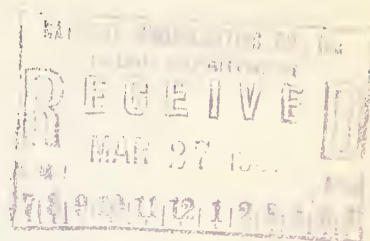


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No. 1015

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STEWART ASSAILS ALLOCATION, CHAINS, AND RADIO REGULATION

The present allocation of broadcasting frequencies, whereby the metropolitan areas have the most desirable wavelengths, the duplication of programs via the networks, and the failure of the Federal Communications Commission to regulate properly in some instances were assailed by Dr. Irvin Stewart, Vice Chairman of the FCC, in an address at Duke University, Durham, N. C.

Going far beyond the criticisms of Commissioner George Henry Payne in a series of university lectures, Dr. Stewart gave a sweeping and highly critical analysis of the whole subject of public control of radio and the problems it raises. His address covers 27 mimeographed pages.

"The person who has the largest stake in American broadcasting is the listener," Dr. Stewart declared, "While the investment of the individual listener in his receiving set is small compared to that of the broadcast station owner or that of the large advertiser, in the aggregate the total investment in receiving sets is far greater than that in transmitting stations or in advertising time. In theory, broadcasting is for the benefit of the listener. It should be; for its heart is an uncompensated use of public property, and the listener is the man who foots the bill for broadcasting when he pays the cost of governmental regulation and when he buys the advertised product.

"One corollary of the American system in which broadcasting is supported by advertising revenue is generally overlooked. Somewhat over-simplified for emphasis, it is that a broadcasting system supported by advertising is one in which broadcast stations are located where the advertisers want them, not where they will best serve the country as a whole. This corollary is not entirely free in its operation for Congress, in setting up the regulatory authority, has said that in granting facilities, the Commission must so distribute them 'as to provide a fair, efficient, and equitable distribution of radio service' to each State. This general statutory requirement has operated as a limitation upon the complete freedom of broadcast station owners to locate their stations where the prospect of advertising revenue was the greatest.

"Another characteristic of the American system of broadcasting is that the initiative in the establishment of stations for the most part comes from persons who have a private interest, usually financial, in the ownership of the stations.

Their primary purpose is not to locate the proposed station so as to serve that portion of the population of the United States most in need of radio service. Generally speaking, the primary consideration of the applicant is that of financial return, not of service rendered. In practice this means intense competition for stations in areas with large population, and little demand for stations where population is comparatively sparse. The result is a distribution of broadcast stations in the United States which no engineer would attempt to defend as an efficient way to deliver broadcasting service to the country as a whole. . . .

"Clear channels were designed to provide rural coverage. On such channels, there was to be but one station operating with comparatively high power, having its secondary service area interference-free in order that large areas might be served.

"At this point, the economics of the American system of broadcasting come into play. With clear channel stations designed to provide rural coverage, most of them are located in the larger cities. The New York metropolitan area has four clear channel stations, Chicago four, Philadelphia two and Los Angeles two. Due to the breaking down of certain clear channels, there are now a total of 47 stations operating on the 40 clear channels. Twenty of them are located in metropolitan areas having a population of a million or more; fourteen in metropolitan areas having a population ranging from a quarter-million to a million. Forty-three of the 47 clear channel stations are located in metropolitan areas having a population of 100,000 or over.

"This leads me to another phenomenon in the American broadcasting picture, the networks or chains. In addition to about 40 local or regional chains there are three chains providing coast to coast service at the present time. All of the high power clear channel stations upon which the rural areas depend for broadcast service are owned or are affiliated with one of these three. A result of this is that a considerable portion of the population of the United States is largely dependent upon programs from chain stations. . . . The duplication of programs on clear channels raises the fundamental question as to how successfully clear channels are meeting their declared purpose when they are used to pound the same program in on the listener from several stations rather than to give him a selection from which to choose the program to which he wishes to listen.

"The three coast-to-coast networks own a comparatively small number of stations, but they provide programs for a total of 249 out of the 696 broadcast stations in the United States, including practically all of the more powerful stations.

