippi Senator introduced the following telegram sent to President Roosevelt by George Llewellyn, formerly Assistant Supervisor of Radio, at Atlanta:

"This appeal to you is last resort of crucified Government employee thrown out of service because he tried to do his duty exposing crookedness in previous administration. You alone can rectify wrong. Here are facts. Two years ago my superior in Atlanta District for Radio Commission was investigated by Department of Justice and suspended by Commission on charge of misconduct in office. I knew all facts in case and made statement to Department Agent which involved Commission Employees here as well as at Washington and Commissioner Sykes. Among things reported was sale of Broadcasting frequency for Sixty-five Hundred Dollars. This contract of sale took place in Atlanta office with full knowledge of Commission in violation of Radio Act. Commission Assistant General Counsel Fisher told me Judge Sykes wanted to lay off phase of investigation involving lawyer friend. I did not lay off and was dismissed outright. It was proved that District Supervisor had accepted money from broadcasting stations for services. He admitted one case of accepting

five hundred dollars to induce Georgia Broadcasting Station to buy transmitter. This man was reinstated to position resigning later. I have tried frantically to get hearing before Commission but all I hear is nothing can be done. Congressman Ramspect and Senator Russell believe in me and have tried without avail to get a hearing. Discharge has ruined my future. Formerly respected by all now I cannot even get a job. Congressman Ramspect says it would be useless to appeal to Civil Service Commission as it is just a rubber stamp. There is nothing left for me to do but to appeal to you as a World War Veteran to see I get at least a square deal from gross miscarriage of justice by having thorough and fair investigation. If I hear nothing from this I will know justice is indeed blind, deaf and dumb."

Senator Bilbo then read to the Senate Committee a letter written to him by W. F. Brandt, an Atlanta attorney:

"It has been so many years since I had the pleasure of seeing you until it occurs to me that you may have forgotten me, but you will probably recall me in the 'McDonald Case' many years ago here in Atlanta, when both of us fought for our friend, who since has passed on.

"I am prompted in writing you having noticed from press dispatches your fight against Eugene Sykes. In 1932, I represented one George Llewellyn, who was at that time Assistant Radio Supervisor of the Federal Radio Commission in the Atlanta Office, his superior officer was Walter Van Nostrand, who held position as Radio Supervisor of the local office. Someone preferred charges against the said Van Nostrand for malfeasance in office, bribery, shakedowns, etc. We demanded an investigation to be made, having in our possession full knowledge of certain transactions in which Sykes himself, was involved, we called upon the Department of Justice to make this investigation.

"Mr. Fisher, connected with the Department of Justice, came to Atlanta to make the investigation. Upon his arrival here he immediately conferred with the entire office personnel and particularly with Mr. Llewellyn who was familiar with all the transactions; in the conference with Mr. Llewellyn, Llewellyn told Fisher of a certain transaction involving Judge Eugene O. Sykes to which Mr. Fisher suggested that he, Fisher, did not want to go into any matter which would or could involve Sykes.

"The outcome of the entire matter was this. Van Nostrand was promptly reinstated but soon thereafter resigned (Van Nostrand was a personal friend of Sykes) and soon thereafter Mr. Llewellyn, who had given the information and protected the Government from losses, was fired, and charges which he, Llewellyn, was fired for was lack of respect toward the officer in charge of the Atlanta, Georgia, office and that he, Llewellyn, conspired with other employees in the office against the wishes of the officer in charge, thereby creating dissention and turmoil in said

office. Both Senator Russell and Congressman (Ramspeck) have full detail information as to the matter I am referring to, and you can obtain the entire files of this matter from either one of them and also a report from the Department of Justice of its investigation.

"I am also enclosing some of the correspondence and a copy of a telegram sent to the President while at Warm Springs, to which no reply has ever been made. I feel confident that if you go into this matter, you will have enough on Sykes to stop his confirmation."

"Didn't you consider Judge Sykes a fit person when you appointed him to the Supreme Court?" a Senator asked.

"Yes", Bilbo replied, "but it takes time to tell."

"How long had you known him when you appointed him?"

"Four years."

Judge Sykes said that instead of his being absent nine weeks, as charged, that he had been away but a few days each for the primary and voting.

"I came to the conclusion it was for the good of the State to support Senator Stephens. I was not actively electioneering but always told everyone I was going to vote for Stephens," the Judge continued. "I made no derogatory remarks. So far as my getting a hook-up for Ross Collins, an opposing speaker, Senator Bilbo is misinformed. I had nothing whatsoever to do with any such request directly or indirectly. Any statement to the contrary is absolutely false."

Judge Sykes denied that he had anything to do with Messrs. Spearman and Hill going to Mississippi and that the latter had denied to him that he had spent any money.

