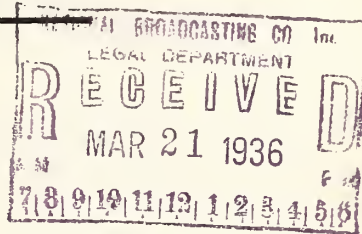


HEINL RADIO BUSINESS LETTER

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No. 912

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TRADE PRACTICE RULES SUBMITTED TO FTC BY RMA

Trade practice rules proposed for the radio receiving set manufacturing industry have been submitted by the Radio Manufacturers' Association to the Federal Trade Commission and will be the subject of a hearing on April 7, the Commission disclosed on March 20. The proposed rules are designed principally to bar false or misleading advertising, particularly in claims for "all wave" receivers.

The FTC stated that briefs would be accepted up until April 7 at which time anyone concerned may be heard. Application for a trade practice conference, it was explained, was made by RMA on behalf of the radio receiving set division, which represents approximately 90 per cent of the firms in the radio set business.

Directors of the RMA will meet in Washington on April 6 to prepare for the FTC hearing, Bond Geddes, Executive Vice-President, said.

Following are the proposed rules, save for the specified division of services referred to in Rule 1 (d):

- Rule 1: (a) The making or causing or permitting to be made or published any false, untrue, or deceptive statement by way of advertisement or otherwise concerning the grade, quality, quantity, substance, character, nature, origin, size, or preparation of any product of the industry having the tendency and capacity to mislead or deceive purchasers or prospective purchasers, and the tendency to injuriously affect the business of competitors, is an unfair trade practice.
- (b) The use of the term "Standard Broadcast" in description in advertising or otherwise of radio receiving sets, unless the "Standard Broadcast" sets so described and advertised in the American market shall cover a continuous spectrum of frequencies from 540 kilocycles to at least 1600 kilocycles, is an unfair trade practice. This definition and rule shall apply in the present state of the art, subject only to possible change or modification in the interest of the public and the industry.
- (c) The use of the term "All Wave" in description in advertising or otherwise of radio receiving sets, unless the "All Wave" sets so described and advertised in the American market shall cover a continuous

- Rule 1: (c) spectrum of frequencies from 540 kilocycles to at least 18,000 kilocycles (16.65 meters), is an unfair trade practice. This definition and rule shall apply in the present state of the art, subject only to possible future change or modification in the interest of the public and the industry.
- (d) In the advertising and merchandising of all other radio receiving sets having less than continuous coverage from 540 kilocycles to 18,000 kilocycles, failure to detail specifically, either in kilocycle bands covered or in description of broadcast services covered by such receiving sets in accordance with below-detailed definitions recognized by the Federal Communications Commission, shall be an unfair trade practice.
- Rule 2: Commercial bribery is immoral, against public interest, and is an unfair trade practice.
- Rule 3: The imitation of the trade marks, trade names, slogans, or other marks of identification of competitors, having the tendency and capacity to mislead or deceive purchasers or prospective purchasers and the tendency to injuriously affect the business of such competitors, is an unfair trade practice.
- Rule 4: The false marking or branding of products of the industry, with the effect of misleading or deceiving purchasers with respect to the quantity, quality, size or measurements, grade or substance of the goods purchased, and the tendency to injuriously affect the business of competitors, is an unfair trade practice.
- Rule 5: The use of a label, brand or trade name on a receiving set or cabinet which is similar, akin, or closely related to that of another manufacturer that tends to mislead or deceive purchasers or prospective purchasers of such radio sets is an unfair trade practice.
- Rule 6: The distribution and sale of radio receiving sets from which the name plate, serial number, or other identifying mark of the original manufacturer has been altered, effaced or removed with the purpose and effect of deceiving purchasers or prospective purchasers, is an unfair trade practice.

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HEARST REPORTED READY TO BUY THREE MORE STATIONS

As Elliott Roosevelt, son of the President, became Vice President of Hearst Radio, Inc., it was widely reported this week that Hearst is negotiating for the purchase of the three stations remaining in the Southwest Broadcasting System, of which young Roosevelt was Vice President and Sales Promotion Manager.

