

The Connery Resolution proposing to investigate radio monopolies was killed by the House of Representatives yesterday (Tuesday) by a vote of 234 to 101.

R. D. Heinl

CONFIDENTIAL — Not for Publication

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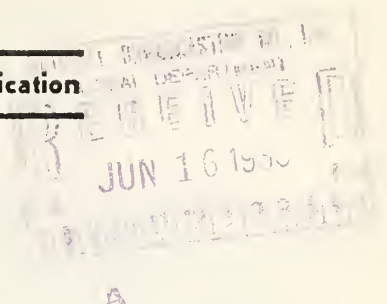
No. 1133

HEINL RADIO BUSINESS LETTER

2400 CALIFORNIA STREET

WASHINGTON, D. C.

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June 14, 1938.

COMMISSIONERS DENY LINK TO RADIO CHAINS

Chairman Frank McNinch of the Federal Communications Commission and Commissioners Eugene O. Sykes, Thad Brown, Norman Case, in answer to questions by Rules Committee members declared they had no connection with any broadcasting chain or station. Commissioner Craven intended making the same denial, Chairman McNinch said, but the Committee went into closed session before he could do so. Commissioner Walker was ill or it was said that he would have been there. Commissioner Payne who had alleged that the Commission was "susceptible to outside interests" was also absent.

During the brief Committee session, Chairman O'Connor, of the Rules Committee, asked Mr. McNinch if he wasn't aware that two or three big radio chains have been favored at the Commission in assignment of licenses. Mr. McNinch denied the accusation.

"Of course, they don't need many more licenses if they control 95 percent of the air already", Representative O'Connor replied.

In answer to another question from the Committee Chairman, Mr. McNinch said he believed the Commission had done all it "legally could" in reprimanding the National Broadcasting Company for its Mae West broadcast.

Mr. O'Connor referred to the Commission's reprimand of NBC in that case as a "slap on the wrist".

Mr. McNinch testified that he knew of "no undue activity" by lawyers practicing before the Commission in the eight months he had been Chairman.

Representative Dies, (D.) of Texas, asked Mr. McNinch he was aware of charges that lobbyists had "constantly been seen in company with at least one Commissioner."

The Chairman replied that the charge apparently was no more true than often-made charges of lobbying "up here on the Hill."

The Committee gave the Commissioners an opportunity to make statements.

"Any insinuation that I am in any way connected with the Columbia Broadcasting Company, or any other radio company, is absolutely false", Commissioner Sykes said.

"I'd like to make the same statement with reference to the two major companies or any other", Commissioner Brown declared, adding that in 1927 he was a stockholder of a Cleveland station.

Representative Lawrence J. Connery, of Massachusetts, had placed in the Congressional Record reports that Commissioner Sykes "is credited with having a very wholesome interest in the affairs of the Columbia Broadcasting System" and Commissioner Brown was "interested in the success of the National Broadcasting Company".

Mr. Connery set forth that he had exchanged correspondence with Chairman McNinch.

"This correspondence fully substantiates the talk, to put it mildly, of the probability of the radio monopoly being directly represented in the membership of the Federal Communications Commission itself", Mr. Connery went on. "I deemed it proper, before making my presentation to the Rules Committee, to ask directly of the Commission itself the accuracy or inaccuracy of this serious indictment of those members of the Commission, supposedly serving the public interest, but who are suspected and talked about as in reality serving private vested interests.

"Chairman McNinch, in his reply, states that he had read my letter to the Commission. It will be noted in the reply of Chairman McNinch that the Commission very carefully refrain from commenting on my request as to whether or not it was true that Commissioners Sykes and Brown were regarded as being interested in the radio monopoly, namely, the Columbia Broadcasting Company and the National Broadcasting Company.

"This correspondence and the failure of the Chairman of the Commission to deny the interest which these two members of the Commission are credited with having in the beneficiaries of the Commission's gratuities, naturally warrants some inquiry on the part of the House.

"I note from a study of this Commission's activities that those attorneys having a very successful radio practice, or many of them, are former officials of, or attorneys of, this Commission and its predecessor. In fact, the former general counsels, all three of them, appear often and quite successfully for their clients before this Commission, which they have served as general counsel. The present influence which these former officials and employees of the Federal Communications Commission have with those officials and employees still in the employ of the Commission, and the help that these former officials and former employees of the Commission receive from their former associates, to my mind, would, if thoroughly investigated, bring forth a condition to which, in comparison, Teapot Dome would fade into insignificance.

