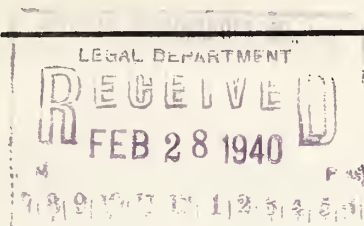


HEINL RADIO BUSINESS LETTER

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No. 1212

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February 27, 1940

RADIO COMPANIES DISLIKE MERGER PROPOSAL

The proposal of the Federal Communications Commission that all American radiotelegraph and cable companies be consolidated appeared headed for trouble in Congress this week as radio communications concerns indicated their opposition.

Due to the expected early adjournment of the present Congress and the controversial character of the FCC plan, observers doubted that it will be enacted into law at this time.

The FCC submitted the proposal to the Senate Interstate Commerce Committee on Saturday as a supplementary report submitted in connection with a study of the telegraph industry made at the request of a Senate sub-committee.

The recommendation that all cable and radio communications companies engaged in international traffic out of the United States be merged was made by Chairman James L. Fly and three other members of the Commission - Messrs. Payne, Walker and Thompson.

Three other members - Commissioners Craven, Brown and Case - submitted minority views, which while concurring in some of the findings differed with the majority in the solution.

The minority viewpoint holds that a unified international system is neither justifiable nor desirable and strongly supports the opinion of the Navy Department that national defense requires the segregation of cables and radio telegraph.

The general basis for the monopolistic recommendation of the majority is that of protecting the cables from financial destruction through the advancement of radio and the increasing use of the air mail for trans-oceanic communication. Another ground is that a monopoly would be in better position to deal with systems in foreign countries which are owned, controlled or dominated by the countries in which they operate.

"There is very little in the report of the majority to commend itself to the radiotelegraph companies", a radio company representative, who asked to remain anonymous, commented. "The proposed merger of radio and cable companies is designed, the report frankly states, to help the cables and not the radio. The report makes clear that the radiotelegraph companies are in a strong financial condition, that the percentage of the total traffic handled by radio is increasing, and that the radio companies could reduce the rates and still make money. Nevertheless in order to protect the cables, the report apparently proposes that the older form of communication be saddled upon the newer and that radio be forced to carry the cables.

"Much is said in the report about the disadvantage the present radio companies have in dealing with foreign radio monopolies, since foreign radio monopoly can play the competing American radio companies against each other to their disadvantage. However, this could be corrected by having a single radiotelegraph company, as proposed by the minority, without bringing the cables into the radio company. No valid argument is advanced as to how an American radiotelegraph monopoly would be helped in its bargaining by being saddled with the cables also. In fact the minority of the Commission properly points out that this might hinder rather than help a possible unified American radiotelegraph company.

"The majority report speaks vaguely of the value of the cables as a 'national defense feature' but does not set forth convincingly any real service which could be rendered by the cables which cannot be duplicated more economically by radiotelegraphy. The majority report exaggerates the supposed ease with which radiotelegrams can be 'intercepted'. This is a common argument of the cables and it seems to have been adopted by the majority without careful analysis. No mention is made of multiplex equipment, printer circuits and other modern radio developments which have brought a high degree of secrecy to radio communication. Even so simple a precaution as the use of codes has for many years given adequate secrecy to radio communication as the steady increase in the use of radio for Government and commercial messages bears witness.

"Emphasis is laid on the importance of eliminating alien officers or employees from American communication companies without bringing out that it is the cable companies and not the radio companies that are open to criticism on this score. Radio companies for years past have been forbidden to have any alien officers or directors and no radio operator can secure an operator's license from the FCC without being an American citizen.

"The belief expressed by the minority that if radio and cables were merged, the cables would seek to hold back radio progress is passed off by the majority with the statement that this would not be 'good business' and hence need not be feared. However it is a well-known fact that in Italy the Italian cable company has placed many obstacles in the way of the Italian radio company since they were merged some years ago, and similarly in France, while both Radio France and The French Cable Company are under Government supervision, the Government frequently seems to favor the cable company at the expense of radio.

"While stressing the fact that the law should be changed to allow radio and cable companies to merge, the report does not explain how one corporation was permitted to acquire both radiotelegraph and cable subsidiaries under the present law nor does the report discuss the possibility that this has led to most of the 'bargaining difficulties' which it is now sought to correct by changing the law. For example, the report cites a specific example of a Japanese radio contract more favorable to Japan

than to the United States, without any mention whatever of the fact that the radio company initiating the contract on less favorable terms to the U.S.A. was controlled by a company whose major investments were in wire lines and hence might have been willing for its small radio subsidiary deliberately to make a bad bargain in order to injure a strong radio competitor and thus further the interests of its cable investments."