"Undoubtedly the chains have made available to small communities programs which it would have been difficult for them to receive otherwise. They have made it possible for national audiences to listen to programs of national importance. But, with three organizations in a position to determine what programs shall be carried on the most powerful broadcast stations all over the country at the times when most people are free to listen, it is small wonder that the cry of monopoly has been raised. At the present time there is pending before the House of Representatives a resolution providing for an investigation of charges of the existence of a monopoly in radio broadcasting.

"While Congress in the Radio Act of 1927 and again in the Communications Act of 1934 specifically gave to the Commission power to issue special regulations applicable to radio stations engaged in chain broadcasting, there are no such regulations at the present time, nor have any ever been in effect."

Some of his observations on other topics in radio regulation were as follows:

License transfers:

"A radio station license is personal to the licensee, granted after a finding that his holding the license will be in the public interest. There is nothing in that finding which says that he may sell the license to the highest bidder who may be technically qualified. Station licenses are not pieces of merchandise; they are evidences of a privilege to serve the public.

"There have been suggestions that, if the Commission does not explore its own powers to check sales of broadcast stations at inflated prices, Congress might recapture for the public the profit on the transfer of public property. The transfer of licenses at prices far in excess of the value of the physical equipment involved will sooner or later offer a tempting field for the middleman."

Newspaper control of stations:

"Men will differ in the weight they attach to the matter of newspaper control of broadcast stations as well as in the treatment they will propose. I can not agree with those who contend that the matter has no element of public interest which may be considered by a Commission granting applications under a statutory standard of 'public interest, convenience or necessity.'"

Advertising:

"How effectively the Commission can regulate advertising has never been shown and need never be shown if broadcast station licensees will accept the public responsibilities that go with a broadcast station license. Good taste can not be legislated, and I suspect that it cannot even be administratively required. Good taste, a sense of public responsibility and elementary decency on the part of broadcast licensees should make it unnecessary for the Commission ever to explore the possibilities of its power effectively to regulate advertising."

Programs:

"Can the Commission set up minimum standards of program quality which all licensees would have to meet? Standards of engineering efficiency are fairly easy of formulation and of application. Standards of program quality would be difficult both of formulation and of application. I for one, however, am not prepared at this time to state that standards of program quality are impossible either of formulation or application. The field is one in which the Commission has done nothing - it may possibly remain one in which the Commission will do nothing. The answer must depend upon the broadcaster."

Station Censorship:

"The refusal of a station owner to permit the use of his facilities for the expression of views inimical to his own may have serious results. In a large part of the country only a very few stations can be heard consistently. When a minority group is refused expression of its views over a single broadcast station, it means that those views cannot be heard in a section of the country where that station is the only one received."

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PROTECTION FOR CANADIAN STATION PROPOSED IN REPORT

Recognition of the rights of a Canadian broadcasting station to operate without interference by an American transmitter, Examiner P. W. Sewart in a report to the Federal Communications Commission this week recommended that an application be granted providing a directional antenna is built to protect the Canadian station.

WELI, New Haven, requested authority to transfer from 900 to 930 kc. and to operate at night with 250 watts power. It now uses 500 watts daytime. The Canadian station is CHNS, Halifax, Nova Scotia.

At the same time the Examiner recommended the denial of an application by Lawrence K. Miller, of Pittsfield, Mass., for a construction permit to operate on 930 kc. with 250 watts daytime on the ground that it would interfere with Station CFLC, Prescott, Canada.

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RULES COMMITTEE HEARS WIGGLESWORTH; MAY ACT NEXT WEEK

The House Rules Committee this week heard Representative Wigglesworth (R.), of Massachusetts, speak in support of the Connery resolution for a radio inquiry but adjourned without taking action. It was said that another meeting may be held next week to act on the resolution.

Representative Wigglesworth, who took the lead in cross-examining members of the Federal Communications Commission during hearings on the appropriations bill, urged that a sweeping investigation be made to ascertain what legislation, if any, should be enacted to assure proper regulation of broadcasting.

