

HEINL RADIO BUSINESS LETTER

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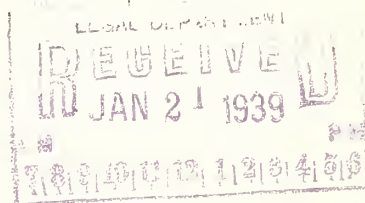
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INDEX TO ISSUE OF JANUARY 20, 1939

Slap At McNinch Seen In Committee Report.....	2
Celler Reintroduces Pan American Bill.....	4
Senate Uncovers Long-Life Radio Tube.....	5
Committee Opposes Strict Ban On Press Stations.....	6
U.S. Television To Surpass British, Says Farnsworth.....	7
Public Service Standards For Radio Suggested.....	8
Caution Urged In Adopting Policy On Super-Power.....	10
One-Year License For Stations Recommended.....	11
19 Channels Cited For Improvement In Report.....	12
G.E. Station To Blanket South America.....	12

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Rg by H. J.

SLAP AT McNINCH SEEN IN COMMITTEE REPORT

An indirect warning to Chairman Frank R. McNinch that some of his proposed radio policies are at variance with the Communications Act was contained in a 31-page report by a three man Committee of the Federal Communications Commission this week on proposed rules governing broadcasting stations.

Besides recommending that the proposed FCC rule against super-power be retained until a further study is made of the economic effects of such broadcasting, the Committee discussed clear channels, newspaper ownership of radio stations, station profits, programs, absentee ownership, networks, and international aspects of broadcasting.

While recommending no radical changes in FCC policy, the report called attention to the far-reaching effects of certain practices and recommended caution in the adoption of fixed policies.

Its principal findings and recommendations to the FCC are:

That no super-power or 500 KW. stations be licensed until a further study is made of the economic aspects of the issue.

That "public service standards" for broadcasting licensees be adopted but not until a further study is made.

That licenses be extended from six months to a year in an effort to stabilize the industry.

That no "rule-of-thumb" policy be adopted with regard to newspaper ownership of radio stations and that more data be obtained on the subject.

That no further inroads be made on the 25 clear channels but that improvements be made in the utilization of the 19 clear channels to be shared and of local and regional channels.

That network organization should be encouraged rather than discouraged.

The report was prepared by a Committee composed of Norman S. Case, Chairman, T.A.M. Craven, and George Henry Payne. The same group earlier had recommended that Station WLW, Cincinnati, be denied an extension of its 500 KW. experimental license.

The findings and recommendations are based on public hearings held by the Committee last Summer on the FCC proposed rules.

"The American system of broadcasting has its legal foundation in the Communications Act of 1934, which is the outgrowth of the Radio Act of 1927", the report stated.

"In drafting legislation, Congress recognized the underlying doctrine of the American system of broadcasting to be its application to the service of the public in a democracy where initiative and freedom of speech are the cherished rights of the people of the nation. In safeguarding this doctrine Congress specified that the ultimate control of broadcasting channels must rest in the hands of the public and therefore specifically limited the terms of radio broadcasting station licenses to not more than three years, and specified that 'the station license shall not vest in the licensee any right to operate the station nor any right in the use of the frequencies designated in the license beyond the term thereof nor in any other manner than authorized therein', and in addition prohibited the transfer of licenses or control thereof without the consent of the Commission."

The Committee cited with significance but without comment the Communications Act's ban on governmental censorship of radio programs.

"Congress also specified that 'a person engaged in radio broadcasting shall not in so far as such person is so engaged be deemed a common carrier'", the report added. "In so specifying, Congress evidently recognized not only the impracticability of regulating the rates charged by broadcasting stations, but also intentionally avoided the potentialities involved in the acquisition by any administration in office of added power to control the channels of mass communication.

"As a safeguard against improper concentration of radio facilities in sections of the country to the detriment of other sections, Congress specified that 'in considering applications for licenses, and modifications and renewals thereof, when and in so far as there is demand for the same the Commission shall make such distribution of licenses, frequencies, hours of operation, and of power among the several States and communities as to provide a fair, efficient, and equitable distribution of radio service to each of the same.'

"In many sections throughout the Communications Act of 1934, Congress has indicated the necessity for the preservation of competition as a further safeguard against concentration of control of broadcasting facilities.