"As an indication that Chairman McNinch is conversant with this under-handed influence and pressure, I might note that Chairman McNinch himself, since he was appointed to the Commission, has called for a listing of all persons who call or telephone in the interest of any pending application.

"As further evidence of the unsavory conditions which are believed to exist in this Commission, it is worth noting that Chairman McNinch was apparently unwilling to accept the legal advice of the legal division of this Commission. I note that he brought into the Commission two attorneys to advise him rather than be dependent upon the advice of a legal staff which costs the Government some \$300,000 a year.

"The Rules Committee has before it, presented by Members of Congress, evidence which shows that the moneys of this radio monopoly have been used to corrupt elected Representatives of the people, judicial officials of our Government, that traffick-ing in licenses exists with the knowledge and approval of the present Commission, and that the present Commission is unable or unwilling to penalize those radio stations which broadcast pro-grams which are indecent, obscene, profane, or obnoxious to the American people."

The letter from Chairman McNinch in reply to Represent-ative Connery follows:

"I read your letter to the Commission at its regular broadcast meeting on May 11, all members being present except Commissioner Case, whom I had consulted personally theretofore. Every member of the Commission stated that he had neither heard nor read of any discussion of the vote on the Columbia Broad-casting System case or the National Broadcasting Company case, to which you referred, except at the regular Commission case conferences, at which these cases, along with other cases, were considered and discussed.

"I particularly inquired as to whether any member of the Commission had heard of or knew of any effort on the part of any member of the Commission to persuade any other member to change whatever may have been his vote on these cases or to trade votes on them in exchange for votes on any other case. All members of the Commission said they knew of no such discussion nor had they heard of any effort to have any member change his vote nor of any proposed trade in votes.

"From this it appears, as you will see, that informa-tion upon which were based the statements made in your letter was utterly without foundation.

"As to your request for a statement as to the votes on the cases in question, I beg to advise you that, because of a unanimous agreement among the Commissioners to the effect that votes on cases before the Commission would not be made public until the opinion in a particular case was written and filed with

the Secretary, and thus made available to the public, I could not nor could any other member of the Commission honorably give you information as to how any one or all members of the Commission may have voted on a case prior to the publication of the opinion in such case."

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NATION'S LARGEST STATION MAKES STRONG SUPER-POWER PLEA

The representatives of WLW, the most powerful radio station in the United States, owned and operated by the Crosley Radio Corporation of Cincinnati, Ohio, have occupied with approximately three days of testimony to date in the hearing which the Federal Communications Commission is holding to determine whether or not broadcasting station power shall be limited. The presentation was in charge of James D. Shouse, Manager of WLW, and Duke M. Patrick, Crosley counsel in Washington.

Unlike the testimony which preceded it upon behalf of the Clear Channel Group, the showing of WLW has been limited rather strictly to a factual presentation. The showing was commenced by an introduction of the station's operating statement for the fiscal year 1937, and followed with a breakdown of the programs for the week of March 6, 1938, in the manner indicated by the Commission questionnaire which was sent to all stations requesting the same information. This testimony was followed by a detailed analysis of the cost and maintenance figures for WLW, first as a 50 kw unit, and second as a 500 kw unit.

Following the introduction of this testimony, a representative of the National Broadcasting Company gave a detailed analysis of the number of NBC sponsored programs which had been carried on WLW and on the stations within its service area, both before and after WLW's increase from 50 to 500 kw. These figures showed generally an increase rather than a decrease in the number of NBC sponsored programs which had been carried by stations other than WLW since the latter's power increase. They also showed rather conclusively that the program duplication between WLW and other stations in its recognized service area had increased rather than decreased during the period under consideration.

This testimony was followed by a detailed analysis of the present coverage of Station WLW when operating with power of 500 kw and a comparison of that coverage with coverage when operating with a power of 50 kw. Facts were also developed relative to the decrease in secondary service brought about during this phase of the so-called sun-spot or solar cycle which was estimated as having reduced the effective secondary service of clear channel stations to approximately one-half or one-third of that shown by the Clear Channel Survey figures as obtained in the

years 1934 and 1935. Mr. Leydorff, chief technical witness for Station WLW, generally confirmed the figures previously submitted by the Clear Channel Group relative to the order of signal necessary to overcome static conditions existing during approximately one-third of the calendar year, and particularly in the southern one-half of the United States. Mr. Leydorff stated that there were two major variables which affected secondary service by clear channel stations, first the sun-spot cycle, and second static conditions. A third and contributing factor was stated by him to be the increased use of electrical appliances by rural listeners.

