

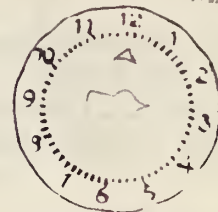
HEINL RADIO BUSINESS LETTER

2400 CALIFORNIA STREET

WASHINGTON, D. C.

CONFIDENTIAL—Not for Publication

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AUG 30 1933

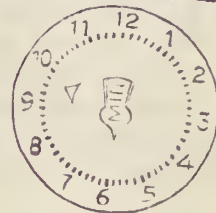
G. W. JOHNSTONE

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No. 652

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SEP 16 1933
NEWS DESK

COMMISSION MAY APPROVE WMCA DEAL DESPITE PROTEST

Despite the protest of Federal Radio Commissioner Harold A. Lafount, the Radio Commission may approve the leasing of Station WMCA of New York, to the Federal Broadcasting Company. This conclusion is based upon the comment of a Radio Commissioner, quite an influential one, who was reported to have said:

"If a station can sell part of its time to one individual or group, why can't it sell all of it?"

In the arrangement with Donald Flamm and the Knickerbocker Broadcasting Company, the new WMCA operating company simply took over the commercial and program presentation rights, but Flamm and the Knickerbocker Company retain the ownership and the station's broadcasting license.

However it was not until two weeks after the contract was said to have been signed that the matter was officially considered by the Commission, and it probably would not have come before it then had it not been for the protest of Commissioner Lafount. After considering the matter in executive session today (Tuesday) the Commission referred it to the Legal Division for a recommendation. The Legal Division had previously, informally, approved the transaction.

Addressing the Commission, Mr. Lafount said:

"I have read a printed copy of what is termed an 'Agency Agreement' between Knickerbocker Broadcasting Company, Inc., et al. and State Broadcasting Corporation dated August 15, 1933. Newspaper accounts indicate the name of 'State' has been changed to 'Federal'. However, the name of the corporation, or the personnel of same, is immaterial at the moment. It is the principle involved that I desire to call to the attention of the Commission.

"To prevent trafficking in licenses, wave lengths or frequencies, the Commission on January 29, 1932, adopted an order requiring all applicants for assignment of radio broadcast station licenses to submit a sworn statement that the new or proposed licensee would have complete control of station equipment and operation, and unlimited supervision of programs - the sworn statement to the Commission to include the price, whether paid or promised, and all terms and conditions of the proposed transfer; said transfer to be subject to the consent of the Federal Radio Commission. In the agreement here referred to, no attempt is made to assign the license although the effect is identical.

"Instead of selling the equipment and making application for assignment of license, Knickerbocker Broadcasting Co., Inc., agrees to sell all their time for a price which clearly indicates

that a value of about \$4,000,000 has been placed upon the license which they seek to retain. The application of Knickerbocker Broadcasting Co., Inc., for renewal of license dated June 22, 1933, and sworn to on the same day, lists the assets of the corporation as being \$100,000, and their equipment as being 500 watt composite. The agreement provides that \$155,000 per annum be paid to the licensee, plus 25% of revenue in excess of \$600,000 a year. A guarantee is made that there shall be at least \$100,000 available from this source every 3 years. It is certainly a very simple problem in mathematics to determine the value placed upon the license.

"I do not believe the Radio Act contemplates the commercializing of a government franchise. Personally, I am unwilling to impose a royalty or tariff upon the purchasers of time, or advertisers. Certainly the procedure contemplated has that effect. The agreement undertakes to relieve the licensee from the responsibility of rendering a public service, which I understand is the exclusive reason for the grant, and provides rather that he becomes a censor of programs, thus defeating the very purpose of the law.

"I consider our first obligation is to the public. Listeners are primarily interested in the programs and public service to be rendered by radio stations. I am unwilling to assign to Knickerbocker Broadcasting Co., Inc., or any other licensee, the obligation imposed upon us by Congress to decide who shall be charged with the responsibility of rendering that service. If this policy is adopted, any individual or corporation could control the character of program service to be rendered, and price charged for time over any or all stations in a city, State, or even in the entire country.

"It would be possible for a former licensee whose application for renewal license had been denied, after a finding had been made that the continued operation of a station by him would not be in the public interest, thus to secure rights on the air otherwise denied him. I say such an individual or corporation could, under the agreement here referred to, acquire complete control of a station's time, without the Commission's knowledge that such a condition existed.

"The licensee has an obligation to the public that, in my opinion, cannot be transferred. Licenses may be transferred with the consent of the Commission, but the Commission is without authority to grant licenses to individuals or corporations for nothing. The requirement for the valuable franchise is that the licensee (not his assignee) operate the station in the public interest.

"I fully appreciate the fact that under our system, broadcasters must sell time to advertisers, etc. This, however, is done partly to provide revenue to supply programs beneficial to, and in the interest of the community.

"The time is sold in short periods to numerous advertisers, and represents only a portion of the broadcast hours. But in the case here referred to, it is a complete sell-out - no time

being left for the licensee to himself render a public service. There is no doubt in my mind that the licensee has under this agreement lost control, not of the operation of equipment, but of the time, and since that is actually the only matter in which the public is interested or may derive any benefit, I must, and do conclude, that the license should be held by the parties undertaking the public service."

The reason for Mr. Lafount's action is said to be the following. On the day the WMCA agreement became effective, it is understood that a letter was received from the Knickerbocker Broadcasting Co. addressed to the Federal Radio Commission containing a printed copy of the contract asking if the Commission had any interest in the matter. This letter was referred to the Legal Division and acknowledged by someone there for the signature of Herbert L. Pettey, Secretary of the Radio Commission, saying that the transaction was not of interest to the Commission.

This letter, according to an explanation later, was signed by Mr. Pettey, as a matter of routine, and mailed by him to the Knickerbocker Broadcasting Co. without his calling the transaction to the official attention of the Commission.

A day or so later someone in Washington telephoned Commissioner Lafount to ask if the Commission had any further details as to the leasing of WMCA.

"I didn't know the station had been leased", Mr. Lafount said in apparent surprise. "Tell me about it!"

The inquirer thought the Commissioner was joking because a release on it had been sent out by the WMCA Press Department giving all details and it had even been printed in several papers.

"Honestly I never heard about it until this minute", Lafount replied. "I'm going to look into it at once."

When seen a short time later Commissioner Lafount apparently was highly indignant saying that though the WMCA transaction had apparently been informally approved by the Legal Division of the Commission, it had never been brought to his personal attention or to the attention of the Commission as a whole. He said that several of the Commissioners apparently knew about it. Whereupon he demanded a thorough investigation of the matter which resulted in its formal consideration by the Commission.

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COLUMBIA TO HAVE NEW WASHINGTON OFFICES

The Washington headquarters of the Columbia Broadcasting System will move from its present location in the Shoreham Building to larger offices in the Earle Building, November 1st, it was announced by Harry C. Butcher, General Manager of Station WJSV, the Columbia outlet for Washington. The new offices will occupy the eighth and ninth floors of the building at 13th and E Streets, Washington, just off Pennsylvania Avenue and a short distance from the new Post Office Department and other Government buildings under construction.

The move to larger quarters is a direct result of the growth of the Washington office of Columbia immediately following the acquisition of the 10,000 watt station WJSV at Alexandria, Va. Increased studio and office space, more flexible and complete engineering equipment, plus air-cooling and conditioning equipment and one hundred per cent sound isolation through the use of rock wool are the outstanding improvement features of the new location.

The entire center wing of the 8th floor of the Earle Building has been given over to studio and engineering control equipment. Three studios will offer space for the production of any program of any size which might arise in Washington. The largest of the studios will be two stories high and will be equipped with an observation room for studio guests. The size of the studios and the extent of the equipment being installed will make it possible to handle, as well, any broadcast development of either network or local caliber.

An unique feature will be the construction of a glass enclosed broadcasting booth on the roof of the Earle Building for descriptions of the many activities which occur on Pennsylvania Avenue. In addition, arrangements have been made for the erection of auxiliary transmitting towers and equipment on the roof if and when it becomes necessary.

When completed the office, studio and engineering space will represent the largest and most complete installation of its kind in Washington, it is said.

Easily the most important and modern of the features of the new location is the air-cooling and conditioning equipment to be installed throughout. Thermostatic controls will maintain room temperatures in Summer and Winter, the air being washed and cooled by the most modern and complete equipment available.

Office and studio decorations will carry out the time honored traditions of old Virginia, being done in strict, simple Colonial style - a style employed in the construction and decoration of WJSV's Alexandria offices and studios on the Mount Vernon Memorial Highway.

Frederic William Wile, Columbia's political analyst, whose offices are now with the Columbia offices in the Shoreham Building will also move to the Earle Building space having been provided for him in the new regular Columbia offices.

IS SOCKET RADIO READY?