Two units of the Southwest System have been sold to Hearst, subject to approval by the Federal Communications Commission, for \$225,000. Station KTSA, San Antonio, was sold for \$180,000, and KNOW, Austin, for \$45,000.

The three stations which are expected to be acquired by Hearst Radio, Inc., are KTAT, Fort Worth, WACO, Waco, Tex., and KOMO, Oklahoma City. William P. Day, Executive Vice President of Lambert & Feasley, Inc., New York agency, is reported to be negotiating the deal for the newspaper publisher.

Young Roosevelt will receive a Commission of \$35,000 for his services if all five Southwest stations are sold, according to a report in Variety.

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LITTLE CHANGE IN QUOTA TABLES IN THREE MONTHS

Revised tables issued this week by the Federal Communications Commission to show the standing of States and Zones relative to broadcasting facilities due and assigned show little change from the record of January 2, 1936.

The First Zone, comprising the Northeastern States, remains the only zone that is under its night-time quota because of the density of population. The other four zones have slightly increased their excesses above night-time quotas, while the Fourth or Middle Western Zone has exceeded its day quota. It is the only zone to utilize more daytime facilities than are due it under the quota system.

The FCC meanwhile is awaiting action by the Senate repealing the Davis Equalization Amendment as carried in the Communications Act to remove the requirement that radio allocations be made on the basis of population. The repeal has been recommended by the Senate Committee on Interstate Commerce.

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FCC DEFENDS WIRE SEIZURES; TREADWAY DEMANDS OUSTER

As the Federal Communications Commission filed a 14-page report of its activities in examining telegrams in Washington telegraph offices in cooperation with the Senate Lobby Committee, a demand was made in the House that all of the Commissioners be dismissed for "meddling" in private business.

The ouster demand came from Representative Treadway (R.), of Massachusetts, who charged the Commissioners with being ignorant of its own authority.

"The first duty of the Commission itself should have been to acquaint itself with its own authority", Treadway said, "and to know the contents of the law under which it is functioning. The ignorance which its members have shown is culpable and deserves the severest condemnation, even to the extent of removal from office. I advocate the latter procedure. I doubt if it will be taken, but I advocate removal from office of the members of the Commission.

"Here we have another example of the Government meddling in business. I do not hesitate to say there is absolutely no authority in law for compelling telegraph companies to break confidence with their customers and provide any committee with their entire file of messages.

"The FCC should have known the contents of Section 220 of the Act, which permits investigation and examination only for the purpose of checking accounts".

The FCC report cited the same section as proof of its authority to investigate the telegram files.

"It is only by an inspection of the telegram itself", the report said, "that the Commission can determine that the telegraph company is obeying the law with respect to the proper charges, non-discrimination in the order and method of handling telegrams, and observance of the company's tariffs and the Commission's regulations including that for the preservation of records."

Assuming full blame for initiating its own investigation, the FCC cited testimony before the Senate Lobby Committee regarding the wholesale forgery of telegrams by utility representatives and the destruction of records in telegraph offices.

While there is nothing in the Communications Act to prevent forgery of telegrams, the Commission indicated a need for remedial legislation. Destruction of copies of telegrams, it pointed out, is a penal offense.

FCC employees copied only 65 telegrams, the report stated, and these showed on their face "irregularities in handling" or the "existence of practices which need further study" by the Commission for the protection of the public.

"The assertion that has been made that every telegram passing through Washington between the dates covered by the Senate Committee's subpoenas was read by the Commission employees is without foundation in fact", it added. "Such a procedure would have taken the Commission personnel assigned to the task many years."

The FCC admitted, however, that after the telegrams were examined by the Commission employees, they were then examined by the Senate Committee investigators.

The FCC study, the report stated, "brought to light several aspects of the practices of the telegraph companies which must be further studied to correct discrimination and irregularities."

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BROADCASTERS AND "HAMS" KEEP U. S. INFORMED ON FLOOD

Broadcasting stations and radio amateurs or "hams" kept even the newspapers informed on developments in the eastern floods this week as other forms of communication failed.

Stations in Pittsburgh, Johnstown, Washington and other flood-stricken towns were hooked up to the major networks for eye-witness accounts, until power in some sections failed and forced them to discontinue. Other stations throughout the flood areas stayed on the air day and night with reports of developments.

Even the newspapers were forced to rely upon reports from radio amateurs regarding the conditions at Johnstown, Pa., on March 18, when a false news report was published that the dam at Johnstown had given way. A radio amateur denied the report, and the fact was duly headlined in late afternoon papers.

Amateurs in the 3500-4000 kc. band were particularly active in keeping a waiting world informed of developments in the flood area. They were on the air day and night.

NBC engineers and announcers were endangered when a small dam burst in Johnstown, and they were ordered to flee to the hills. Both CBS and the Mutual Broadcasting System had station connections, as did NBC, which enabled them to broadcast flood reports frequently and graphically.

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RADIO PART OF AMERICAN HOME, SAYS CONGRESSWOMAN

Speaking on the "Woman's Radio Review" program over the NBC-Red network March 20th, Representative Virginia E. Jenckes (D.), of Indiana, said with regard to radio:

"The radio is a definite part of the American home. It brings to our women the voices of the Nation. In the quiet of their homes, they have the opportunity of judging the utterances of all who address them, it matters not whether it be the President of our Nation, or a Dictator in a foreign land. I say, therefore, to the women of America, jealously protect your new found friend - radio broadcasting. Strive to keep it an efficient servant of all of the people which I am sure it was intended to be."

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NEW STATION FOR ALABAMA URGED BY EXAMINER

An application for permission to construct a new broadcasting station at Tuscaloosa, Ala., for operation on 1200 kc. with 100 watts power, daytime only, was approved this week in a report to the Federal Communications Commission. The applicant is James R. Doss, Jr.

Increase in daytime power from 500 watts to 1 KW for WFBR, Baltimore, WOOD, Grand Rapids, Mich., and WASH, Grand Rapids, was recommended by Examiner Melvin H. Dalbert. All the stations operate on 1270 kc. He urged denial of a similar increase in night-time power, however.

Examiner Ralph L. Walker recommended denial of an application by KVI, Tacoma, Wash., for permission to increase its daytime power from 1 KW to 5 KW.

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PAYNE TALKS ON CLEVELAND MEMORIAL DAY PROGRAM

George Henry Payne, Progressive Republican member of the Federal Communications Commission, was one of the principal speakers on a Grover Cleveland Memorial day program March 18th in New York City. Mr. Payne is up for reappointment as his present term expires June 30th.

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I. T. & T. TO REFUND DEBT TO BANKS

A letter has been addressed to stockholders of the International Telephone and Telegraph Corporation by Sosthenes Behn, President, advising them that steps are to be taken to refund bank loans and part of the funded debt and that at a special meeting on May 13th they will be asked to approve a reduction in the value of the common stock, the cancellation of employees' stock purchase plans and the creation of general reserves exceeding \$100,000,000.

A preliminary annual report shows consolidated net income of \$5,787,411 for 1935, equal to about 90½ cents a share on 6,399,002 capital shares, compared with \$3,670,110, or 57 cents a share, in 1934.

Gross earnings of I. T. & T. and subsidiaries were \$52,892,482, including gross profits on sales of manufacturing companies, against \$51,247,336 in 1934, and net earnings were \$16,009,220, against \$14,118,183.

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TEN MORE STATIONS NAMED IN WARNER BROS. SUITS

Warner Brothers music subsidiaries have filed additional copyright infringement suits against the following broadcasting stations: WACO KGKO WDOD WTOG WHBI WWL WJBW WOWO and WDSU.

Numerous suits also have been filed against hotels, night clubs, and the like.