Mr. Leydorff was followed on the stand by Dr. Richard Mead, of the Wharton School of the University of Pennsylvania, who gave various data concerning the size and relative importance of the broadcasting industry and its trend as compared to other advertising media. He gave it as his opinion that no static level had been reached in the expenditures for radio advertising, in view of developments to date, and the trend of the industry as compared to other industries and indices in general.

Following Dr. Mead, numerous exhibits were introduced showing the radio activities, that is, the filing of applications for new stations and the Commission action thereon for the four-year period immediately preceding and following WLW's power increase. Data was also submitted showing the trend in the rate structure of various stations of the several classifications, both in the service area of WLW and elsewhere. The showing was uniformly to the effect that the rates of stations of all classifications had been materially increased during the last four or five years and had not been affected in any degree by the operation of Station WLW.

Additional data was introduced showing the gross revenue of the several stations of the various classifications within the one-half millivolt contour of Station WLW, both before and after its power increase. These show generally that the income of all stations had been materially increased during this period and that in all cases the rate of increase had been approximately the same or greater than that of WLW during the same period.

In concluding the presentation of its case, WLW then introduced a proposed change in Rule 117 as follows:

Stations of this class may be licensed
to operate with power in excess of 50 kw
when it is made to appear:

1. That the use of such additional power will not result in objectionable interference to stations on adjacent channels.
2. That the use of such additional power will not cause objectionable interference with stations licensed by other countries pursuant to any agreement to which the United States is a party.

3. That the station is so situated geographically that (with or) without the employment of a directive antenna or other directive radiating devices substantially all of its primary and secondary service areas fall within the Continental United States.

4. That the use of such additional power is necessary to provide an adequate and acceptable radio service not otherwise available, or a choice of such services, to a substantial number of persons who do not reside within the primary service area of any other broadcast station licensed by the United States.

5. That at least fifty per cent of the programs broadcast by said station during both daytime and nighttime operation shall consist of live talent programs originated by it and not otherwise available to the area and audience described in Paragraph(4).

Dr. C. B. Jolliffe, engineer in charge of the RCA Frequency Bureau and ex-Chief Engineer of the Communications Commission had previously presented evidence on behalf of the Clear Channel Group to indicate that 500 kilowatt stations in the United States would not cause damaging interference with foreign stations. He was qualified not only as an engineer expert; but also as an expert on international radio problems. He outlined the history of international agreements as they related to high power limitations and pointed out that the earlier conferences provided for specific limitations of power and were indicative that the administrative authorities of Europe were afraid of the effects of increased power. At Cairo, in the revision of the Additional Protocol which set up the directives for the European broadcasting conference to be held in February, 1939, the annex of the Madrid Convention having to do with limitation of power was changed so as to delete any definite power limitation. There was apparently no opposition expressed and no discussion.

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GERMANY TAKES TO AUTO RADIOS

The use of automobile radio sets has grown rapidly in Germany, the Office of the American Commercial Attache in Berlin advises. Whereas in 1934 only 76 sets were sold, in 1935 the number jumped to 1300, and subsequently increased to 1,500 in 1936, and 3,000 in 1937. Telefunken (AEG and Siemens) sell about half of these and the rest are divided among a number of other companies. In 1937, the regular price for these sets was 370 reichsmarks which, since April 1, 1938, has been reduced to 360, still a very high price according to American standards. If the demand continues to grow, the industry plans to start mass production and reduce the price by 20 percent. Experiments are also being made toward the production of a simple, popular set to sell at 230 reichsmarks. (The reichsmark, at average rate of exchange, equaled \$0.4020 in 1937; at present rate, it equals approximately \$0.4016).

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WHEELER RESOLUTION RESTRICTING POWER TO 50 KW PASSES SENATE

The resolution of Senator Burton K. Wheeler, of Montana, that the Federal Communications Commission should not permit radio stations to operate with power in excess of 50 KW passed the Senate last Monday (June 13). Senator Bulkeley, of Ohio, blocked the Senate's action, by declaring his intent to call the Wheeler resolution up for reconsideration. He may do this at any time before the adjournment of Congress.

The resolution set forth that the operation of radio broadcast stations in the standard broadcast band (550 to 1600 kilocycles) with power in excess of 50 kilowatts is definitely against the public interest, in that such operation would tend to concentrate political, social and economic power and influence in the hands of a very small group, and is against the public interest for the further reason that the operation of broadcast stations with power in excess of 50 kilowatts has been demonstrated to have adverse and injurious economic effects on other stations operating with less power, in depriving such stations of revenue and in limiting the ability of such stations to adequately or efficiently serve the social, religious, educational, civic, and other like organizations and institutions in the communities in which such stations are located and which must and do depend on such stations for the carrying on of community welfare work generally."