"The Committee is convinced that the American system of broadcasting, operated in accord with the broad policies now prescribed by Congress, has proved to be the best method of applying this modern invention of radio to the service of the people of the United States. The Committee has recognized, however, that the method by which broadcasting is regulated can change completely its aspect as a service to the public. We believe that among the best methods to safeguard the American system of broadcasting is, in so far as is practicable, to encourage and require full and free competition. The Committee is therefore of the opinion that the attainment of this objective requires a faithful

adherence by the Commission to the diversification doctrine of licensing stations in any community or region as well as in the nation as a whole, and also the licensing of an adequate number of stations to insure active competition, not only in business but also in service to the public.

"The Committee also considers that a policy which insures a diversification of programs in any community as well as in the entire nation, will greatly assist in preserving the American system of broadcasting. The public is entitled to a variety of choice of its programs not only from individual stations but also from the system as a whole. Therefore, it is necessary for all licensees who operate facilities using the radio waves of the public domain to maintain a balanced program service of interest and value to all the people in their homes. It is equally necessary that these licensees keep radio a vital force and available as an open forum for the discussion of questions of concern to the public on a fair and equitable basis, regardless of race, creed or political doctrines. This does not mean that radio may be debased as a service but it does mean that the public interest can best be served and freedom of speech safeguarded when station licensees conduct the operation of their stations in accord with the principles of democracy and in accord with high standards of ethics in conformity with the tastes, requirements and desires of the public.

"It appears desirable that the Commission, in rendering future decisions, endeavor to establish a policy which may serve as a guide for all applicants in the matter of economic support for any number of radio stations in cities of different populations. The Committee therefore recommends that in each hearing involving additional facilities in any community, there be specified in the Bill of Particulars the issue of economic support and that the Commission's staff endeavor to present evidence of an economic character in each such instance. The Committee feels that since the evidence now available is not sufficient to warrant the establishment of a uniform policy, the method recommended by the Committee would be the best procedure in establishing such a policy in the future."

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CELLER REINTRODUCES PAN AMERICAN BILL

Representative Celler (D.), of New York, this week reintroduced his bill to authorize the Navy Department to establish a Government-owned Pan American short-wave station in Washington, and the measure was again referred to the House Naval Affairs Committee, which pigeon-holed it last year.

A report on international broadcasting, with recommendations as to what the United States should do, is expected to be made to President Roosevelt the latter part of this month.

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SENATE UNCOVERS LONG-LIFE RADIO TUBE

A radio tube of much longer life than the present type could be produced and sold to listeners if manufacturers wished, Dr. Frank B. Jewett, President of Bell Telephone Laboratories, told the Congressional Monopoly Committee this week.

The testimony came like a bomb-shell to the inquiry, instailing new life into what had developed into another "monotony" probe like that of the Federal Communications Commission.

Senator O'Mahoney, Chairman of the Committee, immediately seized the opportunity and asked Dr. Jewett for more data on why the tube is being withheld from the market. Committee members indicated that they will call leading radio manufacturers to question them about the matter.

Dr. Jewett testified that the tube, developed by the laboratories, had been in use over the long distance circuits of the Bell System since 1923. The tube was described as having twenty to fifty times the life of an ordinary tube and using less power.

Asked why it had not been made available to the general public, he said:

"It would not be to their commercial advantage to do it. I know that if I was in their place I wouldn't do it."

He explained that the new tube had 50 times the life of the tube used before 1923, consumed only half as much current and was somewhat less costly to manufacture.

Richard C. Patterson, Assistant Secretary of Commerce and a member of the investigating committee, commented, "I can see how they would sell less tubes all right."

Dr. Jewett had testified that under a cross-licensing agreement Radio Corporation of America and General Electric Corporation had the right to use the invention. The Bell System had used them in another form for long distance telephone communications.

The general policy of the Bell System, Dr. Jewett said, was to "grant licenses broadly", on the 15,000 patents it holds.

Isador Lubin, Commissioner of Labor Statistics, said he could not understand why "someone is foregoing the opportunity of making millions" by not manufacturing the longer-life tube.

The Bell tube is manufactured by the Western Electric Co. He (Dr. Jewett) said he did not know whether the cross licensing agreement between RCA and General Electric prevented Western Electric from manufacturing radio tubes. The improved vacuum tube, Dr. Jewett testified, had saved the Bell system \$10,000,000 last year, but had cut Western Electric's production to one-fiftieth of the number of old-style tubes that would have been needed.

