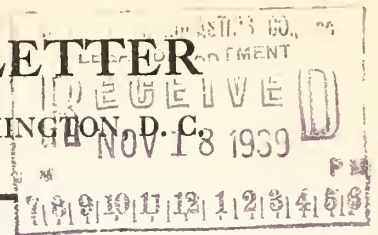


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TELEVISION PROBLEM ECONOMIC RATHER THAN TECHNICAL

With the release of the television report of Federal Communications Commission's Television Committee this week, it became apparent that the major obstacle to rapid television development as a public service is the economic rather than a technical problem.

Until the FCC acts on the three parts of the Committee's report and actually grants construction permits for new visual broadcasting stations, it will be difficult to determine whether or not the liberalized FCC rules are going to pave the way toward economic stability for the industry.

Licensees have invested between \$12,000,000 and \$15,000,000 to date in promoting television, but it is likely that they will have to spend millions more before the art makes any substantial financial return.

Until stations are constructed in scattered sections of the country, however, networks cannot be established; and until networks are set up, it is doubtful that the high cost of programs can be so apportioned as to make television commercially feasible.

Program cost alone in New York City was found to be \$15,000 for a 12-hour per week service. Yet, the Craven Committee pointed out, the average cost of producing a motion picture is \$300,000 and hinted that television would have to step up, rather than cut, its expenditures to compete.

"If television is to become a real public service", the report added, "the licensees must be adequately financed and be assured of an adequate revenue from the service rendered."

A radio station in a small community can be constructed for about \$15,000 and program talent can be obtained for a few hundred dollars a week. Not so with television. FCC officials figure that at least \$50,000 will be needed for the initial investment and the cost of staging programs will run many times that of radio.

The Radio Corporation of America, and its subsidiary, the National Broadcasting Company, have spent between \$8,000,000 and \$10,000,000 on television without any financial return, and the Columbia Broadcasting System has invested \$1,225,000 and hasn't started broadcasting yet.

The question of who is going to pay for this highly expensive art is disturbing both the FCC and the radio manufacturers who are taking the lead in promoting it. Obviously, the

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industry hopes that television ultimately will reach the stage, like radio, where the public foots the bill indirectly by patronizing the products advertised.

But advertisers, as a rule, are not so philanthropic as to be willing to provide entertainment without reasonable assurance of financial returns. So that until a market of television receiver owners is available, they are apt to be reluctant in taking advantage of the liberalized rules of the FCC.

The public, on the other hand, is not likely to stampede manufacturers with orders for receivers until television stations and networks are established and regular programs of high caliber are available.

The cost of television receivers will be cut shortly to an average of \$300 instead of \$600, it is understood, as a lure to prospective buyers. But FCC officials doubt even that price will bring any volume sales until more stations are operating.

If the FCC follows the recommendations of the Craven Committee, it will be careful to grant licenses only to applicants with adequate finances and experienced in public service. Newspapers, broadcasters, and motion picture companies, if able to qualify financially, would be considered capable from a public service point of view, it is understood.

Establishment of national networks, FCC officials believe, will enable television broadcasters, once audiences are built up, to present rather elaborate programs from a key station and then transmit them via relay or feeder units or other means to affiliated stations. Whether even these will become economically profitable remains to be seen.

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NEW NETWORK DUE TO START OPERATING JANUARY 1

The Transcontinental Broadcasting System, which was organized in Chicago recently with the aid of Elliott Roosevelt, is scheduled to begin operations January 1st with the backing of the Blackett-Sample-Hummert, Inc., advertising agency.

Information as to the number of stations that will be involved and the financial backing of the organization is not available at this time. Stations are reported to have received offers to affiliate on a basis of 30 percent of their card rates.

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CODE CONTROVERSY DWINDLES; COUGHLIN STILL TALKS

While officials of the National Association of Broadcasters were congratulating themselves this week that they had avoided a crisis within the industry over the NAB Code ban on controversial broadcasts, the Rev. Charles E. Coughlin, Detroit priest, was still making his weekly radio talks on a substantial hook-up of stations.

Only a handful of Coughlin's 44 stations were pledged to drop the program although John Shepard, III, President of the Yankee and Colonial Networks, which forms the nucleus of the hook-up, had promised the NAB not to make any profit from the broadcasts.

The Shepard capitulation appeared to Washington observers to have helped the NAB little, except as a face-saver, as the New England network operator has at no time said he would cut the priest off his stations. Mr. Shepard said he would no longer accept the broadcasts on an out-and-out commercial basis, but he said he would take sufficient revenue to defray actual line and overhead costs and if Father Coughlin refused to accept free time he would turn over to charity the difference between the payments to stations and his expenses.