Again the rumor of radio via the electric light socket bobs up in the following paragraph from the National Whirligig published by the McClure Newspaper Syndicate of New York:

"Electrical insiders say that plans are set to launch special broadcast programs over ordinary electric light circuits. Power companies are only waiting for a propitious moment to make it commercially profitable.

"The new system is planned to give those who want them more highbrow programs than the usual radio stuff. Arrangements with artists and so forth have all been made. Power companies are actually supporting numbers of people in the music field who are simply being held on tap until the hour is ripe."

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LONDON STAGES RADIO SHOW COMEBACK

Maybe radio shows, which in recent years have been comparatively few, are due for a comeback. London staged one last week which had 9 miles of exhibition stands. The British Broadcasting Corporation equipped a radio theatre seating 2,500 persons for demonstrating purposes.

The McMichael Company, manufacturers of receiving sets, produced a "straight" four-valve circuit containing two moving-coil loud-speakers to give good reproduction of both high and low notes.

To reduce current consumption where the listener is dependent on batteries for power, there has been introduced in England a special type of push-pull output stage known as "Class B." Several new battery receivers, therefore, are, it is claimed, capable of giving volume, sound and quality reproduction comparable to all-electric sets. The General Electric Company is showing a six-tube superheterodyne worked on this principle at £16 (about \$72).

The Osram G. E. C. Lamp Company has aroused considerable interest with a range of new Catkin all-metal tubes which are virtually indestructible.

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HYGRADE SYLVANIA OPERATES AT CAPACITY

Hygrade Sylvania Corporation, manufacturer of incandescent lamps, radio tubes, broadcasting equipment and other electronic devices, with plants at Salem, Mass., Emporium, Pa., St. Marys, Pa., and Clifton, N. J., increased its employees by over 1400 between June 17 and August 12. A majority of these employees were added in anticipation of the provisions and requirements of the NRA.

Payroll increases for this eight week period are at the rate of \$1,000,000 yearly, or over 35 per cent.

All plants of the corporation are working at capacity and officials of the company anticipate an unusually active Fall season, stimulated by actual market demands. Present production of both incandescent lamps and tubes is the result of consumer needs rather than an anticipation of price increases, one of the officials of the company said.

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GULF MAKES 4,000 PHONE CALLS TO TEST PROGRAM POPULARITY

Recently four thousand telephone calls were made in eight representative cities by the Gulf Refining Company's advertising department to determine how many listeners were tuned into the "Gulf Headliners" stellar program, according to a statement by the Trade News Division of the NBC.

"What the Gulf people learned only added to the executives' desire to have the program renewed over NBC. Through the courtesy of Gulf's advertising agents, Cecil Warwick & Cecil, the figures have been released", the NBC statement continues.

"70% of the people called in the cities listed below were listening to the "Gulf Headliners." The returns from individual cities follows:

New York	52.8%	Louisville	52.3%
Philadelphia	58.2%	New Orleans	81.3%
Pittsburgh	68.5%	Houston	88.2%
Boston	54.0%	Atlanta	87.6%

The questions asked on the telephone survey were: (1) "Do you have a radio?" - 92.8% answered "Yes". (2) "Is it tuned in?" - 52.5% said "Yes". (3) "To what program are you listening?" 70% said "Gulf Headliners".

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SUES TO STOP BROADCAST

Injunction proceedings were instituted against the American Weekly in the New York County Supreme Court last week on behalf of Miss Bettie MacDonald, who in private life is Mary Elizabeth Young. She is a former musical comedy actress. She also asks \$50,000 damages.

The restraining order is sought to prevent the defendant from broadcasting any of her literary material, particularly that used as a feature serial in the American Weekly.

She states she entered into a contract with the Hearst weekly periodical to write her stage experiences serially, for which she was to get \$1,000 for the first three instalments and \$300 for each chapter used thereafter. She charges that the defendants were contracting for the serial rights only.

Later she learned through an advertisement in the New York Evening Journal that there was to be a broadcast program entitled "Secrets of the Follies." On Aug. 9, according to her complaint, she listened in on the broadcast and discovered that it consisted of a dramatization of her serial, put on the radio by means of electrical transcription.

The plaintiff charges that the air program interfered with her common law property right in her literary production.

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TO IMPROVE RADIO PROGRAMS

"How many times have you written to a radio broadcaster to criticize his excessive advertising ballyhoo, or the bad taste of his offering?" Deems Taylor writes in Harper's. "How often - and how promptly - do you take the trouble to thank a station for an excellent sustaining program, or to reassure some enlightened commercial sponsor that his interesting and intelligent offering is being heard by people who appreciate it?"