The majority report says the competitive situation in the international field is complicated by the fact that American carriers are forced to make arrangements with foreign countries for the handling of international communications. These arrangements in the past, it was added, seldom have been to the advantage of the American carriers, due to the fact that the foreign governments conduct their negotiations through a monopoly. In only a few countries, it was pointed out, are American carriers permitted to compete among themselves for traffic on foreign shores.

The Commission said that there is serious doubt whether the cable carriers can continue for long in the face of vigorous competition by the financially secure radio carriers and ever-growing radio telephone and air mail services. Under a unified system, it was asserted, it may be expected that rates will tend to be based more largely on costs in the radio field than telegraph.

From the standpoint of national defense, the more important elements to be considered, the report reads, are the adequacy of a unified system in scope and service, the maintenance of all possible alternative cable and radio routes, the elimination of foreign influence and ownership, the undivided loyalty of employees and managerial interests and a sound financial structure.

In addition to Western Union, major international cable carriers are All American Cables & Radio, Inc.; Commercial Cable Co., the French Telegraph Co., and Commercial Pacific Co. In 1938 these five companies had revenues of \$16,613,263 from international operations, the report said.

Major radiotelegraph companies, in addition to R.C.A. Communications, are Globe Wireless, Ltd.; Mackay Radio and Telegraph Co. (California), Mackay Radio and Telegraph Co. (Delaware), Press Wireless, Inc.; Tropical Radio Telegraph Co., and United States-Liberia Radio Corp. The Commission said their revenues totaled \$23,436,404 in 1938.

The report said that the Western Union Telegraph Co. handles the most business of the cable carriers in the international field and R.C.A. Communications, Inc., handles a slight majority of the business in the radiotelegraph field. Practically all business originating in, terminating in and transiting the United States is handled by 12 cable and radiotelegraph carriers.

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NAB SETS CONVENTION; APPROVES PLANS

The convention of the National Association of Broadcasters has been scheduled for August 4, 5, 6, 7 in San Francisco. The Board of Directors fixed these dates at its meeting last week after it was determined that the political conventions probably would be out of the way by August 1 at the latest.

Within a few weeks, the NAB will ask all Eastern and Midwestern members whether they would be interested in an all-expense tour from Chicago, that would include a circle trip through the principal scenic areas of the West. If sufficient interest is shown, such a tour will be arranged for members and their families.

Howard Lane, KFBK, Sacramento, will be in charge of arrangements for activities outside the convention.

The progress of Broadcast Music, Inc., and pending legislation were discussed at the Board's two day meeting. Neville Miller's report on Broadcast Music, Inc., was approved. The Legislative Committee, headed by John A. Kennedy, WCHS, met with the Board to discuss the Johnson (D-Colo.) bill to ban radio advertisement of alcoholic beverages; the new Ditter (R-Penna.) radio bill, copyright, and other legislation.

Among important plans approved by the Board were the following:

The development of a unit plan for the measurement of radio advertising and various classifications thereof in local markets. Since the Board abandoned the measurement of radio advertising in terms of dollar volume, the industry has been in need of some uniform measuring method. In the past few months a new unit plan has been under development by the NAB Research Department and the Bureau of Radio Advertising. With the Board's approval, this will be brought to completion and will be presented to the Board for final consideration at its next meeting.

A national survey of children's programs, jointly sponsored by the NAB and the newly formed Radio Council on Children's Programs. Representatives of the Council will visit stations, advertisers, program builders and women's groups in 44 States in the next eight months. Information uncovered will be made available to stations, sponsors and program building agencies.

A coordinated industry-wide effort to inform the listening public of improvements to be expected in the switch-over of stations called for in the reallocations to be made this year in conformity with the Havana Treaty. As soon as definite instructions are received from the Commission, headquarters will proceed with its plans to assist in an orderly switch-over which will prevent listener confusion and loss of audience.

The development of consumer-relations program in co-operation with representative industries and business groups.

The development of an institutional campaign during the presidential election year, around the theme "Listen Before You Vote".

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CRAVEN "IMPRESSED" AFTER LONE TELEVISION TOUR

Commissioner T.A.M. Craven returned to Washington Tuesday "tremendously impressed" with recent developments in television broadcasting after a lone week-end tour of eastern laboratories and stations.