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COMMITTEE OPPOSES STRICT BAN ON PRESS STATIONS

While suggesting further study before adopting any policy, the Committee on Rules this week advised the Federal Communications Commission to adopt no "rule-of-thumb" regulation with regard to newspaper ownership of radio stations.

"From its examination of the data at hand (largely taken from the Commission's own files), the Committee feels that to adopt any rule-of-thumb on a subject such as this would run the hazard of working an injury to the service received or entitled to be received by the public", the report stated. "The subject has too many aspects on which little or no trustworthy information is available or analyzed.

"Pending the securing of adequate information, the Commission has at hand the existing procedure established under the Communications Act of 1934 and, by applying the standard of public interest, convenience or necessity to all applications, whether for new stations or for renewals of license, it has power to cope with situations where actual or proposed newspaper ownership of a station raises a doubt as to whether the standard has been or will be complied with in practice.

"Some of the courses of action which are suggested probably could not be followed without a more explicit declaration of policy by Congress. . . . The Commission should undertake to study further the question not only of newspaper ownership of radio stations, but also the economic effect of radio upon newspapers, and proceed to secure information of an economic character concerning both of these phases of this important matter.

"In future hearings on applications for new stations, particularly in smaller communities, the Commission might include in its consideration of public interest, the factor of radio competition with established newspapers. By this the Committee does not mean to infer that such competition is not desirable, but that if such competition should be destructive and should affect employment of a relatively large number of people in a community, as well as the investment in property therein, there may be involved an element of public interest which, at least, should be considered by the Commission."

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Television's first woman program director, Miss Thelma A. Prescott, has been added to the staff of the National Broadcasting Company to represent the feminine interest in this new art. Miss Prescott will produce fashion shows and other programs with appeal primarily to women.

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U.S. TELEVISION TO SURPASS BRITISH, SAYS FARNSWORTH

The American system of television, which is due to make its debut this Spring will be far superior to that available in England and Germany, Philo T. Farnsworth, Vice-President of Farnsworth Television Corp., Philadelphia, told the Congressional Monopoly Committee Thursday.

The one-time "boy wonder", now in his early thirties, drew gasps of amazement from the Committee members and spectators as he recounted how he had developed the basic idea of television while a boy of 14.

Mr. Farnsworth denied that there had been any organized suppression of television by radio manufacturers and stressed the need for standardization. He said that superior equipment will be made available to the public as a result of the long drawn out experiments.

The Radio Corporation of America, he said, is planning to market in April television receiving sets which probably would be sold for as little as \$125; and by the end of the year there was a likelihood that the Television Committee of the Radio Manufacturers' Association would apply to the Federal Communications Commission for authority to start regular commercial television broadcasts.

"The public feels that there may be suppression of patents in television", Senator O'Mahoney said, "and the feeling seems to be that the radio companies have such a large investment in their own field that they might wish to defer the advent of television."

Mr. Farnsworth said that whatever of withholding there had been was due to the "tremendous engineering problem" confronting the companies which would market television.

"When television is introduced", he stated, "we must be very sure that the standard adopted is not one which will freeze the art into a specific form too early."

The television which the American public would soon receive, he said, would be far superior to that which had been available in Germany and England for several years, partly because the industry in this country had a chance to profit by the experience abroad. He said the foreign television application was largely based on patents licensed from this country.

He said the American companies now had equipment which could transmit outdoor news events, movie films and studio performances with such precision that the reception could hardly be distinguished from what is now seen on motion-picture screens.

"Then why is it not on the market?" asked Mr. O'Mahoney.

When Mr. Farnsworth told of the collective plans of the television manufacturers and broadcasters, the Senator asked if it would not be possible for one company to start without the others.

"Yes, but the whole future of the art depends upon standardization of equipment", said Mr. Farnsworth.

He denied there was any attempt on the part of a single company to "police the industry". Modern television, he added, could not be built without using Farnsworth, Bell and RCA patents in combination.

Mr. Farnsworth expressed disapproval of compulsory licensing, in which some committee members have shown an interest, and recommended that the patent procedure should be simplified as much as possible to strengthen the patent monopoly without disturbing the system's basis.

Asked concerning the 50,000-hour vacuum tube which Frank B. Jewett, President of the Bell Telephone Laboratories, told the Committee about Wednesday, Mr. Farnsworth said he believed any electrical company could now make the tube, which the Bell System adopted in 1923, because the patents on it had expired.

"The fact that this tube has not been made available to radio users", he said, "is no indication that the industry is evading public demand. I don't think that a public demand for a tube of this life exists. They would last too long, longer than the life of the average radio set."

