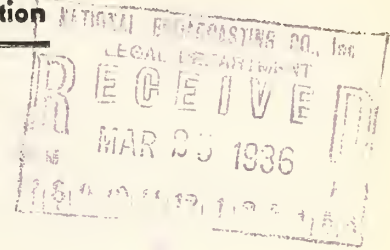


HEINL RADIO BUSINESS LETTER

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INDEX TO ISSUE OF MARCH 24, 1936.

More Evidence From The Secret "Willard Hotel Incident".....	2
McNary Reported As Now Backing Payne Reappointment.....	6
Lanham Replaces Sirovich At Copyright Inquiry.....	7
Second Meeting On C.C.I.R. Agenda Held By FCC.....	7
National Radio Institute Salaries Are Listed.....	7
Iowa City Radio Group Hit By FTC Order.....	8
Record Year In Radio Mart Seen By Dun & Bradstreet.....	8
Industry Notes.....	9
WIND Joins ABC; Three Groups Formed.....	10
FCC Orders All Telephone Records Preserved.....	11
Donald Shaw Leaves NBC To Join Agency.....	11
Supplemental Questions Asked In Philco Survey.....	12

No. 913

g. P. H. L. S. D. M.

March 24, 1936

MORE EVIDENCE FROM THE SECRET "WILLARD HOTEL INCIDENT"

Although twice dismissed as unsubstantial, the "Willard Hotel Incident" is proving popular reading among members of Congress and newspaper men since the complete secret file of evidence was released by the Federal Communications Commission. Incidentally, it was stated this week that the Commission did not reverse itself upon releasing the evidence to the public until after J. Edgar Hoover, Director of the Bureau of Investigation, Department of Justice, had withdrawn an injunction he placed upon the file.

Both the FCC and the Department of Justice found no grounds for the report that the Commission, or any member of it, was susceptible to bribery or political influence or that Harry C. Butcher, of Washington, Vice-President of the Columbia Broadcasting System, exercises any undue influence with the FCC. The report was an outgrowth of a conversation overheard by Mortimer Prall, son of the Chairman of the FCC, and his friend, Major Malcolm M. Kilduff, when next door to a party of broadcasters at the Willard Hotel.

The investigation was made at the request of Commissioner E. O. Sykes and had to do with the refusal of the Commission to grant the applications of the Howitt-Wood Radio Company, Inc., owners of Station WNBK, Binghamton, N. Y., and the Knox Broadcasting Company, Schenectady, N. Y., both of whom desired the 1240 kc. band.

Following are some of the verbatim highlights of the record upon which the Commission and the Department of Justice based their acquittals:

In a letter to Anning S. Prall, Chairman of the Fcc, J. Edgar Hoover wrote:

"I have your letter in which you request to be furnished with a complete report regarding the findings of this Bureau relative to the circumstances surrounding a conversation which was overheard in the Willard Hotel, Washington, D. C.

"As you know, on the night of September 5, 1935, a Special Agent of this Bureau called at the Shoreham Hotel, Washington, D. C., where you, together with your son, Mr. Mortimer A. Prall, Mr. Herbert L. Petter, Secretary of the Federal Communications Commission, and Major Malcolm M. Kilduff were present. At this time Major Kilduff informed the Agent that at about 6:30 P.M. on September 5, 1935, while visiting with your son, Mr. Mortimer A. Prall in your son's room at the Willard Hotel, he had occasion

to step into the closet in this room where his attention was directed to a conversation which was going on in the adjoining room; that it seemed to Major Kilduff that about three or four persons were participating in this conversation; that the subject of the conversation was some radio station which someone was trying to get at Binghamton, New York; that a man was heard to say 'Butcher said to me that he would deliver the political end of it for \$25,000', this statement being repeated two or three times; that another voice asked, 'Well, can he do it?'; and that the first voice replied, 'What in hell do you suppose that Columbia keeps him in Washington for?' At this point Major Kilduff called Mr. Mortimer A. Prall into the closet and invited him to listen in, whereupon Major Kilduff left the room.

"Mr. Mortimer A. Prall stated that when his attention was called by Major Kilduff to the conversation coming from the adjoining room, he overheard a conversation, the substance of which follows: That a man said that Butcher of the Columbia Broadcasting Company, would deliver politically what was wanted from the Commission; that he heard \$25,000 and \$50,000 mentioned in connection with the above remark; that he also heard the man say that if the decision of the Commission went against the Knox people, Station WNBK at Binghamton would also lose; that one of the men addressed a man present by the name of Jansky and told him that he was empowered, in the event the decision went against them, to make a reapplication; and that if necessary, he would put up the \$50,000 to get the thing through because Binghamton must have that radio service. Mr. Mortimer A. Prall also heard a voice say, 'It is unfortunate for you and us that we are politically wrong with the Commission'. He also heard someone say that he was the Chairman of the New York State Committee of Broadcasters, and that he would work with Butcher in getting what was necessary from the Commission. According to Mr. Mortimer A. Prall, there were about five voices talking in the adjoining room.