Recent refinements and developments have given new incentive to the new television industry, Commissioner Craven believes, and will hasten Federal Communications Commission action on pending proposals for rules.

The Commissioner inspected RCA Laboratories in Camden, Philco's plant at Philadelphia, and the Dumont Laboratories in New York. He also conferred with officials of the National Broadcasting Company and the Columbia Broadcasting System who are working on the studio technique problems of television broadcasting.

Commander Craven said he saw television broadcasting from both ends, the studio and the experimental receivers in New York homes.

The next stage of television development, Commissioner Craven believes, will be one of construction of more transmitting stations. The FCC, however, is not likely to freeze standards of television transmission at this time, he indicated, although it probably will take action shortly on rules proposed by his committee.

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"WJSV WEEK" TO MARK INCREASE IN POWER

By a proclamation of the District Commissioners, the week of March 4-9 will be called "WJSV Week" in celebration of the radio stations's boost from 10,000 watts to 50,000 watts.

Highlight will be Thursday, March 7, when the station's manager, A. D. Willard, Jr., will throw a switch at the National Press Club and put the new \$300,000 transmitter at Wheaton, Md. in operation.

The Earle Theater is presenting a "CBS Radio Show" March 1-7 in celebration of the event with well-known Columbia entertainers performing. The Washington Post will carry a rotogravure section devoted to the history of the station in next Sunday's edition.

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"F.M." BROADCASTING COMPARED WITH "BLINKERS"

Frequency modulation broadcasting, which is the subject of a hearing by the Federal Communications Commission on March 18th, is similar to the blinker light system used on vessels at sea for signalling purposes, according to Dr. Orestes H. Caldwell, editor of Radio Today.

Speaking over Station WGY, Schenectady, this week, he said, in part:

"Frequency modulation differs basically from ordinary broadcasting or 'amplitude modulation'. In present broadcasting by amplitude modulation the radio carrier wave is being continually turned on and off by the voice, its amplitude is modulated from instant to instant. On the contrary, in frequency modulation the outpouring of radio carrier waves continues uniform, but their frequency is changed or modulated by the voice. If, therefore, the listener's RM radio receiver is set to a fixed frequency, the carrier-wave volume as received by an FM set, will appear to swing up and down, as the carrier wave swings into and out of tune with the set.

"An analogy can be found in signalling by light. In the blinker-light system used on ships, the lights are turned on and off to produce the visible signals. This corresponds to present amplitude-modulation broadcasting. On the other hand, an analogy to frequency-modulation broadcasting would be a light source glowing continuously, but changing in color from moment to moment - that is changing in frequency. If such a light source was viewed by an observer through, say, red glasses, he would see the light only at the moment it glowed red. Hence he would see pulses or signals of light. Although this analogy is only partial it outlines in a simplified form perhaps best understood by the layman, the way that the FM radio set gets its signals."

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PRIVATE RADIO SERVICE HELD NOT IN PUBLIC INTEREST

The Federal Communications Commission is receiving an increasing number of requests for authorizations permitting the use of radio for communications between offices and automobiles. While such service would be a private convenience, it has not been shown to be in the public interest to grant such restricted facilities, according to an FCC statement.

There have been many requests for such service on behalf of business concerns and individuals, but in no case within the continental United States has a station of this class been authorized except for emergency radio communications involving the safety of life and property, in which cases the facilities are required to be available to general public for emergency communication.

The limitations on the number of frequencies available for assignment to important and necessary services in which public welfare is directly concerned has prevented the allocation of frequencies to a service purely private in character, it was said. Applications for all types of radio communication services must meet the statutory requirements of "public interest, convenience or necessity".

In 1934 the Commission denied the application of a private enterprise in New York City for a radio communication system to communicate with taxicabs. Similar action was taken with respect to an application for a doctors' calling service.

More recently the Commission warned both a street railway company and a light and power system about using special emergency facilities for dispatching purposes. In doing so it pointed out that special emergency stations may be used only during an emergency "jeopardizing life, property, public safety, or for essential public service, or when such an emergency is imminent, for communications relating thereto and for other essential communications".

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PALEY PROPOSES TO SELL 100,000 SHARES OF CBS STOCK

A proposal by William S. Paley, President of the Columbia Broadcasting System, to sell 100,000 shares of stock in the network was disclosed this week with the filing of a registration statement with the Securities and Exchange Commission. After the proposed sale, Mr. Paley will remain the largest individual stockholder of the company, with 348,636 shares, or just more than 20 percent of the outstanding shares. At present he owns 448,636 shares, or 26 percent of the stock. The purpose of the sale, Mr. Paley announced, is to enable him to diversify part of his large personal holdings in this one company.