"It is perfectly apparent", he said, "that certain definite objectives were sought by Congress through the Federal Radio Act of 1927 and the Federal Communications Act of 1934. Among these objectives were the elimination of private ownership in the channels of interstate and foreign radio transmission, the elimination of undesirable trafficking in licenses issued by the Federal Government and the elimination of monopoly or the evils of monopoly. No one can read the provisions of the Acts referred to without coming to this conclusion.

"Nevertheless, it appears today that we are confronted by a virtual monopoly in the hands of the three big broadcasting companies of the nation, National, Columbia and Mutual. It also appears in the absence of further explanation that we have failed to eliminate private ownership or its equivalent in radio channels as well as undesirable trafficking in radio licenses, with all the possibilities with which we have been familiar in the past in other fields for the capitalization of earnings and profits to the detriment of the American people.

"A thorough going impartial investigation into the entire situation should serve to establish the extent and effects of monopoly in the broadcasting field. It should serve to determine the extent to which the elimination of private ownership and trafficking in licenses has been accomplished. It should serve to throw light on the matter of proper program control. It should serve to determine the earnings of the industry, whether or not rates charged are reasonable and what contribution, if any, the industry may be fairly asked to make to the Federal Treasury. The industry today is dependent for its very existence on Federal licenses. It pays nothing for these licenses, yet it commands a gross income which has been estimated for 1937 as amounting to between \$125,000,000 and \$135,000,000."

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FCC ADVISED TO REJECT REQUEST FROM NORMAN BAKER INTEREST

The name of Norman Baker, who was driven off American air waves only to bob up on the Mexican border, was before the Federal Communications Commission again this week.

Examiner Ralph L. Walker recommended the denial of an application by J. L. Statler in behalf of the Baker Hospital, Muscatine, Ia., for authority to produce recordings and transmit them to stations in Mexico and Canada for broadcasting.

Explaining his recommendation, the Examiner said:

"The record contains no showing of the character of the programs other than general characterizations by the applicant, which are obviously insufficient to enable the Commission to make a finding thereon. Applicant does indicate it as his intention to advertise the Baker Hospital, the lessor of which is undisclosed, and, in the absence of evidence of the type of advertising to be used, reference may be made to the decision of the Federal Radio Commission, filed June 5, 1931, In re Norman Baker (Station KTNT), Muscatine, Iowa, Docket No. 967. That proceeding arose upon the application of Norman Baker for a renewal of license for Station KTNT. It appears from the decision that Norman Baker was the owner of the Baker Enterprises, which included the Baker Institute, a hospital for the treatment of the diseases treated at the applicant's Baker Hospital.

The decision details excerpts from some of the talks made by Mr. Baker in advertising the Baker Institute, and concludes:

"This Commission holds no brief for the Medical Associations and other parties whom Mr. Baker does not like. Their alleged sins may be at times of public importance, to be called to the attention of the public over the air in the right way. But this record discloses that Mr. Baker does not do so in any high-minded way. It shows that he continually and erratically over the air rides a personal hobby, his cancer cure ideas and his likes and dislikes of certain persons and things. Surely his infliction of all this on the listeners is not the proper use of a broadcasting license. Many of his utterances are vulgar, if not indeed indecent. Assuredly they are not uplifting or entertaining."

"The burden of proof is upon the applicant to establish that public interest, convenience and necessity will be served by the granting to him of the permit sought. This burden the applicant has failed to sustain."

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CBS STOCKHOLDERS VOTE TO DOUBLE SHARES

Stockholders of the Columbia Broadcasting System, Inc., authorized this week an increase in the number of authorized shares from 1,500,000 shares of \$5 par value to 3,000,000 shares of \$2.50 par value and the exchange of each present capital share for two shares of the new stock.

William S. Paley, President, said the Company's net profit for the first half of 1937 was expected to run \$400,000 ahead of the same period last year.

At a meeting of Directors in New York, Frank White was elected Treasurer as of April 1st. He has been Treasurer and Business Manager of News Week. Mefford B. Runyon, who has been Treasurer and Vice-President of Columbia, will relinquish the treasurership to devote all his time to general executive work.

The stockholders approved a proposal to increase the number of Directors from ten to fourteen and the granting to certain executives of options to purchase at \$30 a share an aggregate of 7,850 shares of unissued Class A stock. No additional Directors will be elected until some time next month.