* * * * *

"A few days after the Agent's interview with you at the Shoreham Hotel, you were again interviewed at 6111 New Post Office Building, at which time Mr. Herbert L. Pettey was present. Both you and Mr. Pettey stated that you had no information in addition to that which had already been furnished* * * * *

"At this interview you informed the Agent that you failed to see how monetary consideration could have been mentioned in connection with this matter and how any influence alleged to be exerted by Butcher or anybody else could have a tendency to sway the decision of the Commission one way or the other. You further stated that in your opinion it was rather unfortunate that there was no occasion to hear some previous conversations, and that with the passing of the hearings there was no further lead that could be effectively followed to arrive at any result at that particular time. You also stated that you realized that further investigation at that time might tend to create undue publicity, and that the information at hand might be utilized more advantageously later after the Commission had rendered its decision, and if the interested parties decided to renew their efforts in some other direction.

"You also advised the Agent that you had known Mr. Harry C. Butcher since your affiliation with the Commission; that you had never heard anything detrimental to Butcher's character either officially or socially; that Butcher is very friendly with all of the members of the Commission and is rather close, socially, to White House Secretaries and to some Members of Congress; that he appears to be some sort of a lobbyist representing radio interests; and that his main attention seems to be directed toward transferring Station WJSV at Alexandria, Virginia, of which he is part owner, into the District of Columbia. You further stated that the transfer of this station as desired by Mr. Butcher is out of the question owing to the quota having been reached in the District of Columbia, and that Mr. Butcher had been so informed."

* * * * *

"The investigation failed to disclose any information which would indicate either the tendering to, solicitation by, or acceptance of a bribe by anyone associated in any capacity with the Federal Communications Commission, and accordingly no further action has been taken by this Bureau in view of the fact that you stated to the Special Agent of this Bureau that the above information might be utilized more advantageously at a later date."

A portion of a letter from Harold E. Smith, General Manager of Station WOKO, Albany, N. Y., who was in the room where the broadcasters met at the Willard, to Mr. Butcher:

"During these three days (Sept. 4, 5 and 6, 1935) the case was discussed by a group of persons which included Messrs. Masten, Landa, Lohnes, Johnston and myself. At no time was your name or the names of Commissioners Prall and Sykes brought into the discussion in any connection. There was no reference made to you or the Commissioners whatever. Mr. Kellert of this organization, was in Washington on September 6 and in my company during the entire day. He will vouch for the truth of this statement on the day he was with me."

Cecil D. Mastin, Manager of Station WNEF, Binghamton, N. Y., in whose room the broadcasters gathered, wrote to Mr. Butcher in part as follows:

"To my best recollection your name was never mentioned. I definitely and emphatically say that there was no mention of the payment of money to anybody on behalf of the Howitt-Wood Radio Company in my presence or in my hearing and I believe that I was in the room all of the time. So that the denial may conform with the facts, to my knowledge there never has been the suggestion that money or political pressure be used to further the application of the Howitt-Wood Radio Company.* * * *

"I cannot understand why or how you were brought into the situation. In our own case we can only hazard the opinion that it was done for the purpose of prejudicing our application and for the purpose of securing favor for the Knox application."

Excerpt of a telephone conversation between Alfons Landa, a Washington lawyer, and Mr. Butcher, the latter speaking:

"Masten says he did not say that Harry Butcher said he could buy the whole damn Commission for \$25,000."

Mr. Landa to Mr. Butcher:

"Why they dragged you into it, I don't know, other than to make a better story * * * It was brought up at a full meeting of the Commission, and when confronted with the story, immediately a different story is told. Now, somebody says \$20,000 to \$40,000, and it isn't to be given to the hooked-nose, long-eared so-and-so, to which we draw our own conclusions as meaning Sykes, but 'I guess we will have to buy the whole Commission'."

From a report of the Federal Bureau of Investigation:

"Concerning a rumor that reached Chairman Prall through Commissioner Stewart to the effect that Senator Black (Hugo L., of Alabama) told Commissioner Stewart that a newspaper man friend told him it was alleged money had been passing in the application case (WNBK-Knox) under consideration by the FCC., Senator Black advised Agents that he did not care to disclose the name of his informant."

at the Willard

Evidence of an unidentified conversation/heard by A. Mortimer Prall not previously given in this present account read:

"Knox and his gang must be beat because we need this power over 360,000 people. That Schenectady crowd cannot beat us."