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PUBLISHERS OPERATE ONLY 51 STATIONS

Although approximately 200 of the Nation's 700 radio outlets are generally catalogued as "newspaper stations", only 51 actually are operated by publishing companies, the accounting department of the Federal Communications Commission finds, Editor & Publisher reports.

There are scores of instances of newspaper control over broadcasting corporations, and operating agreements between the two systems for transmission of information are numerous, but joint operation was found to be uncommon.

This information was furnished the Commissioners this week as they launched a study of broadcasting regulation and the advisability of amendment of rules.

The statistical study placed the income of 629 stations which responded to questionnaires at \$131,205,866. Advertising, selling and publicity expense was fixed at \$5,551,202, and payments to agents and brokers amounted to \$16,982,960.

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ITALY'S NEW S.W. TO BE HEARD THROUGHOUT WORLD

On December 9, 1936, a project was approved by the Council of Ministers in Rome, for the setting up of a new short-wave station in Rome, in order to improve the present technical organization of the E.I.A.R., and the broadcasting service of the colonial Empire, as well as that of Italian propaganda throughout the world, the office of the American Commercial Attache, at Rome, reports. This new station will be completed within the first six months of the current year.

The Rome short wave station located at Prato Smeraldo was established in 1930. The newly approved plan consists in the improvement of the power of the two existing transmitting stations, which will be increased from 25 KW. to 40 KW., in alternations of the modulation system, waves, etc. In addition, two new 100 KW power broadcasting lines will be set up, amounting totally to four; two of these will work on separate waves, rapidly, separately modulated, transmitting each a different program. The four broadcasting lines will be established in a new two-story building, erected on an area of about 25 hectares, which has recently been purchased by E.I.A.R.

About 200 meters from the mentioned building, a smaller one will be constructed to hold two other 50 KW. power transmitters, of which only one will be set up. This transmitter is of the pluri-wave type, i.e., able to get any wave on the scale 14-16 meters, with rapid commutation to four prefixed waves. This broadcaster is intended to be used as an experimental station to test the efficiency of new waves, broadcasting directions, etc., without therefore hindering the regular broadcasting of the four mentioned transmitters.

Fourteen steel towers will sustain the aerials, some of which will measure 60 meters and others 80 meters in height. Particular attention has been given to the broadcasting with the Ethiopian Empire, for which four bands will be employed, each with a separate wave and 100 KW. transmitters. There will be other broadcasting lines directed to North America, South America, Central America, Japan and Australia.

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Representative J. Hardin Peterson, of Florida, has introduced a bill (H.R. 10869) to prevent monopolies and to prohibit excess duplication of broadcast programs in any area. The bill has been referred to the House Committee on Interstate and Foreign Commerce, and it is identical with the bill introduced last week by Senator Sheppard of Texas,

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SEATTLE STATION SUES SENATOR BONE FOR \$250,000

United States Senator Homer T. Bone (D.), of Washington State, was named defendant yesterday (June 13) in a \$250,000 damage suit in which operators of radio station KOL, Seattle, charged him with using his public office to further a private radio business, an Associated Press dispatch from Seattle states.

Saul Haas, Collector of Customs at Seattle, and formerly Senator Bone's secretary; the Columbia Broadcasting System, the Queen City Broadcasting Company, Seattle, operators of radio station KIRO, and wives of Messrs. Bone and Haas also were named.

The complaint, filed by the Seattle Broadcasting Co., accused Senator Bone of using his position on the Senate Committee on Interstate Commerce to have a Columbia station contract transferred from KOL to KIRO, after owners of KOL had refused an alleged request to give Messrs. Bone and Haas a controlling interest in KOL. Messrs. Bone and Haas, it alleged, own and control KIRO.

At Seattle, statements denying conspiracy charged were issued by Station KIRO on behalf of Senator Bone and Louis K. Lear, President of the Queen City Broadcasting Company, which operates KIRO.

The statement issued for Bone said:

"I am not now and never have had any interest whatever in station KIRO. The same is true of Mrs. Bone.

"During the very time mentioned in the complaint, I was urged to be helpful to Station KOL in its efforts to secure a large increase in power. I was glad to do this so far as I could do so legitimately. Station KOL was granted the increase it sought and now has five times as much power as Station KIRO.

"If this is a conspiracy, it is the funniest conspiracy ever hatched by human beings."

Senator Bone further contended that the allegations were false and instituted maliciously "solely for political purposes."