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EXAMINER FINDS THAT FCC MADE A MISTAKE IN 1935 GRANT

The Federal Communications Commission this week was advised to deny an extension of time to one J. B. Roberts, of Gastonia, N. C., for the construction of a station to operate on 1420 kc. with 100 watts power, unlimited time. The Examiner, the report disclosed, found that the applicant was financially and otherwise unqualified to operate the station although it had been granted by the FCC, apparently without a hearing, on October 15, 1935.

Roberts failed to appear at the hearing on a request for extensions of time, but many witnesses from Gastonia, including the Mayor pro tem, testified that he is without funds to build the station and that "the people generally in Gastonia have no confidence in his ability to operate a radio station."

"Testimony shows that Roberts is without funds, even to meet his actual living expenses", the Examiner said. "He appears to be a man of unusual ability in the matter of writing theatrical serials, which might be turned to a useful purpose in radio programs.

"His friends expressed deepest sympathy for his plight, but all who appeared as witnesses were of one accord that he was not in a position to construct or operate a radio station."

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BALDWIN OPTIMISTIC OVER HAVANA RADIO CONFERENCE

James W. Baldwin, Managing Director of the National Association of Broadcasters, returned to Washington this week after attending the preliminary North American radio parley at Havana very optimistic over prospects of a satisfactory agreement among the United States, Canada, and Mexico.

"I think this conference will prove the most successful ever held on radio matters in North America", he said. "I am satisfied that an agreement will be reached that will be satisfactory to all parties."

Final accord on controversial matters had not been reached when Mr. Baldwin left Havana. The conference was scheduled to end the latter part of this week.

Whatever formula the engineers attending the parley may devise for allocating frequencies among the three countries will be subject to approval at the general conference to be held next November, when all North American countries will be invited to participate.

It is understood that the troublesome question regarding the Mexican border stations was soft-pedalled at the Havana conference. This was one of the issues that broke up the Mexican parley four years ago.

The official United States representatives at Havana are Commdr. T.A.M. Craven, Chief Engineer of the Federal Communications Commission; Lieut. E. K. Jett, Assistant Chief Engineer of the FCC; Gerald C. Gross, Chief of the International Section; and Harvey B. Otterman, State Department lawyer.

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RMA DIRECTORS TO PLAN JUNE CONVENTION

Final arrangements for the thirteenth annual Radio Manufacturers' Association's convention and membership meetings at Chicago, June 8-9, will be made at a meeting of the RMA Board of Directors in April. President Leslie F. Muter of the Association has tentatively planned the Board meeting April 16 at The Homestead, Hot Springs, Virginia.

Several immediate industry problems and future sales promotion plans also will be considered at the April meeting of the RMA directorate. It is expected there will be early developments in connection with the pending trade practice rules for set manufacturers, still in negotiation with the Federal Trade Commission.

A banquet of the RMA in the Grand Ball Room of the Stevens Hotel, Wednesday evening, June 9, is a projected highlight of the RMA convention. A. S. Wells, of Chicago, again will head the banquet and convention arrangements committee of RMA. The banquet will precede the opening on June 10 of the radio parts manufacturers National Trade Show at the Stevens.

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RULE RELATING TO LAWYERS AMENDED BY THE FCC

The Federal Communications Commission this week adopted an amendment to its rules of practices to permit former FCC attorneys representing governments - Federal, State, or City - to appear before the Commission without complying with Rule 101.7. The rule now reads:

"101.7. No person serving as an attorney at law in the Federal Communications Commission or on or after July 1, 1935, shall be permitted to practice, appear, or act as an attorney in any case, claim, contest, or other proceeding before the Commission or before any Division or agency thereof until 2 years shall have elapsed after the separation of the said person from the said service. The provisions of this rule shall not apply to any person practicing, appearing or acting as an attorney in behalf of any municipality, or State or the Federal Government in any case, claim, contest or other proceeding before the Commission or before any Division or agency thereof. The term 'attorney at law' includes attorney-examiner. Nothing herein shall be construed to prevent any former officer or employee of the Federal Communications Commission from appearing as a witness in any hearing, investigation, or other proceeding before it."