X X X X X X X X X

#### SHORT WAVE RECEIVER FOR TROPICS

One of the English concerns has now brought out a new short-wave receiver for the tropics. As described by Julian B. Foster, U. S. Trade Commissioner at Singapore, this set is housed in a strong bakelite cabinet, is shock proof, and does not warp or discolor. This instrument is designed primarily to operate on A. C. mains on a battery. The model will probably be on the market in a short while. It is claimed that this set is built to rigid tropical specifications and employs fully delayed automatic volume control, to prevent fading or blasting. There are no coils to change, the set having been provided with continuous switching



1/25/35

from 11.5 to 555 meters, and this range not only embraces all the shorter waves, but means that the receiver is suitable for the proposed new Singapore Broadcasting Company's transmissions. There is a gramophone pick-up, and a very good feature in combined radio and gramophone volume control, and one-knob tuning with a large, energized, moving-coil loudspeaker. The set will be sold in Singapore at \$220.

X X X X X X X X

FLAMM SORRY ABOUT ABS BUT GLAD BACK AT WMCA

Expressing regret at the failure of ABS, Donald Flamm nevertheless is rolling up his sleeves and starting things going again at WMCA in New York as they were in the old days under his energetic direction.

"I am sorry that the American Broadcasting System was financially unable to maintain WMCA as its key station", Mr. Flamm said.

"For myself, I am extremely happy to be back in the swing and excitement of active operator of my brain child, WMCA. It feels like old times.

"Since we received the short notice that the American Broadcasting System will either discontinue operation or find someone who will give it programs, we have signed new commercials and have built programs of which any network might well be proud.

"For example, we are continuing to broadcast the colorful and interesting events from Madison Square Garden such as, the boxing bouts, hockey games, bicycle races and other events that occur regularly at the Garden. The thrilling and fast-moving 'Five Star Final' program which was originally introduced on WMCA will be retained as one of our nightly features. In addition to the weekly presentation entitled "Criminal Court", other well-known WMCA features such as the Chinatown Mission, the Night Club Parade, Stock Market Reports, etc. will be a part of our regular broadcasting schedule. I am sure our listening audience will be pleasantly surprised at the changes in our program schedule.

"I am particularly grateful for the many warm messages from my friends of the theatre and radio and the good wishes of the metropolitan radio critics."

X X X X X X X

## NORTON BECOMES SARNOFF'S ASSISTANT

David Sarnoff, President of the Radio Corporation of America, has appointed Henry Kittredge Norton, Treasurer of the National Broadcasting Co., to the position of Assistant to the President of RCA. Mr. Norton is succeeded as Treasurer of the NBC by David Rosenblum, a Vice-President of that company.

Mr. Norton brings to RCA a broad knowledge of corporation organization, budgets, and finance and a wide experience in coordinating business activities.

After attending the public schools in Chicago, where he was born on October 14, 1884, Mr. Norton entered Dartmouth College, from which he was graduated with a B.S. degree, and Pomona College, from which he received the degree of Master of Arts. Following additional graduate work at the University of California, he practiced law in Los Angeles.

In the succeeding years Mr. Norton served as Executive Officer of the California Commission on Immigration and Housing, and as Assistant to the General Counsel of Armour & Company.

Mr. Rosenblum retains his post as an NBC Vice-President, to which he was elected last September. Before joining the National Broadcasting Company, Mr. Rosenblum was Executive Vice-President of Tradeways, Inc., which has been serving NBC in a consulting and advisory capacity for two years in connection with problems of organization and management.

X X X X X X X X

## SEVEN TO EIGHT MILLION ALL-WAVE SETS IN USE

So popular have the all-wave sets proved that Bond Geddes, Executive Vice-President of the Radio Manufacturers' Association, estimates that there are now between 7,000,000 and 8,000,000 of these sets now in use in the United States.

Mr. Geddes said they first came into public favor in 1933 and that figuring on a basis that three-quarters of all the sets manufactured last year included the short-wave bands, 3,375,000 all-wave sets were added in 1934 alone, and that even a greater percent of the entire output may be put on the market this year.

X X X X X X X X

## SENATE FCC CONSIDERATION GOES OVER

Hearings having to do with the confirmation of the Federal Communications Commissioners were concluded by the Senate Interstate Commerce Committee Friday morning, the last witness to be examined being George Henry Payne, of New York, a Republican Progressive who apparently amused the Senators with his explanation of the difference between a Progressive Republican and a regular Republican. Following the hearing Friday morning the Committee went into executive session and later adjourned until Monday morning.

The examination of Judge Sykes occupied the entire first session Wednesday morning. He was in again a short time Thursday morning followed by Commissioners Brown, Walker, Case and Stewart. All Commissioners were quizzed by Senators Wheeler and Couzens with regard to their attitude toward a merger of the telegraph companies. Both Senators were plainly opposed to such a merger.