The registration statement says that at a recent meeting of the Board of Directors, Mr. Paley entered into a new contract to continue as president of the company for a new five-year term commencing on January 1, 1941. He has headed the organization since a year after its formation in 1927.

A total of 20,000 Class A and 80,000 Class B shares, of which 950,799 and 758,924 respectively are outstanding, is in the offering, which will be made by a banking group consisting of Harriman Ripley & Co., Lehman Brothers, Glore, Forgan & Co., and W. E. Hutton & Co. It is expected that the offering price will be at the market.

Net income of the company in 1939 was \$5,001,529, or \$2.93 a share, against \$3,541,741, or \$2.07 a share, in 1938, it was announced.

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MUSICIANS RUSH TO AID BUCK AFTER ARREST

Gene Buck, President of the American Society of Composers, Authors, and Publishers, apparently is winning considerable public support in his latest row with the broadcasters while awaiting an extradition hearing at Phoenix, Ariz., on March 5th.

His bond was reduced from \$10,000 to \$750 and the music faculty of the University of Arizona rushed to his defense following his arrest on a telegraphic warrant from Montana charging him with attempting to collect money under false pretenses in connection with the ASCAP's policy of collecting fees for the broadcasting of music copyrighted by its members.

Meanwhile, several prominent Arizonians offered their aid in any fight Mr. Buck wishes to make against extradition. Oscar Colcaire of the University of Arizona Music Faculty telegraphed:

"We have telegraphed the Governor of Arizona protesting against your extradition and asking for an opportunity to appear in your behalf. You have our wholehearted support in your fight for the American composer."

County Attorney Edward T. Dussault of Missoula, Montana, said charges against Mr. Buck and other ASCAP officials are based on their request by registered mail that radio stations, theaters and others pay certain sums to ASCAP or face revocation of licenses to play music owned by ASCAP.

"It's a case of the law being used for selfish interests", Mr. Buck responded. "Montana has not paid an author or composer in the United States for three years. It is unwilling to pay for music, the raw material which keeps the radio microphones operating."

The warrant served on Mr. Buck in Arizona is the same as one which New York City authorities recently refused to take action on.

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The Capital Broadcasting Co., of Washington, D.C., has amended its original application for a new radio broadcasting station by asking for a frequency of 1,420 kilocycles. This company, which is headed by Stanley Horner, several weeks ago filed an application for the new station on a frequency of 1310 kilocycles. However, the Federal Communications Commission has since granted an application of Lawrence J. Heller for a station on the 1310 kilocycle frequency, which automatically eliminated the Capital Broadcasting Company's request.

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::: TRADE NOTES :::
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National and local spot sales on WEAJ and WJZ for January and February, 1940, ran 68 percent ahead of the same period in 1939, Maurice M. Boyd, Sales Manager of the division, has announced. At the same time, Mr. Boyd revealed that during 1939 national and local spot business increased 28 percent over the previous year.

Mrs. Hannah J. Walker, mother of Commissioner Paul A. Walker of the Federal Communications Commission, died last week as a result of burns, according to an Associated Press dispatch from Washington, Pa. She received the injuries last Wednesday when her clothing caught fire. She was 81 years old. Commissioner Walker left last Thursday for the West Coast, where he had been assigned to conduct a series of hearings involving controversies over telephone rates in that section.

Offering the most complete weather information in the metropolitan area, WOR launched last week a new series of early morning programs, 7 to 7:03 A.M., EST, Mondays through Saturdays, from the headquarters of the U. S. Weather Bureau in downtown New York. With Dr. James H. Kimball, or one of his assistants, at the microphone, the new weather service for WOR listeners will cover in detail predictions for New York, New Jersey, Pennsylvania, Connecticut and adjacent regions.

The Columbia Broadcasting System has intensified its agricultural news coverage through the formation of a unique "farm news network", covering the entire country, according to Leon Levine, CBS Assistant Director of Education. The newly-formed network functions as a press association for radio farm news, with agricultural reporters planted in each of the nation's key farming centers. Their news-gathering will broaden the coverage and scope of the Columbia Country Journal, heard each Saturday over CBS at 12:00-12:30 P.M. The series originates at Station KMOX and features Charley Stookey, CBS Director of Agricultural Activities and director of the new network.

Expanding its radio program, the New York City Board of Education will conduct the record number of 178 classroom broadcasts this term, according to Miss Regina C. M. Burke, Associate Superintendent of Schools in charge of radio. Started experimentally a year ago, the school broadcast is now an important part of the classroom work. However, Miss Burke declared that no definite decision had been made as to its future. A committee of educators is now studying the question, and until all factors have been carefully analyzed the Board will make no long-range decision.

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PETITIONS BACK PROPOSED BAN ON RADIOS IN TAXICABS

Backing the Broadway Association's campaign to eliminate taxicab radios, a petition signed by forty-two taxi companies, operating 5,197 cabs in New York, was delivered to the Police Department Saturday by H. Frederick Bright, Managing Director of the Association. In addition, Mr. Bright presented a number of letters from organizations and private citizens concurring in the Association's stand that taxicab radios are a nuisance, an accident hazard and create unnecessary noise.

Radios were installed in cabs by permission of the Police Commissioner in October, 1933, at which time it was the opinion that radios would be a convenience to patrons and stimulate business.

Some operators are about to bring out new model cabs to replace the present equipment and they do not favor installation of radios, except as a driver appeal.

Police Commissioner Valentine has instructed Fourth Deputy Commissioner O'Leary to confer with representatives of the operators, cab drivers and the public, according to the Broadway Association. The question will be decided before April 1, 1940, at which time the hack license period expires.

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MBS SHAREHOLDERS RATIFY NETWORK EXPANSION PLANS

Members and shareholders of the Mutual Broadcasting System, meeting at the Drake Hotel last week ratified members' contracts, and accepted shareholders' agreements and discussed plans for the further development of the network by the Board of Directors and the newly formed operating board.

Attending the meetings, which were presided over by W. E. Macfarlane, President of Mutual, were: W. E. Macfarlane, E. M. Antrim and Edward W. Wood, Jr., of WGN, Chicago; Theodore C. Streibert of WOR, Newark; Lewis Allen Weiss, Don Lee Broadcasting System; John Shepard, III, Colonial Group; H. K. Carpenter of the United Broadcasting Company of Cleveland and Columbus, Ohio; J. E. Campeau of CKLW, Windsor-Detroit; Hulbert Taft, Jr., of WKRC, Cincinnati, and Fred Weber, General Manager of Mutual.

Edward W. Wood, Jr., Sales Manager of WGN Chicago, was appointed Sales Manager for the Mutual network, a post previously unfilled, and will take over Mutual sales within a short time. Mr. Wood will make his headquarters in New York. He has been a member of WGN's sales staff for eight years. He sold local time in Chicago for a year before opening a sales office for the station in New York, which post he held for two years. Five years ago he was named Sales Manager of WGN.

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GRISWOLD, V.P. OF I. T. & T., DIES

Col. A. H. Griswold, Vice President and Director of the International Telephone and Telegraph Corporation, died last Saturday at the New York Hospital at the age of 60 after a brief illness.

Colonel Griswold had been a leader in the communications industry. He was Director of Telephone and Telegraph Services of the A.E.F. in the World War, and was cited by General John J. Pershing for "exceptionally meritorious" service. He was a former Executive Vice President of the Postal Telegraph and Cable Corporation, and had played an important part in forming the American Telephone and Telegraph Company's radio policies during the early Nineteen Twenties.

Colonel Griswold had been in charge of the I. T. & T. telephone and radio operating subsidiaries providing telephone service in Argentina, Brazil, Chile, Cuba, Mexico, Peru, Puerto Rico, Rumania and Shanghai, and was director of many other associated companies.

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TELEPHONE TOTAL REACHES 20,800,000

An all-time peak of about 20,800,000 telephones were in operation at the end of 1939, the Commerce Department reported today. In an analysis of the communications industry, which will appear in the annual review edition of the Survey of Current Business, a Department of Commerce publication, March 1, it is reported that the last year saw an increase of about 846,500 telephone stations over those in operation in 1938.

Operating revenues of 90 major communication carriers for the first ten months of 1939 amounted to \$1,012,700,000, as compared with \$962,000,000 for a similar period in 1938. Net operating revenues for ten months of 1939 showed a 12 percent increase over the \$301,000,000 figure set in the first ten months of 1938.

In the telegraph industry, improvement in general economic conditions during the last year brought about a marked reduction in the net deficit which has been characteristic of the industry in recent years. Operating revenues of the three telegraph carriers reporting to the Federal Communications Commission were \$96,690,000 in the first ten months of 1939, an increase of 4 percent over the first ten months of 1938.

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