Meanwhile, the NAB looked hopefully to Vatican City for some action that might force Father Coughlin to stop his radio blasts. Pope Pius XII, in his encyclical to the American Catholic church, took a slap at Coughlin and gave rise to speculation that he might take sterner measures if Father Coughlin continued his ethereal harangues.

"We have learned with no little joy", wrote the Holy Father, "that the Marconi radio - marvelous invention and excellent image of the apostolic faith that embraces all mankind - is frequently and advantageously put to use in order to insure the widest possible promulgation of all that concerns the church. We commend the good accomplished. But let those who fulfill this ministry be careful to adhere to the directives of the teaching church, even when they explain and promote what pertains to the social problem; forgetful of personal gain, despising popularity, impartial, let them speak 'as from God, before God, in Christ'."

The controversy continued as a subject for editorials, with the Chicago Tribune in a lead article raising the question of "How Free is Radio?"

"It is well understood that the broadcasters' code of ethics was drawn primarily to keep Father Coughlin off the air", the editorial said. "And also it is generally understood that one of Father Coughlin's offenses, if not his principal offense, was his violent criticism of Mr. Roosevelt's administration. His intemperate remarks on other subjects, his radical and social prejudices, presented a hard case for the freedom of speech to defend. But nevertheless, such hard cases frequently test the

the ability of a people to keep their privileges. If Father Coughlin had not been so obnoxious to the administration the broadcasters might not have been so willing to suppress him."

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STATIONS COOPERATE TO IMPROVE SERVICE; FCC APPROVES

An example of public benefit resultant from broadcast stations working out mutual problems of power allocation was cited by the Federal Communications this week as it granted applications of Stations KTUL, WIRE and KLO for increased power facilities.

The Tulsa Broadcasting Company, Inc., operating KTUL at Tulsa, Oklahoma; Indianapolis Broadcasting, Inc., operating WIRE at Indianapolis, Indiana, and the Interstate Broadcasting Corporation, operating KLO at Ogden, Utah, are the stations who cooperated to improve service in those areas.

The three stations were each operating with 5 kilowatts day and one kilowatt at night. Each wanted to increase its night power to five kilowatts. But they couldn't do that independently without interfering with one another. So they got together and worked out technical details whereby, through the use of directional antenna, they will minimize the interference problem and, at the same time, be able to extend their respective services.

When the joint arrangement was presented to the Commission it was approved without delay. The case is typical of mutual effort of other broadcasters who, by using modern engineering methods, are able to improve broadcast quality and coverage, the FCC observed.

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COMPOSER SAYS RADIO AIDS MUSIC APPRECIATION

Albert Spalding, American violinist-composer, believes that radio is increasing music appreciation rather than undermining it, he stated in an interview while appearing for a concert in Washington this week. He said the radio is increasing music appreciation, just as the printing press brought about the democratization of literature.

"I have no doubt, that when the first printing press was set up, there was a great outcry from the long-hairs about the vulgarizations of the arts", he said.

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MONOPOLY COMMITTEE STUDIES FACTUAL DATA

The Federal Communications Commission's Monopoly Committee is preparing to start consideration of the problems of chain broadcasting as adduced during more than six months of public hearings. The factual report on which the staff of the Commission has been working for months, it was said, will be completed, and will be submitted to the Committee. This report will not contain any recommendations, but will merely lay before the Committee the staff's conclusions as to what the evidence has indicated.

This report will not contain any reference to the investigation ordered by the Committee into the broadcasting of the World Series baseball games. It was said that this will be a matter of supplementary investigation and report after all of the radio stations have answered the questionnaire which was sent out by the Commission and the returns on which are to be in the hands of the Commission by closing hours next Wednesday.

This inquiry will bring up the question of exclusive contracts of chain stations. There is a view in some sections of the Commission that the exclusive contracts prevent radio broadcast licensees from performing their duty to the public in serving their particular communities when they contract to sell their time to the chains, and it is contended that the baseball broadcasts will serve to bring out this point.

There is little doubt that the Committee will have considerable to say along this line and this is based on the trend of questions during the course of the inquiry and the subsequent action in calling for the information about the baseball broadcasts.

There is a view in the Commission that as the frequencies used by broadcasting stations vest in the Government and are loaned to the broadcasters for specified periods to service their communities, that in granting or selling time to the chains they are not carrying out the contract involved in the grant of the license. On the other hand, it was pointed out that there is a view that the chains permit the stations to serve the public interest because they provide programs for the smaller communities which the stations in these areas could not provide alone, because of the lack of talent in the areas they serve and the great expense that would be involved in bringing it in.