"If such a merger were carried out would the RCA have to join? Senator Wheeler asked.

"I think they would all have to join", Judge Sykes replied.

"How would you go about to control foreign rates?"

"By denying companies licenses if they do not acquiesce."

"The only way you could do it is by treaty", Senator Wheeler observed, "and that is rather doubtful. Did you have as many lobbyists for the telephone and telegraph companies bothering you as we did up here?"

"We had hearings to which everyone was invited", Judge Sykes said.

"We'll have to have several hearings before that merger ever passes here", Senator Wheeler retorted.

Senator Couzens asked Colonel Thad Brown his personal opinion as to the advisability of a telegraph merger which the latter seemed hesitant about giving but finally said he favored it.

"Why", Couzens persisted.

"Because the telephone merger was a success."



"Can't you see any difference between a telephone and a telegraph monopoly?"

Colonel Brown said he couldn't.

"Anybody who cannot see the distinction for the necessity of a combined telephone and telegraph company", Senator Couzens snapped back, "is not, in my opinion, fit to serve on the Communications Commission and I can't see how I can vote to confirm you."

Senator Couzens, who, like Colonel Brown, is a Republican, also opposed him as a member of the Radio Commission.

Whereupon Senator Dieterich, Democrat, of Illinois, inquired what was the difference between the two monopolies.

"Obviously", the Michigan Senator replied, "if you had a telephone of one company and I that of another company, we could not get each other. So telephone is a natural monopoly. In telegraph you could use the Postal, the Western Union or the radio with equal convenience."

Commissioner Case remarked that if consolidation came about, the first would be the wire companies.

"I'm glad to hear you say 'first' because that would be the beginning of the end", Senator Couzens said. "Do you believe in holding companies?"

"I do not", Case replied.

"Thanks for that", Mr. Couzens said.

Commissioner Case said that evolutionary advance couldn't be stopped. If radio gives service, people will go to the radio and that wires were somewhat obsolete.

"And the Communications Commission submits a plan which would make the public pay for obsolescence? Capital has to take a risk but the Commission proposes to consolidate and make the public pay for it."

Dr. Stewart said that the telegraph, unless something is done, is a dying business. Senator Couzens inquired about rates but was told by Stewart the Commission hadn't gotten into the rates yet.

"I think you will find a pretty luscious melon when you get into the telephone company", Mr. Couzens said.

"I think you will find the telephone companies going deeper into the telegraph business", Dr. Stewart said. "It wouldn't surprise me if the Bell Telephone Company wouldn't soon be operating the telegraph as well as the telephone"

1/25/35

companies. Radio will go into a few cities where it will skim the cream off the telegraph business."

Dr. Stewart said, however, it would be difficult to supply the land radio telegraph business with sufficient frequencies as they would have to be taken from the airplanes.

Senator Wheeler and Representative Sam Rayburn, of Texas, offered a joint resolution in the Senate and House respectively Thursday authorizing and directing the Federal Communications Commission to investigate and report on the American Telephone & Telegraph Co. and on all other companies engaged directly or indirectly in telephone communications in interstate commerce, including all companies related to any of these companies through a holding company structure, or otherwise. The resolution carries with it an appropriation of \$750,000.

X X X X X X X X

#### HARBORD ENTERTAINS CHINESE COMMUNICATIONS MISSION

Members of the Chinese Communications Mission visiting the United States, were entertained last Tuesday night at a dinner given in honor of General Fei-Ping Yu, heading the Mission, by General James G. Harbord, Chairman of the Board of the Radio Corporation of America. General Yu is Vice Minister of Communications, Nanking, China, and the members of his Mission are communications experts.

The dinner, in the RCA dining room on the sixty-fourth floor of the RCA Building, followed an inspection by the members of the Mission of the central operating office of R.C.A. Communications, Inc., at 66 Broad Street, where they watched the dispatching and receiving of radiotelegrams and photograms on the international circuits of RCA.

Among those present at the dinner for General Yu were E. F. Wei, Chief Technical Advisor, Ministry of Communications, Nanking, China; P. F. Woo, Technical Advisor, Ministry of Communications, Nanking, China; K. Yih, Chinese Consul General of New York City; K.C. Li, of New York; Andrew W. Cruse, Chief, Electrical Division, Bureau of Foreign and Domestic Commerce, Department of Commerce, Washington; J. F. Sinnott, District Manager, Bureau of Foreign and Domestic Commerce, Department of Commerce, New York; C. E. Christopherson, United States Trade Commissioner to China, Shanghai; Col. William Chadbourne, President, China Society of America; Dr. Claudius Murchinson, Director, Bureau of Foreign and Domestic Commerce, Washington.

X X X X X X X