A portion of testimony of Mr. Butcher to Special Agents of Bureau of Investigation contained this assertion:

"I emphatically deny that either my company or I had any interest whatsoever in the Binghamton-Albany case. I never made in my lifetime any such boisterous and derogatory statements as some of the rumors attribute to me. * * * I never made any statement on any occasion that anyone on the Commission, or in the Government service, or anywhere, could be bought or controlled. The policy of my company and of myself in dealing with the Commission has been to present the facts and trust to the good judgment of the Commission."

Commissioner Irvin Stewart asked Mr. Hoover if Mr. Mortimer Prall reserved room 804 at the Willard in advance, if he asked for a particular room, and if he inquired as to a reservation by Mr. Mastin or as to who was to occupy room 803? Also, did Mr. Mastin make his reservation at the Willard in advance; if so, when, and when was room 803 reserved for or assigned to him. (The alleged conversation of the broadcasters was supposed to have been heard in Room 803).

Mr. Hoover replied that no advance hotel reservations were made at the Willard Hotel by Cecil D. Mastin or A. Mortimer Prall. The room clerk couldn't recall that Prall inquired as to occupancy of room 803 or that he requested to be assigned to room 804.

Chairman E. O. Sykes appearing at an investigation held by the Communications Commission finally declared:

"I want to say, for the benefit of this record, that any alleged statement that I am or ever have been in the employ of the Columbia Broadcasting System is absolutely false. I want to say further that Mr. Butcher, whose name is coupled with mine in this matter, never approached me in any way about either of the applications concerned."

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McNARY REPORTED AS NOW BACKING PAYNE REAPPOINTMENT

Friends of George Henry Payne, whose term as Federal Communications Commissioner expires June 30th, report that Senator McNary, of Oregon, minority leader, has promised to support him for reappointment. While Senator McNary had been reported previously to have been backing Judge John C. Kendall, a Portland (Ore.) attorney for the post, it was said that he did not understand until recently that Commissioner Payne is a candidate for renomination. When so informed, he said he would support the New Yorker.

Judge Kendall was not believed to be interested seriously in the job, moreover, because he would have had to drop a lucrative law practice to come to Washington.

As Senator Borah had previously lined up behind Mr. Payne, the Idaho and the Oregon Senators, it is believed, could control the western bloc of Senators who had complained of lack of representation on the Commission, at least so far as the Republicans are concerned.

Because Senator Couzens (Re.), of Michigan, took a hand with Commissioner Payne in helping to dislodge the file of evidence in the "Willard Hotel Incident", Washington observers believe he may also be counted upon to endorse Mr. Payne for renomination.

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LANHAM REPLACES SIROVICH AT COPYRIGHT INQUIRY

Representative Lanham, of Texas, replaced Representative, of New York, as Acting Chairman of the House Patents Committee, on March 24th as hearings were resumed on pending copyright bills. The Clerk of the Committee stated Dr. Sirovich was ill, but at the time, the New Yorker was on the House floor. One report was that Congressman Sirovich was believed to be too prejudiced in favor of ASCAP by his colleagues on the Committee.

The Committee at an executive session on Monday decided to hold hearings four days a week instead of three and to conclude April 15th so that some bill could be submitted to the House in time for consideration.

Broadcasters and ASCAP have concluded their testimony, the Clerk said, and will not be recalled. Other organizations to be heard will be allowed but an hour and a half each, to be used as the witnesses see fit. Groups to be heard this week are: Authors League of America, Dramatists Guild, the Music Publishers' Association, and the Hotel Men's Association.

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SECOND MEETING ON C.C.I.R. AGENDA HELD BY FCC

The second general meeting of the committees preparing for the fourth meeting of the C.C.I.R. was held Tuesday morning (March 24) in the offices of the Federal Communications Commission. Reports were to be received from the several committees named to make specific studies.

More detailed reports of the meeting will be carried in subsequent issues.

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NATIONAL RADIO INSTITUTE SALARIES ARE LISTED

Among the salaries of corporation officials disclosed in a supplemental list by the House Ways and Means Committee this week were the following for the National Radio Institute, of Washington, D. C.: James E. Smith, President, \$20,000, and E. R. Haas, Treasurer, \$20,000.

