

HEINL RADIO BUSINESS LETTER

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FCC SAYS KNX SHOULD EARN 16% DESPITE HIGH PRICES

Striking testimony as to the earning power of a first-class radio broadcasting station was given this week by the Federal Communications Commission in a statement explaining the grounds for its decision approving the sale of KNX, Los Angeles, to the Columbia Broadcasting System. The FCC order became effective August 18.

Although CBS startled the industry several months ago by buying KNX for \$1,250,000--the largest sum ever paid for a single station--the FCC in commenting on the deal said:

"On the basis of the present and probable future earnings of KNX, the consideration to be paid by Columbia for all of the outstanding stock of Western Broadcast Company would earn a return on the investment of approximately 16 or 17 percent. While the actual value of the property and equipment of Station KNX is considerably less than \$1,250,000, it appears that consideration should be given to the earning power of such an investment as well as to the fact that a very large listening public in the western area will receive the Columbia service, where it has not heretofore been available."

The FCC also placed itself squarely on the record in favor of competition in the broadcasting field.

"It also appears to be sound policy to permit Columbia to better its facilities in the Los Angeles area", the report states. "It has been the experience of the Commission that where strong competition exists, the public receives a good broadcasting service. This is necessarily true because a station must depend upon its listening audience and its ability to maintain the same in order to obtain the support of advertisers, and the only way which the Commission knows for a station to keep and maintain an audience is through furnishing a good program service. This, in brief, we believe will be accomplished through approval of the application under consideration."

"It is common knowledge that the largest competitor of Columbia is the National Broadcasting Company, which latter company maintains a large organization on the West Coast and either operates or is affiliated with a number of the larger

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and more important stations in that area, including KFI, Los Angeles, 50 kilowatts, unlimited time (the only other 50 kilowatt station in Los Angeles), KGO, San Francisco, 7½ kilowatts, unlimited time, and KPO, San Francisco, 50 kilowatts, unlimited time. The last two named stations are licensed to the National Broadcasting Company, while the first named carries National Broadcasting Company programs under contract. It appears, therefore, that the approval of the proposed transfer of control will not only permit of a Columbia originating station at a point where many programs of a national character are originated, but will strengthen competitively the status of the Columbia system on the West Coast."

Commenting further on the KNX deal, the FCC stated:

"The balance sheet of the Western Broadcast Company as of January 31, 1936, shows assets in the amount of \$380,870.14 and liabilities in the same amount. It was shown that the original cost of the transmitting equipment, including the antenna system, amounted to \$177,982.15, while the present depreciated value is \$63,763.30. The Commission's Engineering Department estimated that the replacement value of the entire technical plant, including the studio equipment, would be \$217,237.85.

"A statement of income and expenses of the Western Broadcast Company for the two years and one month ending January 31, 1936 shows net profits of \$35,393.63 in the calendar year 1934, \$107,933.70 in the calendar year 1935, and \$6,361.66 for the month of January, 1936, said sums representing net profits before payment of Federal income tax. Considering the present station rates, as well as the steady increase of business that has occurred during the past two years and likewise considering the profit for the month of January, 1936, it is reasonable to assume that the net profit from the station's operation for the calendar year 1936 will be in the neighborhood of \$200,000."

The FCC commends CBS for its commercial policies and plans for expansion on the Pacific Coast.

"It appears that Columbia has adopted certain specific policies as to commercial programs which are worthy of mention," the report states. "Advertising on commercial features is limited to 10 percent of the time at night and 15 percent during the daytime, with an additional forty-second period on fifteen-minute programs for routine identification. