

HEINL RADIO BUSINESS LETTER

2400 CALIFORNIA STREET

WASHINGTON, D. C.

CONFIDENTIAL — Not for Publication

RECEIVED
MAR 20 1937
E. P. H. JAMES

INDEX TO ISSUE OF MARCH 19, 1937.

Senator White Supports Move For Radio Investigation.....	2
Mexico's 68 Stations Studied At Havana Conference.....	5
Paris To Build 30 KW Television Station.....	8
Radio Inquiry Believed Certain On Capitol Hill.....	8
Officers Named By International Radio Committee.....	9
Payne Initiates Inquiry But Has Nothing To Say.....	9
Revised Safety-At-Sea Bill Reported To Senate.....	10
CBS Earns \$4.41 A Share, Report Shows.....	10
How Soviet Broadcasting Time Was Apportioned In 1936.....	11
WLW To Use WHN Studio In Reported Negotiation.....	12
Aut. Industry Gave NBC 15.8% Of Total 1936 Revenue.....	12
Cesar Saerchinger Resigns As CBS European Director.....	12
Germany Forced To Dump Excess Radio Receivers.....	12

No. 1013

SENATOR WHITE SUPPORTS MOVE FOR RADIO INVESTIGATION

The first endorsement of the move in the House of Representatives for a broad radio broadcasting inquiry came this week from Senator Wallace White (R.), of Maine, co-author of the 1927 Radio Act, and one of the veteran radio legislators in Congress.

After making a prolonged review of radio legislation and the purpose of Congress in enacting the original radio regulatory law, Senator White said:

"Mr. President, I join in the hope which has been expressed by others that there may be an investigation of this entire subject matter."

Senator White criticized the Federal Communications Commission for yielding to political pressure, for allegedly disregarding the recommendations of its own engineers, and for ignoring the demand of one of its own members that the Broadcast Division investigate the feasibility of adopting special regulations for chain broadcasting.

Citing the growth of the networks in recent years, Senator White pointed out that NBC and CBS control the major clear-channel and high-power stations in the country.

"Now this control of this number of stations operating on clear channels with 50-kilowatt power means that two organizations, with headquarters in New York, determine the character of information going to a substantial part of the people of this country, both urban and rural", he continued. "With the exception of about 3 stations, all of the 26 mentioned by me have been acquired under the authority of the Commission since 1927. The process of centralized control is going on. The independent stations are becoming relatively, if not actually, fewer. Is the Congress interested in the process? If it is, I again urge that it investigate and study the facts and the implications thereof.

"The Congress at the time the 1927 Act was passed, while, perhaps, not fully appreciating the growth of the chain system, did recognize the possibilities of the situation and wrote into this early act the authority to make special regulations applicable to radio stations engaged in chain broadcasting. This provision was continued in the 1934 Act. The regulating body has seemed indifferent to the problem or without definite views concerning it.

"In November 1935 one of the Commissioners - and I do not get the information from him - presented a motion in a meeting of the Commission directing the Broadcast Division to report to the Commission: (a) Whether, in its opinion, the Commission should adopt special regulations for the regulation of chain broadcasting; and (b) in the event that the adoption of such special regulation is believed by that division to be desirable, the proposed text of such regulations.

"This motion was referred to the Broadcast Division for consideration and report. There has been no report. Nothing appears to indicate that the problem has been considered, notwithstanding its overwhelming importance.

"I do not want to reflect unwarrantably upon any member of this Commission. In past years I have given much attention to the problems presented and have some appreciation of the difficulties inherent in the situation. I feel justified, however, in general comments on the Commission's work.

"In the first instance, every Senator knows, that the air is full of reports that cases have been decided not alone on the evidence presented and the merits of the issue, but that political pressure has been often exerted, and that it has been determinative in many instances. There is, I believe, a public impression that applicants before the Commission should and must seek political aid. The Commission ought not to be subjected to such influences. Its decisions ought not to be under suspicion to the extent they now are because this or the other person of political power has intervened. I know of no more certain means of reestablishing the Commission in public respect than to turn on the light of publicity and thereby to stop these attempts to improperly influence a quasi-judicial and regulatory body of the Government.

"There is persistent report that the Commission, in the consideration of cases and in the determination thereof, disregards its own procedural rules and its established engineering standards. Is this true? If there is justification for the belief, what is the justification for the Commission's acts?