The action of the Committee is being awaited with a great deal of interest in the industry, which expects recommendations of some changes in the system. However, the Committee's report will have to come before the full Commission before any action is taken, either in changing the rules of the Commission or recommendations for legislation either is found needed or desirable.

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LAWYERS RAP FCC PROCEDURE STARTED BY McNINCH

Caustic criticism of the system of conducting preliminary hearings that was introduced by former Chairman Frank R. McNinch of the Federal Communications Commission was voiced this week by Washington radio attorneys at an informal discussion in the U. S. Chamber of Commerce.

Constituting one of the sessions of the Washington Institute of Administrative Law, a division of the American Bar Association, the attorneys picked many flaws in the present FCC procedure, charging it with retarding cases and irregular legal practices.

Louis G. Caldwell, Duke Patrick, and R. A. Van Orsdel were among the chief speakers.

One speaker told the story of a designated examiner who, while hearing an attorney, interjected the comment, "Objection sustained".

"Who objected?" asked the amazed lawyer.

"I did", replied the examiner.

Mr. McNinch abolished the Examining Division of the FCC in connection with his famed "purge" and apparently to get rid of the Chief Examiner, Davis G. Arnold, whom he could not otherwise dismiss.

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PIPING OF TELEVISION TRANSMISSION FORECAST

Television networks may be nothing more than water pipes, Kenneth Jarvis, consulting engineer of Winnetka, Ill., told members of the Institute of Radio Engineers at Rochester, N. Y., this week.

Experiments with a mile-long pipe, three-quarters of an inch in diameter and filled with water have proved it to be more efficient than a telephone line for transmission, Mr. Jarvis said.

"A way has been found of keeping the electrical waves within the pipe which can be bent to go around corners or over hills", he explained. "The system is much cheaper than the coaxial cable which is the only system of network transmission now available."

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MILLER TO MAKE TOUR TO RAISE COPYRIGHT FUND

Neville Miller, President of the National Association of Broadcasters, will make a whirlwind trip around the country, beginning next month, in an effort to raise \$1,500,000 from broadcasters to establish a supply of music for the NAB and thus free the industry from dependence upon the American Society of Authors, Composers and Publishers.

Carrying on their anti-ASCAP fight, NAB officials felt more confident this week because of support from NBC and CBS as expressed in a statement included in the registration statement filed by Broadcast Music, Inc., the NAB agency, with the Securities and Exchange Commission.

The networks said they would approve the principle of copyright clearance at the source "when an economically and legally feasible method of so clearing can be devised which is not unduly burdensome to the said networks in comparison with their present method of operation and payment."

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CIVIC INTEREST HELD CONSIDERATION IN RADIO GRANTS

The words "public necessity" in the Communications Act "are not to be construed narrowly, but rather as calling for the most widespread and effective broadcast service", declared the Federal Communications Commission in granting application of F. W. Meyer for construction permit for a new broadcast station in Denver, Colorado.

The Commission explains:

"Nothing in the Communications Act, our Rules and Regulations or our policy requires a finding of a definite need to support the grant of an application. Cases where such a finding of need is not made are, however, to be distinguished from situations in which a real lack of broadcast service is made clear. . . . In the latter class of cases the Commission will give due consideration to this fact. The 'public interest, convenience or necessity' which the statute provides as the basis for a grant, cannot be construed as a mandate that actual necessity for the particular facilities must be shown. Neither the disjunctive form nor the public convenience as an independent factor is to be entirely ignored. Indeed the words 'public necessity' in the Act are not to be construed narrowly, but rather as calling for the most widespread and effective broadcast service possible."

Opposition to granting the application argued that no public need is shown for additional broadcast facilities in Denver. All of the stations operating full time in that city are affiliated with the national chains. Thus the hours during which these stations may reach the greatest number of listeners are not available for local broadcasting. Local governmental, educational, civic, charitable, and community organizations thus lack an effective means of reaching the radio public in the vicinity.

The Meyer station proposes to operate on 1310 kilocycles with power of 100 watts at night and 250 watts until local sunset, unlimited time.

The application was denied originally on May 18, 1939. Subsequently, the applicant filed a petition for rehearing, which was granted and the case was reargued November 9th last. Under all the circumstances and evidence presented, the Commission concludes that "public interest, convenience and necessity" will be served by granting the application.

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WAR-TIME DANGER TO COMMUNICATIONS SEEN

If hostilities in Europe are begun on a major scale, one of the first and biggest objectives is expected to be an attack on communications, the ramifications of which might extend to the cutting of trans-oceanic cables and sabotage of radio telegraph stations in this country which communicate with Europe, Rear Admiral Luke McNamee, U.S.N. retired, a former chief of the Office of Naval Intelligence, told the Federal Communications Commission last week.