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A larger newspaper schedule than formerly with no consideration for national magazines is planned by General Electric Radio to launch its story for 1939, built around three new radio developments called, "Three Scoops". Maxon, Inc., New York, is the agency. Approximately 165 newspapers will be used in the campaign, details of which have not been complete, which will start late in September. Trade magazine copy will start July 1.

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I. T. & T. NET QUARTERLY INCOME SHOWS INCREASE

The net consolidated income of International Telephone and Telegraph Corporation and subsidiaries for the three months ended March 31, 1938 amounted to \$2,299,336, as compared with \$1,658,438 for the three months ended March 31, 1937, according to Sosthenes Behn, President.

Gross operating revenues of the telephone and radio-telephone subsidiaries which are consolidated, amounted to \$8,517,602 as compared with \$7,638,003 for the similar period of 1937. There was an aggregate of 712,993 telephones in service (excluding Spain) at March 31, 1938, an increase of 16,536 since the first of the year.

Gross operating revenues from cable and radiotelegraph operations amounted to \$1,229,311 as compared with \$1,289,992 for the same period of the previous year.

Gross profit on sales of manufacturing and sales subsidiaries amounted to \$5,504,696 as compared with \$4,117,360 for the corresponding three months of 1937. Sales amounted to \$21,013,000 as compared with \$16,487,000.

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RADIO INDUSTRY IS WARNED AGAINST UNSOUND MERCHANDISING

There were words of advice from Arthur T. Murray, of the United American Bosch Corporation, of Springfield, Mass., retiring Chairman of the Set Division of the Radio Manufacturers' Association. Mr. Murray has long been identified with the radio industry but is now an official of the Moore Drop Forging Company of Springfield.

"The radio industry at best has always had too many vicious and completely unsound merchandising practices to contend with, and I sincerely hope that the efforts which your committees, under the Chairmanship of Messrs. Skinner and McDonald, have put in, will at not too distant a date prove to be of sound and of lasting benefit to the industry", Mr. Murray declared. "The industry owes much to these gentlemen for the efforts which they have expended in its behalf.

"What does the radio industry face? It faces a production capacity that has but little relation to the most extravagant consumption demands that can possibly be placed upon it. Any industry that finds itself in that position must of necessity give up, for its collective good, all unsound practices in which it has heretofore indulged. I believe firmly that the industry, up until the Fall of last year, had made a

very marked improvement in its habits and in its conduct generally, but even at best, it had made but small progress over the road which must be covered before it can look upon itself as an industry whose solidity is such that it commands the respect of itself and of the public generally. I sincerely hope that the ground which has been lost in these past six months may be quickly recovered as a result of a realization on the part of the leaders of the industry that the ways of the industry must be permanently mended. Until the five or six leading factors in the industry stand shoulder to shoulder with each other in the improvement of morale, the industry, it seems to me, is doomed to never attain the type of solidity and real worth which destiny intended that it should have.

"The opportunity to play an important role in the destinies of an industry which has the romance which is so indelibly a part of this industry, has been given to but few men. Today radio is an essential part of the life of everyone. Its possibilities for good and, unfortunately also for evil, are almost without limit. It is the type of service for which any fair-minded human would pay fairly and well if he were permitted to do so, and it isn't the fault of the consumer that this has not been so. It has been wholly the fault of the set manufacturer, and I think the industry would be exceedingly wise to acknowledge the existence of this fault, and again make a strenuous effort, selfishly, if you please, for the betterment of the industry's economic being.

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TELEVISION EXHIBIT PLANNED FOR VISITORS TO RADIO CITY

Television, in the present stage of its development, soon will function for visitors to the National Broadcasting Company studios in Radio City. A television exhibit to be opened late this Summer will augment the guided tours through the NBC studios.

"The NBC television exhibit will be a complete unit in itself. Though demonstrating the same principles and employing the same type of apparatus used in RCA-NBC experimental television over Station W2XBS in the Empire State Tower, the exhibit will be entirely separate and distinct from it", according to an NBC release.

"Three studios have been set aside for the benefit of the public. The first houses the Iconoscope camera, a 'boom' microphone and other equipment for broadcasting sight as well as sound. Once the camera has been inspected the group will be taken to an adjoining studio separated from the telecasting room by a huge glass panel. This second room will contain the four RCA experimental television sets which will show the action taking place in the studio. A fifth receiving set, yet to be delivered, will be in an unfinished chassis, with all the works exposed.

"The third room will be the first television museum with television apparatus from its earliest, crude beginnings to its present state."

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