"There is a greater volume and persistence of criticism of this Commission than of any other bureau or commission of the Government. Is there warrant for this? I think the Congress should free the Commission from unjustified suspicion or it should act if its policies and purposes and the standards which ought to guide a regulatory body of the public importance of this Commission are being disregarded. Only a searching inquiry will give the answer to these questions.

"Scientists tell us we are on the threshold of great events in radio. New bands are to be available in what are termed the "ultra high frequencies." The practical use of television is believed to be at hand. The possibilities of the

future are beyond our knowledge. It is certain that governmental regulation cannot be dispensed with. Regulation must be dictated by sound principles, so far as these are known, and by a body whose acts shall be guided by a sense of public responsibility and by an independence which is deaf to every political and other unworthy suggestion."

Senator White contended that the authors of the 1927 Act sought to guard against monopolistic control of radio communication facilities. Three principal evils, he said, were aimed at in the law.

"Of first importance", he said, "is the principle that the licensing of a station and of the right to use a designated frequency therein should not create a vested right in the license or in the frequency."

He then called attention to the profits of broadcasting and particularly to the sale prices of stations as disclosed by recent Senate and House appropriations hearings.

"Such figures", he added, "suggest that an inquiry should be made into the radio industry in order that the Congress may have complete knowledge as to the investment in radio stations and their equipment; as to profits; as to the real considerations for the sale, assignment, and leasing of stations; as to whether licensees are receiving huge sums for licenses which cost them nothing; and generally into the basic question of whether property rights in the nature of vested rights are being asserted in frequencies and are being recognized by the Commission."

Senator White discussed the trend toward newspaper control of radio stations and the hostility it has engendered. Without taking sides, he warned publishers that, besides taking monetary risks in investing in broadcasting stations, they would court government curbs on freedom of the press.

"It is not unreasonable to fear that the development of newspaper ownership in this governmentally controlled means of communication is the great threat to the freedom of the press in America", he said.

The other two major points discussed by Senator White were (1) alleged trafficking in licenses, and (2) charges of monopoly.

"Why should the government be concerned?" he said with regard to the former issue. "The price paid cannot affect the legal powers of the Commission. In a legal sense a station licensee who has paid a huge sum for an assignment, a sale, or a lease, and who has violated the law is subject to the penalty of revocation or to the rejection of a renewal of application as is one paying a nominal consideration, but I am afraid the

3/19/37

human element enters into the equation and punitive action is not so certain in the one case as in the other.

"If we will regard the relatives, we will recognize that, in disregard of the Congressional purpose, stations and licenses and frequencies are being freely bought and sold and leased; that prices are being asked and paid which have no possible relation to the investment, and which can only be explained upon the theory that the frequency is being highly capitalized."

X X X X X X X X

MEXICO'S 68 STATIONS STUDIED AT HAVANA CONFERENCE

One of the principal topics of discussion at the North American radio broadcasting conference in Havana March 15-22 is the question of how many of the 96 clear channels allocated to this continent shall be used exclusively by Mexico. Another is whether the "border stations" shall continue to disturb United States broadcasters.

Consequently a new authorized list of broadcasting stations now in operation in Mexico, together with their frequencies, discloses the extent of the problem. The list was obtained from the American Embassy in Mexico City.

It shows that Mexican broadcasting has grown rapidly in the last few years and now includes 68 long wave stations and two short-wave stations. It has two transmitters that are more powerful than any of the regular U. S. stations, excluding the experimental WLW, and both are "border stations".

XENT, Nuevo Laredo, operates with 150,000 watts on 910 kc. under the direction of Norman T. Baker, former American broadcaster, while XERA, Villa Acuna, uses 75,000 watts on 840 kc., with Dr. John R. Brinkley, goat gland specialist, in charge.

Mexico has two 50,000 watt stations: XEAA, Mexicali, and XEPN, Piedras Negras. There are 17 stations operating in Mexico City.

The complete list as prepared by the American Embassy follows:

3/19/37

<u>City</u>	<u>Call Letters</u>	<u>Operator</u>	<u>Frequency in Kilocycles</u>	<u>Power in Watts</u>
Agua Caliente	XEBC	Cia. Mexicana del Agua Caliente, S. A.	730	5,000
"	XFC	Gobierno del Estado de Agua Caliente	810	350
"	XFA	" " " "	1,310	5
Chihuahua	XEFI	Feliciano Lopez Islas	1,440	250
Ciudad Juarez	XEJ	Juan G. Buttner	1,020	1,000
"	KEFV	Jose Onofre Meza	1,210	100
Cordoba	XEAG	Diodoro Zuniga	1,310	10
Durango	XEE	Alejandro O. Stevenson, Jr.	1,210	50
Guadalajara	XED	Cia. Radiofonografica, S.A.	1,160	2,500
"	XEA	Alberto Palos Sanza	1,060	125
Guajauato	XEAZ	Antonio Zavala	1,420	7
Hidalgo del Parral	XEAT	David G. Cervantes	1,210	50
Jalapa	XFD	Gobierno del Estado de Veracruz	1,340	350
Jalapa	SFB	" "	1,270	250
Leon	XEKL	Cia. Difusora del Bajio	1,240	500
Matamoras	XEAM	M. L. Salinas	960	7
Merida	XEY	Ramon Rubio	1,000	10
"	XEFC	Julio Molina Font	550	100
"	XEZ	Jorge L. Palomeque	630	500
Mexicali	XEAO	Luis L. Castro	560	250
"	XEG	Juan C. Chavez	1,270	200
"	XEAA	Carlos Blando	920	200
Mexico City	XEW	Cadena Radiodifusora Mexicana, S. A.	890	50,000
"	XEYZ	Radiodifusora Continental S. A.	780	10,000
"	XEB	El Buen Tono	1,030	10,000
"	XEFO	Partido Nacional Revolucionario	940	5,000
"	XFO	" "	940	5,000
"	XEN	Cerveceria Modelo S. A.	710	1,000
"	XEAL	Cia. Pan-America de Radio	660	1,000
"	XEP	Ana Maria Rovalo de Pasalaqua	8d0	500
"	XFX	Secretaria de Educacion Publica	610	500
"	XEL	Esperanza Romero de Gonzales	1,100	250
"	XEAL	Carlos Gonzalez Caballero	1,240	100
"	XEFZ	Manuel Zetina	1,370	100
"	XELC	Manuel Valdes Bravo	740	100
"	XEWZ	J. V. Esparza	1,150	100
"	XEK	A. Martinez	990	100
"	XEMX	Alfonso Traslosheros Avalos	1,280	12
"	XECX	M. E. Bravo de Cardero	1,310	10

3/19/37

<u>City</u>	<u>Call Letters</u>	<u>Operator</u>	<u>Frequency in Kilocycles</u>	<u>Power in Watts</u>
Monterrey	XET	Cadena Radiodifusora Mexicana	690	500
"	XEH	Constantino de Tarnava	1,150	250
"	XEX	Luis F. Petit Jean	1,310	125
"	XEFJ	Rodolfo Junco de la Vega	1,230	100
"	XEFB	Jesus Quintanilla	1,420	100
Morelia	XEI	Carlos Gutierrez	1,370	125
Nogales	XEAF	Francisco G. Elias	990	750
Nuevo Laredo	XENT	Cia. Industrial Universal de Mexico, S. A.	910	150,000
" "	XEFE	Rafael T. Carranza	850	250
Piedras Negras	XEPN	Cia. Radiodifusora de Piedras Negras, S. A.	590	50,000
" "	XELO	" " "	1,110	10,000
Oaxaca	XEAJ	Enrique M. Orihuela	1,310	15
Puebla	XETH	Ramon Huerta	1,210	100
Reynosa	XEAW	Cia. Internacional Difusora de Reynosa	960	10,000
Saltillo	XEOX	Antonio Garza Castro	640	250
"	XELA	Enrique Gomez	1,240	50
San Luis Potosi	XEZZ	Emilio Delgado	1,370	100
Tampico	XEFW	Jose Expedito Martinez	1,310	250
"	XES	Fernando Sada	909	250
"	XEMA	Manuel M. Pier	1,080	50
Tia Juana	XEMO	Fernando Federico	860	2,000
"	XEAE	Adolfo Labastida Jr.	980	250
"	KEMZ	Adolfo Labastida Jr.	1,210	250
"	XEFL	Luis J. Garcia	1,150	250
"	XEOK	Carlos de la Sierra	760	200
"	XEC	Luis E. Enciso	1,160	30
Veracruz	XEU	Fernando Pazos	1,160	25
"	XETF	Jose Rodriguez Lopez	1,220	12
Villa Acuna	XERA	(Dr. John R. Brinkley)	840	75,000

SHORT-WAVE STATIONS

Mexico City	XECR	Secretaria de Relaciones Exteriores	7,380	20,000
" "	XEBT	El Buen Tono	6,100	500

X X X X X X X X

The Georgia Supreme Court recently handed down a decision that forbids the City of Atlanta from assessing a \$300 license tax against Station WGST. The high court upheld contention of WGST that it was exempt from the tax because it operated under the Interstate Commerce Act and by authority of the Federal Communications Commission, which granted its license. Fulton County Superior Court, in a previous decision, had enjoined city from collecting the tax.