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OWEN YOUNG TO GET DISTINGUISHED SERVICE MEDAL

The 1935 Gold Medal of Fellowship for distinguished service will be awarded to Owen D. Young at the annual dinner of the Society of Arts and Sciences at the Waldorf-Astoria, New York, on April 22nd.

Mr. Young is cited for "great services in the cause of improved international good-will and in behalf of the principles of good government, and also for unique services toward raising the responsibility of organized business in its relations both to the public and to the State."

Among the jurymen who selected him for the honor was A. Atwater Kent, President of the Atwater Kent Radio Co., Philadelphia.

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FCC REVEALS EVIDENCE FILE ON "WILLARD HOTEL" CASE

Taking the bull by the horns, the Federal Communications Commission on March 18th made available to the press the file of evidence in the so-called "Willard Hotel Incident" while a Senator and a Member of the House pondered over whether to call for a Congressional inquiry.

The transcript had at first been withheld by the FCC even after Commissioner George Henry Payne had asked the Commission to release it. Senator Couzens (R.), of Michigan, introduced a resolution directing the FCC to submit the data to the Senate. Before the Senate had time to act, a copy was given to him.

It was made public after J. Edgar Hoover, Director of the Bureau of Investigation, Department of Justice, had denied a statement attributed to Chairman Anning S. Prall, of the FCC, that the Justice Department objected to releasing the file.

Chairman Connery, of the House Labor Committee, author of a resolution calling for a Congressional investigation of the FCC, is understood to be studying the evidence with a view to making another demand for action on his resolution.

The file discloses nothing sensational that had not been brought out previously in the report of the Special FCC Committee, but it provides interesting reading. Replete with testimony, letters, transcripts of telephone conversations, and the like, the report also reveals dissension among the Commissioners.

The name of Major Malcolm M. Kilduff, identified only as a resident at Wardman Park Hotel, is more prominent in the evidence than in the report. He, rather than Mortimer Prall, son of Chairman Anning S. Prall of the Commission, was the first to overhear the conversation which led to the investigation by the Justice Department and the FCC.

From a closet in a room adjoining one in which several officials from the Knox Broadcasting Co., Binghamton, N. Y., were allegedly having a party, Major Kilduff reported that he overheard the following conversation involving Harry C. Butcher, Vice-President of the Columbia Broadcasting System, Washington, and the Commission:

One of the unidentified persons said: "Butcher said to me he would deliver the political end of it for \$25,000,"

"Well, can he do it?" another asked.

"What in the hell do you suppose Columbia keeps him in Washington for?" responded the first.

Mr. Butcher, the report shows, received letters from Harold E. Smith, General Manager of KOKO, Albany, and Cecil D. Mastin, of WNBC, Binghamton, denying that any such conversation had taken place.

Alfons B. Landa, a Washington lawyer, in a telephone conversation, denied making any statement such as reported by Major Kilduff, while C. M. Jansky, Jr., Washington radio engineer, said he was at the party and heard no conversation of the nature alleged.

Herbert Pettey, Secretary of the Commission, also reported that the alleged conversation, as reported to him involved a Commissioner who could be "gotten to", but young Prall's report to the Department of Justice did not mention the unidentified Commissioner or the report by Pettey that the Commissioner had instructed an Examiner as to how to act on the Knox case.

The report disclosed that the Justice Department had been instructed to ascertain why young Prall was occupying a room next to the Binghamton officials but had not done so. It also revealed that he had met the radio officials on the train while returning to New York and had tried to draw them out further on their views of the FCC but without success.

All reports appeared to agree that the conversation in question was made in a loud and boisterous fashion that indicated the participants were drinking heavily.

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COPYRIGHT BILLS SEEN BLOCKED; NAB ENDORSES DUFFY BILL

The National Association of Broadcasters presented its case on the copyright legislation before Congress this week at a three-day hearing before the House Patents Committee, but it was generally conceded there is little likelihood that any copyright legislation will be enacted at the current session.