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IOWA CITY RADIO GROUP HIT BY FTC ORDER

The Federal Trade Commission has ordered T. O. Loveland and J. L. Records, of Iowa City, Iowa, trading as Commercial Manufacturing Co., and Brenard Manufacturing Co., to discontinue certain unfair trade practices in the sale and distribution of radios. Use of the word "Manufacturing" as a part of the respondents' trade name, or in advertising literature, as descriptive of their business, is prohibited in the order unless and until the respondents own and control a complete factory in which they manufacture the radios so represented.

The order directs the respondents to cease and desist representing through advertising literature, distributors' agency agreements, or through representations by traveling salesmen, that retail dealers, upon execution of agency agreements to sell the respondents' radios, will obtain certain advantages such as an exclusive franchise for a particular territory, and a guarantee by the respondent of a certain number of sales at a specified profit.

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RECORD YEAR IN RADIO MART SEEN BY DUN & BRADSTREET

Citing gains in demand for radio equipment from 15 to 20 per cent in January and February, Dun & Bradstreet predicts that the radio manufacturing industry in 1936 will enjoy an even greater business than in 1935, which was the best to date.

The approaching elections, the Olympic games, the payment of the bonus, and the development of improved receivers were cited as explanations for the growing demand for new sets.

The report uses the figures of Radio Retailing to point out that American manufacturers produced 5,375,000 radio sets in 1935, which was 14.5 per cent in excess of 1934 and which surpassed the previous 1929 record. Auto receivers marketed totaled 1,100,000, or 30 per cent more than in 1934, while battery-operated sets went up to 350,000. Tubes sold numbered 75,000,000, a gain of 16 per cent over the preceding year.

Fully 75 per cent of the sets sold during 1935 were in the all-wave, or combination long and short wave classifications, with the demand for more expensive larger models offering quality performance becoming increasingly evident. Consoles ranging in price from \$125 to \$350, it is reported, accounted for as much as 40 per cent of the sales. "Demand held closely to the nationally advertised receivers," the report adds, "with but small interest accorded the off-brand units."

That the market is far from saturated is evident from trade calculations that at least 20 per cent of the estimated total of 25,000,000 receivers in use in this country are more than five years old, the normal life of the average radio.

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INDUSTRY NOTES

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Texas broadcasters met in San Antonio last week to organize the Texas Broadcasters' Association. A temporary organization was formed with the prediction that a permanent association will be formed at Fort Worth on May 23. J. Frank Smith, of KXYZ, Houston, is President. Uniformly lower card rates are expected to result.

Station KFAB, Lincoln, Nebr., has withdrawn from the Cornbelt Wireless Network, reportedly because of pressure brought to bear by the Columbia Broadcasting System.

Direct radiotelegraph service between the United States and the Republic of El Salvador, Central America, was inaugurated March 20th. The circuit is operated by the Mackay Radio and Telegraph Co. through its stations here and by the station of the Government telegraph and radio administration of El Salvador at San Salvador, capital and principal city.

The Bureau of Foreign and Domestic Commerce, Department of Commerce, has just released new radio market reports for the following countries: Paraguay, Tunisia, Ecuador, Gibraltar, and the islands of Miquelon and St. Pierre. Copies may be obtained for 25 cents each from the Superintendent of Documents, Washington, D. C.

Nine more suits against radio stations which, it is alleged, infringed on copyrights owned by the Warner Bros. music companies, were instituted last week. The stations are: KTFI, Twin Falls, Idaho; WDSU, New Orleans; WOWO, Fort Wayne; WTOG, Savannah (three); WTAL, Tallahassee, Fla.; WSPD, Toledo; and WHIO, Dayton, Ohio.

Muzak, Inc., wired radio subsidiary of North American Company, is setting its plans for commercial sale in New York of its service and the sales campaign is slated to start within the immediate future, according to Billboard.

The Arcturus Radio Tube Co., Newark, N. J., announces the addition of its line of the types 6N6 'Coronet' and 6R7 metal tubes. The type 6N6 'Coronet' is a duplex-triode power output tube, permitting circuit simplicity and its special characteristics rank it among the most efficient tubes for P.A. Systems and regular amplifier work, according to its makers.

The 6R7 'Coronet' is a duplex-diode triode, somewhat similar to the type 75 but has a mutual conductance of 1900 and a μ of 16.

The State of Washington's monopoly suit against the American Society of Composers, Authors and Publishers will be before the State Supreme Court March 27 after several months of battling in the lower courts.