X X X X X X X X X X X X

PARIS TO BUILD 30 KW. TELEVISION STATION

A 30,000-watt commercial television broadcasting station, which it was said would be the world's most powerful thus far, was announced in an order this week by the French Ministry of Posts, Telegraphs and Telephones from La Materiel Telephonique Licensee, a company of the International Telephone and Telegraph Corporation of New York. The station is to be installed on the Eiffel Tower, with its antenna protruding from the top of the flagpole 1,100 feet above the ground.

The equipment, which will be developed in the Paris research laboratories of the Materiel Telephonique Company, must be put into service with reduced power by July 1 and operate with full power by the Autumn.

This new permanent broadcaster, being within the Paris Exposition grounds, will offer World's Fair visitors one more attraction illustrative of French progress and technique in the electrical communications field.

X X X X X X X X X X

RADIO INQUIRY BELIEVED CERTAIN ON CAPITOL HILL

Informed members of Congress this week predicted that an investigation of the radio broadcasting industry at this session of Congress is certain to be ordered and that probably within a few weeks.

The House Rules Committee, it is understood, has practically agreed to report out the Connery resolution but is waiting to allow Representative Wigglesworth (R.), of Massachusetts, an opportunity to be heard. This probably will be granted next week.

Congressman Wigglesworth wants the resolution to specify the Federal Communications Commission although it is generally recognized that the FCC will be drawn into the inquiry once it is launched. Representative Connery's original resolution named the FCC, but an amended draft omitted them and substituted the three major networks. This was done, it is understood, at the request of members of the Rules Committee.

Senator White (R.), of Maine, who this week made an address on the subject in the Senate, has stated that unless the House undertakes the investigation the Senate will. House members who are friendly to the FCC believe that the House probe would be less embarrassing.

While the inquiry probably will be directed at the charges of monopoly by the networks, indications are that it will delve into recent sales of stations and varied grants by the FCC as well.

X X X X X X X X

3/19/37

OFFICERS NAMED BY INTERNATIONAL RADIO COMMITTEE

Commdr. T.A.M. Craven, Chief Engineer of the Federal Communications Commission, was elected president recently at a meeting of the American Section of the International Committee on Radio in Washington.

Other officers chosen are:

Louis G. Caldwell, Vice-President; Howard S. LeRoy, Treasurer; and F. P. Guthrie, Secretary. Executive counsel includes: John W. Guider, Chairman; A. L. Ashby, Thad H. Brown, William R. Vallance, J. H. Dellinger, and Francis C. deWolf.

X X X X X X X X X X

PAYNE INITIATES INQUIRY BUT HAS NOTHING TO SAY

Although the special committee of the Federal Communications Commission headed by George Henry Payne held its first meeting this week in connection with the inquiry in the George S. Smith case, it was stated at his office that there had been no developments worth reporting yet.

The committee is understood to have called Miss Mary Belle Anthony, FCC employee, before it as the first witness. Miss Anthony was transferred from the Docket to the Accounts Division after she allegedly aided Mr. Smith, Washington radio lawyer, in inserting affidavits in a file in violation of FCC rules.

Radio Daily, however, quoted Commissioner Payne as saying that a good portion of the work which the FCC is trying to accomplish is being impaired by the activities of organized radio lobbyists.

"This lobby consists of a few lawyers who claim they can get the FCC to do most anything", he said. "What they actually do is to work through subordinates within the FCC and get them to do things they should not do. The FCC should definitely be free from influence of such groups."

X X X X X X X X X X

3/19/37

REVISED SAFETY-AT-SEA BILL REPORTED TO SENATE

A completely rewritten bill amending the Communications Act of 1934 for the purpose of promoting safety of life at sea was reported to the Senate this week by Senator Wallace White (P.), of Maine, for the Senate Commerce Committee.

X X X X X X X X

CBS EARNS \$4.41 A SHARE, REPORT SHOWS

The Columbia Broadcasting System, Inc., in its annual report for the fiscal year ended on January 2 (a fifth-three week period), showed gross sales of time amounting to approximately \$27,800,000, on which the company earned \$3,755,522, or \$4.41 a share on the 852,335 capital shares outstanding. This compared with sales in 1935 of \$22,771,000 and a net profit of \$2,810,078.