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PUBLIC SERVICE STANDARDS FOR RADIO SUGGESTED

While shying from fixed rules to govern radio program service, the three-man Federal Communications Commission Committee reporting this week suggested that "standards of public service", might be adopted for the guidance of licensees and be used as a yardstick in the renewing of permits.

The proposed "standards" would require stations to:

"1. At all times maintain a liberal reaction to public opinion and demands with respect to the service rendered by the broadcasting station.

"2. Be fair and equitable when making its broadcasting facilities available to citizens and organizations of the community in which the station is located, regardless of race, creed, or social and economic status.

"3. Assist in the development and use of talent living in the community, and also bring to the community in so far as is practicable talent resources of the nation.

"4. When practicable encourage the employment and training of residents of the community for service in the various departments of the station.

"5. Render a balanced program service of diversified interest to all the public and include in such service during periods which may be practicable from the standpoint of general public interest, sufficient time for education, cultural subjects, religion, entertainment, news events (both local and general) and the activities of local civic enterprises.

"6. Avoid programs in which there is obscenity, profanity, salaciousness, immorality, vulgarity, viciousness, malicious libel, maligning of character, sedition, and malicious incitement to riot or to racial or religious animosities so as to contrive the ruin and destruction of the peace, safety, and order of the public.

"7. Avoid the broadcasting of lottery information, false, fraudulent or misleading advertising, and programs containing uninteresting and lengthy advertising continuity.

"8. With regard to the advertising of medical services or products, require that the representations made be strictly truthful and decorous, and used as a basis for determining the truth of such advertising the findings of the United States Food and Drug Administration, the Post Office Department, the Federal Trade Commission, the local medical authorities and the expression of the Federal Communications Commission as found in its decision.

"9. Exercise care in making its facilities available on an equitable basis to all if to any advertisers in the community.

"10. If the station's facilities are made available as a forum for discussion of public social and economic problems, exercise care to insure that the listening public has an opportunity to hear opposing schools of thought on controversial subjects of public interest.

"11. Avoid making the station's facilities available for editorial utterances which reflect solely the opinion of the licensee or the management of the station. If editorial utterances are permitted, exercise care not to deny the use of the station's facilities to those having contradictory opinions. In other words, the stations's facilities should be available for the presentation of other sides of controversial subjects on a fair and equitable basis.

"12. Require that all programs should be formulated for broadcasting to the home, so that no listener would be compelled to tune out the station because of doubtful effect on youth.

"13. Maintain station equipment and operating methods in all departments abreast of progress from the standpoint of efficiency, signal intensity and reduction of interference to other stations."

Because many participants in the hearing were unprepared to offer evidence in this matter of standards, the Committee said that the Commission should not prescribe such standards at this time, however.

"This matter might be the subject of a future hearing of a legislative character in which may be considered not only the feasibility of adopting standards but also the procedure for making them effective", it concluded.

CAUTION URGED IN ADOPTING POLICY ON SUPER-POWER

Weighing the evidence for and against super-power, the Federal Communications Commission Committee reporting on proposed new rules this week recommended that the proposed limitation at 50 kw. be maintained and that the Commission gather more data on the economic factors involved in super-power broadcasting.

The Committee's recommendation is in line with the Senate resolution adopted last year upon the insistence of Senator Wheeler (D.), of Montana.

About a dozen clear channel stations have applied for authority to increase their power from 50 KW. to 500 KW.

Recalling that the Clear-Channel Group of stations advocated the change in rules while the National Association of Regional Broadcasters and others opposed it, the Committee said:

"The evidence shows conclusively that, from a technical standpoint, the use of power in excess of 50 kw. has a distinct advantage because it provides better quality service to the vast population residing in rural areas and in towns which neither have broadcasting stations of their own nor are located within the primary service area of any station.

"Unfortunately, however, the evidence also indicates that there are possible disadvantages of an economic and social character in removing the power limitation. While no one should fear technical progress, it is important in these days of economic upheaval, to understand and consequently to prepare for possible economic changes which may result from technological advances.

"Thus the question of super power, from the standpoint of the general public throughout the nation as a whole, involves a determination of whether the resulting advantages to be gained in the improvements of radio service to listeners in rural areas by means of super power operation from a few stations properly located in the country, are outweighed by the possible disadvantages resulting from adverse economic effects of such super power operation upon a large number of smaller power stations primarily serving the smaller metropolitan areas, as well as by the possible adverse social effects of centralizing into the hands of a few persons such powerful facilities of mass communication capable of reaching all the population of the nation.