James W. Baldwin, Managing Director of NAB, and Louis G. Caldwell, of Washington, and Sidney M. Kaye, of New York, attorneys, were the spokesmen for NAB. They endorsed the Duffy Bill and denounced both the Sirovich and the Daly Bills.

The hearing was featured by frequent heckling of witnesses as had been that in which representatives of the American Society of Authors, Composers, and Publishers had appeared. It revealed that the Committee itself is so split that it is doubtful whether any measure will be even reported to the House.

Mr. Kaye denied that the elimination of the \$250 minimum copyright infringement penalty, which would be stricken by the Duffy Bill, would put ASCAP out of business.

"There are more remedies in this bill than a man has under any other law and more than the creator has in any other country", he said. "In the light of that it is my judgment that the Duffy Bill will not put ASCAP out of business. I am convinced that it will not cost ASCAP a penny and is quite likely to give them additional benefits."

Significant was the testimony brought out that ^{Mr.} Baldwin, who is leading the fight of the broadcasters for copyright law revision, is paid but \$11,000 a year, whereas Gene Buck, President of ASCAP, is paid \$35,000.

Partly because newspapers were filled with accounts of the flood, but chiefly because there were no showmen, such as ASCAP presented, to catch the public eye, NAB's testimony was presented with little notice taken of it in the press.

The only story that got any play at all was a story told by Mr. Kaye that "The Music Goes 'Round and 'Round" originated in a Ford joke book and that only the failure of the publisher to carry out the technicalities of the copyright law prevented him from collecting "more money than there is".

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FCC ASKS G-MAN INQUIRY AS PHONE HEARINGS OPEN

Before the investigation of the American Telephone & Telegraph Company had occupied a week, the Federal Communications Commission on March 19th called upon the Department of Justice to probe activities of the A. T. & T. in furnishing wires and equipment to racing news organizations.

The FCC request was made by Paul Walker, Chairman of the Telephone Division, in a communication to J. Edgar Hoover, Director of the Bureau of Investigation.

Charles M. Bracelen, general counsel of the telephone company, was quoted by the press as stating that representatives of the company had "gone much too far in doing things they were not expected to do and which I cannot approve and which are deplorable".

Walter S. Gifford, President of A. T. & T., said he was unfamiliar with the racing news set-up but added that telephone company employees had shown themselves to be "over zealous" in soliciting such business. He said this zealousness will be curbed in the future.

Earlier testimony revealed that the telephone company was furnished information by the Massachusetts State Police prior to raids on gambling establishments so that telephone equipment could be removed and thus escape damage. The equipment was restored to the same place or at another location after the raids.

Mr. Gifford was one of the first witnesses before the FCC. He was questioned by Samuel Becker, Special Commission Counsel, regarding the relation, if any, between Western Electric and the Graybar Electric Company. The A. T. & T. head denied that Graybar is controlled by Western Electric. He also repudiated a suggestion by the FCC counsel that A. T. & T. had recouped depression losses by payroll reductions.

Mr. Gifford stated that his own salary is now \$206,000 a year.

After the request for Justice Department intervention was disclosed, he said: "We will be delighted to cooperate with Mr. Hoover. There has been nothing illegal about our activities as far as I know. Our record is an open book."

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AMERICAN RADIOS STRONG IN GREEK MARKET

American makes account for approximately two-thirds of the radio receiving sets sold in Greece, a report to the Commerce Department from its Athens office shows. Practically all the better known American radios are represented in the market and with the exception of Philips, American radio dealers hold the largest individual quota allotments.

Although only 6,000 receiving sets are officially registered in Greece, it is reliably estimated that the total number in use approximated 14,000. Under the present import quota scheme the extent to which sales of radio apparatus can be developed is definitely limited and regardless of the demand the total cannot be exceeded unless extra-quota imports are authorized, it was stated.

Another factor tending to curtail radio sales in Greece is the fact that the country has not a single broadcasting station. In order to obtain adequate reception of foreign broadcasts, it is essential to employ a more powerful and therefore more expensive receiving set than would be the case if there were a local station broadcasting, according to the report.

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