Admiral McNamee, as President of the Mackay Radio & Telegraph Co., testified at a hearing before Commissioner Frederick I. Thompson in an effort to convince the Commission his company should be allowed to retain frequencies for radio communication between Madrid, Paris and Berlin.

Warning that the real war has not yet broken out, Admiral McNamee pointed out that radio was in its infancy during the World War and that the central powers were not interested then in cutting the cables because they were using them. Now, he testified, they are using radio as an efficient means of direct communication and it may well be made the subject of attack.

The retired officer argued that it was most important that this Government allow all available radio frequencies to remain operative, even though the licensees were not able to use them because of inability to make contracts with the stations abroad. He explained that Mackay was negotiating with agencies in the three European points concerned and that for the Federal Communications Commission to withdraw the licenses might well be taken by the governments of France, Spain and Berlin as an evidence that this Government did not want to increase its direct communication with them. He said retention by Mackay of the frequencies in question would bolster the preparedness of the country, explaining that to remove them would leave "our radio eggs in one basket."

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87,500 FINCH SHARES PUT ON MARKET

Distributors Group, Inc., of New York City, offered this week to the public 87,500 shares of Finch Telecommunications, Inc., common stock at \$5 a share. The proceeds are to be used by the company for the purchase and installation of additional machinery, expansion of sales and advertising, for research and development and for additional working capital and general corporate purposes. The corporation's capitalization consists of 276,100 authorized shares of common stock, of which 231,100 shares will be outstanding upon completion of the present financing.

Facsimile communication, according to the prospectus, is the transmission over radio, telephone or wire circuits of any material which can be recorded on paper, such as writings or printing, drawing, charts, maps and photographs, an exact copy or facsimile being reproduced and recorded by the receiving apparatus.

Finch Telecommunications, Inc., incorporated in 1935, is engaged principally in developing, manufacturing and selling, and of licensing others to manufacture, use and sell, apparatus and equipment for facsimile communication under patents owned by the company.

William G. H. Finch, President of the company, has been identified with developments in facsimile communication since the World War, when he was engaged in developing systems for remote artillery fire control.

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ACTORS SETTLE TELEVISION DISPUTE TEMPORARILY

The controversy over television jurisdiction has been settled temporarily, Actors Equity Association apparently losing its sole control of the field, the New York Times reported this week.

A committee of fifteen empowered to negotiate contracts for six months has been recruited from Equity, the American Federation of Radio Artists and the Screen Actors Guild, which are branches of the Associated Actors and Artists of America.

A sub-committee consisting of George Heller of A.F.R.A., Walter N. Greaza of Equity and Stephen Kent of S.A.G., will assume active management of the jurisdiction.

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WESTINGHOUSE TO SELL TIME ON SHORT-WAVE STATIONS

Following the lead of Crosley Corporation and the National Broadcasting Company, the Westinghouse Electric & Manufacturing Co., announced this week that its international stations, WPIT, Pittsburgh, and WBOS, Boston, are now available to advertisers.

The change from experimental classification to commercial status for short wave broadcasting results from a recent ruling of the Federal Communications Commission.

"Thousands of letters received at WPIT over the long period of years attest public appreciation of a service which Westinghouse inaugurated in the early years of radio", said Walter Evans, manager of the company's Radio Division. "Negotiations are already under way with several advertisers who are interested in programs reaching a foreign audience established over a period of 16 years."

Mr. Evans announced that F. P. Nelson will be in active charge of programming and promotion of sales for the two international stations, with headquarters at the company's Radio Division in Baltimore. Mr. Nelson has been associated with the Advertising Department of the Chicago Tribune, the National Broadcasting Company at Chicago and more recently with the Radio Department of Blackett, Sample & Hummert.

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FREE FACSIMILE SERVICE PLANNED BY NEWSPAPER CHAIN

Guy C. Hamilton, Vice President and General Manager of the McClatchy Newspapers, whose subsidiary broadcasting company has sent a facsimile newspaper into hundreds of California homes since last February as an experiment, believes that this field of radio "is a service to the public that the newspaper, by training and experience in the dissemination of news, is best fitted to give".

Interviewed in New York last week during a business trip, Mr. Hamilton told Editor & Publisher that the McClatchy newspapers are prepared to give the public facsimile newspapers without charge next year should technical developments place a sufficient number of receivers in the areas served by the Sacramento Bee, Fresno Bee, and Modesto Bee.

"We are not in radio or facsimile trying to make a profit", he emphasized. "Our only interest is the promotion of our newspapers, and the resulting prestige and good will that can be built up."

"Facsimile is a service we can easily give because we are in the business of disseminating news and if it is demonstrated by this experiment that the public is interested enough to buy the recorders, we will continue to give the service to the public without charge."

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