William S. Paley, President, told stockholders in his report that the company had set aside \$934,000 out of the 1936 earnings as addition to the surplus account, and that it had provided out of current earnings a tax on undistributed profits of \$97,622.

Touching on the company's activities in the field of television, the report stated: "Much remains to be done. At the moment satisfactory general television broadcasting is still well in the distance. We are doing our part to hasten its coming."

X X X X X X X X X X X

David Sarnoff, President of the Radio Corporation of America will extend greetings to the N. V. Philips Omroep Holland-Indie, pioneer European short-wave transmitter, on the tenth anniversary of its first world program, Saturday, March 20th. The message, to be sent by short-wave to Eindhoven, Holland, will be heard in the United States from 9:21 to 9:30 A.M., EST, over combined NBC-Red and Blue Networks. Mr. Sarnoff's greeting will be in the nature of a tribute to N. V. Philips, founder of Station PHOHI in 1927.

X X X X X X X X X X

HOW SOVIET BROADCASTING TIME WAS APPORTIONED IN 1936

The following table has been circulated by Radio Centre, Moscow, to show how broadcast time on Soviet broadcasting stations was apportioned in 1936:

<u>Kind of Broadcast</u>	<u>Percentage</u>
1. Musical Broadcasts:	
a. Opera and ballet	5.8
b. Operetta	0.2
c. Montage of opera and operetta	4.7
d. Music-symphonie, chamber and vaudeville entertaining	28.5
e. Dance music	2.2
f. Folklore	2.3
g. Amateur	0.7
Total:	<u>44.5</u>
2. Television	1.7
3. Literary broadcasts	3.7
4. Self-education broadcasts	5.4
5. Information:	
a. Current events (actual events broadcast, not from the studio)	1.4
b. Latest News	10.9
c. Reports and talks	18.2
d. Advertisements	2.7
Total:	<u>33.2</u>
6. Miscellaneous:	
a. Children's broadcasts	5.8
b. Physical Culture broadcasts	3.5
c. Miscellaneous	2.2
Total:	<u>11.5</u>
Grand Total:	100.00

X X X X X X X X X

A report from Western Australia gives an illustration of how, in isolated communities, primitive methods of sending signals may be linked up with short-wave broadcasting. A sheep-station hand was reported missing from an out-station in the Roebourne Tableland. The police at Port Hedland were informed. Before setting out on what might have been a long and fruitless search, the police broadcast messages to all who had short-wave receivers in a given area, asking them to put up smoke signals if they were able to receive the message. A second message was then transmitted, asking those who had responded to put up another smoke signal if they knew that the missing man had been found. After an interval a second smoke signal gave the police the information they required.

X X X X X X X X X

WLW TO USE WHN STUDIO IN REPORTED NEGOTIATION

An arrangement has been made between WLW, Cincinnati, and WHN, New York, for the 500,000-watt station to use the New York station as the exclusive source of its New York programs, according to Variety. A contemplated deal of the same nature between WLW and WMCA was dropped, the report stated.

X X X X X X X X

AUT. INDUSTRY GAVE NBC 15.8% OF TOTAL 1936 REVENUE

Automobile and allied industries last year accounted for 15.8% of the National Broadcasting Company's total revenue, according to figures just released by the NBC Statistical Department. The amount invested in NBC time during 1936 by this classification topped all previous years. NBC received 57.4% of the automobile and allied industries' total expenditures on national networks.

X X X X X X X X

CESAR SAERCHINGER RESIGNS AS CBS EUROPEAN DIRECTOR

Cesar Saerchinger, European Director of the Columbia Broadcasting System since June, 1930, has resigned in order to gain leisure for literary work. He will return soon to this country after having lived abroad for eighteen years.

Edward R. Murrow, at present Director of Radio Talks for CBS, succeeds Mr. Saerchinger, and will be stationed at Columbia's London headquarters about May 1st. Mr. Murrow's successor in New York will be announced soon.

X X X X X X X X

GERMANY FORCED TO DUMP EXCESS RADIO RECEIVERS

Apparently the German radio industry ended last year with a lot of old radio sets on hand, the U. S. Trade Commissioner Pollard F. Welch at Berlin reports, because the Minister of Economics has issued a permit to the radio industry covering a price reduction of from 5 to 15 percent retail on all 1936 radio receivers on hand. The lowest price reduction will be on small, cheap sets and the larger reductions will be on the expensive receivers of many tubes.

The radio season begins in Germany each Fall with the introduction of new models but there have been very few changes in 1935 and 1936 and few changes are predicted for 1937.

X X X X X X X X