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WIND JOINS ABC; THREE GROUPS FORMED

Station WIND will serve the Affiliated Broadcasting Company as the outlet for their programs in the Chicago metropolitan area, it was announced this week at the network headquarters in the Civic Opera Building. Station WKBH, at LaCrosse, Wis., has also joined ABC for commercial programs, making a total of 19 outlets for the programs of the new regional network, which will take to the air the latter part of April.

With the exception of WIND, all of the stations affiliated with ABC have been segregated into three State groups, which are available to advertisers as individual networks or in combination of one, two, or three groups, affording coverage of one, two, or three States, as the advertiser wishes. Each of these State groups, however, is available only as a unit; that is, the advertiser must purchase the entire State lineup and cannot select some stations and not others within any group.

These groups are made up as follows: Wisconsin Group: WOMT, Manitowoc; WHBL, Sheboygan; WRJN, Racine; WKBH, LaCrosse; WCLO, Janesville; WHBY, Green Bay; KFIZ, Fond du Lac; and WDGY, Minneapolis-St. Paul. Illinois Group: WTAX, Springfield; WJBL, Decatur; WHBF, Rock Island; WCLS, Joliet; and WIL, St. Louis. Indiana Group: WTRC, Elkhart; WEOA, Evansville; WWAE, Hammond; WBOW, Terre Haute; and WLBC, Muncie.

For the convenience of advertisers who may wish to add coverage of the Chicago metropolitan area to that of any State, WIND is not included in any one of the State groups, but may be obtained as an auxiliary outlet of any State hookup provided it is available at the time desired.

3/24/36

The Affiliated Broadcasting Company will have no ABC "key" station, either in Chicago or at any other point. Programs for the network will originate in the headquarters studios, which are located in the Radio Tower of Chicago's Civic Opera Building, and will be sent out from there to the individual stations. Remote control pickups will be brought into the headquarters control room and sent out again from there to the network.

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FCC ORDERS ALL TELEPHONE RECORDS PRESERVED

The Telephone Division of the Federal Communications Commission on March 24th issued an order calling on all telephone, telegraph, cable and wireless companies to preserve all records and accounts until further notice.

The order was issued in connection with the investigation of the American Telephone & Telegraph Company now under way.

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DONALD SHAW LEAVES NBC TO JOIN AGENCY

Donald S. Shaw, Eastern Sales Manager of the National Broadcasting Company for the past two years, has resigned to become Assistant to the President of McCann-Erickson, Inc., New York advertising agency. His resignation becomes effective as of April 1st. Mr. Shaw, in his new position, will assume the leadership of the agency in all radio activities.

Mr. Shaw joined the sales staff of NBC in 1933, and was made Sales Manager one year later. His previous business connections, after graduation from Brown University in 1920, were Larchar Horton Co., advertising agency in Providence, R. I.; George L. Dyer, the Biow Company, and Williams and Saylor, New York agencies; and the Vacuum Oil Co., Advertising Department. He was at one time a partner in his own agency of Cleveland & Shaw.

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SUPPLEMENTAL QUESTIONS ASKED IN PHILCO SURVEY

Supplementing a questionnaire distributed several weeks ago, Sayre M. Ramsdell, Vice-President of Philco Radio & Television Corp., Philadelphia, has issued three new questions to prominent persons over the country on the general subject of freedom of the air.

"In relation to the checks and balances to be used in attaining or maintaining this freedom", Mr. Ramsdell wrote, "there was a wide range of definition; in fact, so many interesting points were brought up by numbers of our correspondents, and called to our attention as not being included in our original questionnaire, that we are appending the more pressing of them to this letter."

The appended questions follow:

- "1. Importance of reaching a common understanding of such differences as exist between news publications, which have the right to be partisan, and radio broadcasting stations, which are believed by many to have some measure of obligation to present all recognized sides of a public question.

(Is it, or is it not, a fair statement "that the radio broadcasting station should enjoy a provisional franchise for the use of an allotted public radio channel as long as it fulfills its purpose to provide Service to the people of a community with news and entertainment and public instruction"?)

- "2. Importance of competition between broadcasting stations.

(The point is raised whether the application to radio of the constitutional guaranty of freedom of speech can be justified unless competition exists between the principal agencies for reaching the radio public.)

- "3. Importance of discovering and providing against the power of control that might be established over the broadcasting industry by third parties or groups.

- "a. Those furnishing programs either generally, (networks, transcription companies, etc.) or to a limited extent (news agencies, concerns having exclusive control over sources of news, such as market quotations, athletic events, etc.).
- "b. Those having control of patents necessary to engage in radio transmission or reception, or to make further advances in the art.
- "c. Those having control of communication facilities necessary to bring programs or any necessary program material to broadcasting stations."

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