"Therefore, from the standpoint of social effect, it is also necessary that the Commission proceed with caution at this time. Furthermore, if as the result of further study of the economic phases of the question, it is ascertained that the advantages of super power would outweigh its disadvantages, the Commission should be prepared to formulate rules to counteract the potential adverse social effects resulting from the concentration of such powerful media into the hands of a few.

"In view of the foregoing considerations, the Committee recommends that the proposed rule be not changed at this time, but in lieu thereof, that the Commission proceed on a more intensive accumulation of facts and a consequent study of the economic factors involved. At a later date the subject of super power may be reopened and decided more positively upon the basis of more accurate evidence and experience than is available at present."

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ONE-YEAR LICENSE FOR STATIONS RECOMMENDED

Doubling of the license term of broadcasting stations is recommended by the Federal Communications Commission Committee on Rules in its report this week.

"The Committee feels that while profits should not be the sole motive of a broadcast station licensee, profits are not only proper but they are also necessary if the public is to have good radio broadcasting service", the report stated.

"Not only must each broadcaster, against constant competition, maintain the public's confidence and interest in the service rendered, but also the licensee must and should operate on a rigid basis of regulation by the Federal Government. The industry is confronted with rapid change, rapid obsolescence, and rapid new and renewed demands upon the enterprise, initiative, and capital of its members. There is always present the threat of sweeping changes in the technical base on which radio stands, as for example, such developments as television. The industry must be sufficiently prosperous, not only to pioneer but also to secure adequate funds to finance the new developments and changes which periodically will continue to confront a new industry based on a rapidly developing new science.

"The Committee is impressed with the necessity for encouraging stability in the business of broadcasting. Such stability is essential if needed improvements in service are to be practically attainable. If there is less risk the net profits might well be smaller than now and yet more satisfactory from a business standpoint with consequent benefits to the public from the standpoint of improved service.

"Based upon the evidence at the hearing concerning the present short term of license the Committee is of the opinion that many advantages can accrue to the public as well as to the industry if the term of license be extended to at least one year."

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W.G.H. Finch, who developed the facsimile radio broadcasting method which bears his name, and representatives of stations licensed to use Finch equipment, were guests in Cincinnati of Powel Crosley, Jr., President of the Crosley Corporation, at a dinner at the Hotel Gibson, Cincinnati, Thursday, January 12th.

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19 CHANNELS CITED FOR IMPROVEMENT IN REPORT

While recommending preservation of 25 clear channels for exclusive use of 50 kw. stations, one on each channel, the Committee on Rules of the Federal Communications Commission, proposed that in addition to the existing regional and local channels 19 channels be made available for general improvements.

"In providing for the future improvement in rural service, so as to make it compare more favorably with existing urban service, the Committee considers the retention of 25 channels on which only one 50 kw station operates at night to be the safest course for the present", the report stated. "Too much is not known of potential technical developments other than mere duplication to warrant the Commission's adopting duplication as the only course at this time. Furthermore, it should be borne in mind that many of the attempts to utilize all channels on a shared station basis are for the purpose of improving urban service by means of regional and local station usage. Therefore, it appears that a more reasonable course would be to exhaust the possible improvements which may be available in a better use of regional and local station channels and of the 19 clear channels which the Committee has recommended be shared station channels, rather than to tap the reservoir of the remaining 25 channels to too great an extent.

"Thus, in addition to the existing regional and local channels, there are 19 channels (i.e., 15 of the former 40 clear channels and the 4 former high power regional channels), which the Committee recommends be made available for general improvements in sections of the nation. In addition, under the provisions of the North American Regional Broadcasting Agreement, other channels will be available for use on a limited scale for further improvements of service in the United States."

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G.E. STATION TO BLANKET SOUTH AMERICA

General Electric's powerful new-type short-wave radio transmitter, which will be opened next month at the San Francisco World Fair, will broadcast in five languages to South America and the Orient. After the Fair it is to be set up permanently as a non-commercial station at nearby Belmont, and could be used to reach the peoples of South America and Asia with America's point of view.

Radio technicians said the 200,000-watt equipment would have enough power to blanket short wave reception from the Rio Grande to the Straits of Magellan, broadcasting in English, Spanish and Portuguese, and from the Caribbean Sea to the Indian Ocean sending in English, Japanese and Chinese.

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