"We self-styled cultivated listeners regard the fan letter with great scorn, and yet it is the only way by which the radio performer, producer, or advertiser can have any notion of what his hearers like or dislike. The fan letter is the ballot; and if you are above casting yours, you must be above complaining if the election goes against your party."

"It is an axiom in radio circles that the better your program, the scantier your fan mail."

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BROADCASTERS' CODE WILL ADD \$1,000,000 TO PAYROLLS

The National Association of Broadcasters Tuesday (August 29) submitted to the National Recovery Administration their code of fair competition for the radio broadcasting industry. It was in the form approved by the Board of Directors of the Association at its meeting in Washington, August 24.

At the same time application was made to substitute the labor and wage provisions of the broadcasters' code for labor and wage provisions of the President's Reemployment Agreement. It is expected that the National Recovery Administration will act promptly upon the application for substitution and that all radio stations of the United States will be under the Blue Eagle within the next few days. Many stations have already signed the President's Reemployment Agreement and are operating under its provisions although the vast majority are awaiting approval of the substituted provisions.

Deputy Administrator Sol A. Rosenblatt, who has been designated to handle the broadcasters' code, indicated that an early date will be fixed for public hearing on the permanent code.

Copies of the code as filed by the Association are being sent to all broadcasting stations.

Briefly, the code provides a forty hour week for all employees, except radio operators and control men who are given a 48-hour week. Special provisions have been made for persons employed on special event programs of public interest. Exceptions as to working hours are made with respect to persons above a certain salary grade who are employed in a managerial or executive capacity (including announcers and production men), outside salesmen, and employees on emergency maintenance and repair work.

Persons under the age of 16 years may not be employed except as talent on programs and then for not more than three hours daily, the hours of employment not to interfere with their schooling.

A differential in salary classification is provided as between stations employing more than 10 regular employees and stations employing less than that number. Minimum pay for broadcast technicians, including radio operators and control men, is fixed at \$20 a week for stations employing more than ten persons and at \$15 a week for stations employing no more than 10 employees. Announcers and program production employees are given a minimum weekly salary of \$20 in the larger stations and \$15 in the smaller stations. For other employees the wage schedules provided in the President's Reemployment Agreement are followed.

The code also provides for equitable readjustments in all pay schedules in line with the spirit of the blanket code and carries the statutory provisions relating to collective bargaining.

A section on trade practices bans "rate chiseling", "song plugging", disparagement of competitors, false coverage claims, and lotteries.

The National Association of Broadcasters is designated as the supervisory agency under the code.

It is estimated that compliance with the code will result in the employment of 720 additional employees, or an increase of 6.5 per cent over the number regularly employed as of July 29, 1933. The total employment would be 3.2 per cent above that of any previous year in the industry's history. Exclusive of equitable readjustments, the amount added to payrolls would exceed \$1,000,000, representing a gain of 4.8 per cent when compared with present payrolls. According to surveys conducted by the Association, there are now approximately 11,000 persons regularly employed in the industry, exclusive of special talent, and the annual payroll is around \$20,900,000.

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NEW RADIO COMMISSION ATTORNEY APPOINTED

Andrew G. Haley, former secretary to Representative Horr, of Washington, was appointed an attorney in the Legal Division, to take the place made vacant by the resignation of Hobart Newman. He will take office September 1, 1933. Mr. Haley is from Tacoma, Washington.

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RADIO COMMISSION SECRETARY GOES POLITICAL

Herbert L. Pettey, Secretary of the Federal Radio Commission has gone to Kansas City to address a meeting of the Young Democratic Clubs of America.

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DECISIONS OF THE FEDERAL RADIO COMMISSION

Applications Granted (August 29, 1933)

KIDO, Boise Broadcasting Station, Boise, Idaho, C.P. to make changes in equipment and install vertical radiator; WBAL, Consolidated Gas & Electric Light & Power Co. of Baltimore, modification of C.P. extending completion date to Aug. 31, 1933; WODX, Mobile Broadcasting Corp., Mobile, Ala., authority to resume operation Sept. 1 instead of Sept. 10; KWFFV, Hilo Broadcasting Co., Ltd., Hilo, Hawaii, permission to use 10 watt transmitter for purpose of making field intensity measurements to determine site for transmitter; WBAL, Consolidated Gas & Electric Light & Power Co., of Baltimore, renewal of special experimental authority to synchronize on 760 kc. with WJZ with power of $2\frac{1}{2}$ KW for a period of 3 months from Sept. 1; WILL, University of Illinois, Urbana, Ill., authority to remain silent from Sept. 1 until 3 A.M. Sept. 20, 1933; WKRC, WKRC, Inc., Cincinnati, Ohio, extension of special experimental authority to use 1 KW (500 watts additional) power, to Nov. 1, 1933.