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U.S. RADIO INSTRUMENTS, MEASUREMENTS CIRCULAR REPRINTED

"Radio Instruments and Measurements", a circular of the National Bureau of Standards, Department of Commerce, copies of which have not been available for several years, has just been reprinted.

Dr. J. H. Dellinger, Chief of the Bureau's Radio Section, stated that the new issue is a reprint of the second edition, originally published March 10, 1924, with errors indicated and obsolete appendixes omitted. While much of the subject matter of the Circular was written 20 years ago, it is still of current value to engineers and students, according to Dr. Dellinger. It was because of the insistent demands from these groups that the reprinting was decided upon, he stated.

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Among the subjects treated in the circular are the fundamentals of electromagnetism; the principles of alternating currents; graphical methods of solving radio circuit problems; methods of measuring radio-frequency resistance, inductance, capacity, and current; and formulas and data for the calculation of inductance, capacity, resistance, and other quantities. In all, the circular has 329 pages filled with essential information for everyone interested in radio communication.

No stock of the circular will be available for free distribution from the Bureau, but copies are obtainable from the Superintendent of Documents, Government Printing Office, Washington, D. C., at 60 cents each.

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TRADE NOTES

The Federal Communications Commission announced this week that the hearing in the telephone investigation, set for March 29, has been continued until April 5th.

An increase in the hours of operation of WBAX, Wilkes-Barre, Pa., from specified to unlimited was recommended to the Federal Communications Commission this week by Examiner John P. Bramhall on condition Rule 131 is complied with.

The Directors of Zenith Radio Corporation have voted a dividend out of current earnings of \$.50 per share on the outstanding stock of the corporation, payable April 20, 1937, to shareholders of record at the close of business April 9, 1937, according to High Robertson, Executive Vice-President and Treasurer.

Denial of the applications of Harold Thomas, Pittsfield, Mass., and H. O. Davis, Mobile, Ala., for construction permits to operate stations on 1310 kc. and 610 kc., respectively, were recommended to the Federal Communications Commission this week by Examiners.

A brooklyn firm distributing radios has entered into stipulations with the Federal Trade Commission to discontinue unfair advertising representations in the sale of its products. The respondents are Frederica K. and Albert M. Frank, trading as Custom-Bilt Radio Co., 226 Adams St., Brooklyn, N.Y. The firm agrees to stop using the word "Gillette" as a mark, brand or label for its midget radio sets.

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NBC ADDS THREE STATIONS BRINGING TOTAL TO 121

Carrying program service into two new territories and expanding it in a third, the National Broadcasting Company this week announced the addition of three stations to the NBC networks and the replacement of another. The additions increase the number of NBC affiliated stations to a new total of 121.

The new territories to be serviced are Erie, Pa., and Wichita, Kans. Station WLEU, Erie, will become an optional outlet of the NBC-Basic Blue Network on Thursday, April 1st. Station KANS, Wichita, will become an optional outlet available to either the NBC-Basic Blue or the NBC Basic Red Network on the same date.

Expansion of service will occur at Richmond, Va. WRTE, as the NBC-Blue Network outlet, and WMBG, as the NBC-Red Network outlet, will replace WRVA, a member of the NBC Southeastern Group, on June 27th.

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DYKE JOINS NBC AS EASTERN

DIVISION SALES MANAGER

Ken R. Dyke, former General Advertising Manager of the Colgate-Palmolive-Peet Company, and prominent in national advertising organizations, will become Eastern Division Sales Manager of the National Broadcasting Company on April 1st. Mr. Dyke takes the place left vacant by Mr. John H. Bachem who on April 1st will become Assistant to Roy C. Witmer, Vice-President in Charge of Sales.

Mr. Dyke, who has just returned from a six months' trip to the Far East, resigned his post with the Colgate-Palmolive-Peet Company last July. Previous to that he was Vice-President in Charge of Sales Promotion for the Johns-Mansville Corp. At the time of his resignation from the Colgate-Palmolive-Pett Company, Mr. Dyke was Chairman of the Board of the Association of National Advertisers, a Director of the Advertising Research Foundation and a Director of the Advertising Federation of America.

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