WLBL, State of Wisconsin Dept. of Agr. & Markets, Stevens Point, Wis., and WIND, Johnson-Kennedy Radio Corp., Gary, Ind., renewal of licenses on a temporary basis, subject to such action as the Commission may take on their pending applications for renewal, and designated said application for hearing; KEQD, Anchorage Radio Club, Inc., Anchorage, Alaska, license extended on a temporary basis to Oct. 1, 1933, pending receipt and/or action on application for renewal; WEAN, Shepard Broadcasting Service, Inc., Providence, R. I., renewal of license, 780 kc., 250 watts, 500 watts, LS, unlimited time, also granted special temporary authority to operate with additional 250 watts nighttime power for period Sept. 1, 1933 to March 1, 1934; WJAR, The Outlet Co., Providence, R. I., renewal of license 890 kc., 250 watts, 500 watts LS; also granted special temporary authority experimentally to operate with additional 250 watts nighttime power for period Sept. 1 to March 1, 1934; WFLA-WSUN, Clearwater Chamber of Commerce, & St. Petersburg Chamber of Commerce, Clearwater, Fla., special temporary authority to operate with 1 KW power night with directional antenna and $2\frac{1}{2}$ KW daytime.

Also, WPFA, City of Newton, Police Dept., Newton, Mass., modification of C.P. to extend completion date to Sept. 16, 1933; W3XAY, The Atlantic Refining Co., Philadelphia, Pa., modification of C.P. to extend completion date to Oct. 31, 1933; KGUF, Aeronautical Radio, Inc., Dallas, Texas, aviation license, frequencies 3127.5, 3232.5, 3242.5, 3257.5, 3447.5, 3457.5, 3467.5, 3485, 5602.5, 5612.5, 5632.5 kc., unlimited, 3222.5 kc. day only, 50 watts; W9XAY, Iowa Broadcasting Co., Portable, operating within 10 miles from Des Moines, general experimental license 51400 kc., 5 watts; W6XAU, Wm. Edward Ellis, Portable and Mobile, Fresno, Cal., general experimental license, 51400 kc., 7 watts; Thomas E. Prosser, St. Louis, Ill., renewal of amateur operator's license.

Also, Mackay Radio & Telegraph Co. Palo Alto, Cal.: KNA, modification of license to delete transmitter Serial No. 29166; KNW, Same except transmitter No. 29011; KNG, (Remote control San Francisco), license fixed public point-to-point telegraph, 17140 kc., 20 KW; KWD, same except frequency 8990 kc., 20 KW.

Renewal Of Licenses

The following stations were granted renewal of licenses for the regular period: WFLA-WSUN, Clearwater, Fla.; WGBF, Evansville, Ind.; WOBV, Charleston, W. Va.; WOS, Jefferson City, Mo.; WSYR-WMAC, Syracuse, N. Y.; KFRU, Columbia, Mo.; KGBU, Ketchikan, Alaska, and KGFX, Pierre, S. Dak.

Ratifications

Action taken August 21: WQOE, Radiomarine Corp. of America, "NOSA CHIEF", Washington, D. C., granted 60 day authority to operate 200 watt tube transmitter aboard vessel "Nosa Chief", frequency range 375 to 500 kc.; Action taken August 22: W6SV, Harry Engwicht, San Jose, Cal., granted special temporary authority to operate station at a location not covered by present license, using remote control at Hotel St. Claire, with transmitter at Rosicrucian Temple, San Jose, Sept. 2 to 4 inclusive; Action taken August 23: WSCS, Radiomarine Corp. of America, "City of Honolulu", Washington, D. C., granted 60 day authority to operate 50 watt tube transmitter aboard vessel; frequency range 375 to 500 kc.

Action taken August 24: KIGW, Iowa Broadcasting Co., Des Moines, Ia., authorized to operate station August 25 to Sept. 2 in connection with Iowa State Fair; frequency 2390 kc., 20 watts; W5BEN, W. Ben Wimberly, Amarillo, Texas, granted special temporary authority to operate amateur station at Tri-State Fair Grounds, Amarillo, August 28 to October 1.; Action taken August 26: KOBM, Mackay Radio & Telegraph Co., "Willpolo", Baltimore, Md., granted 60 day authority to operate 2000 watt spark transmitter aboard vessel, pending receipt of formal application, frequency range 375 to 500 kc.

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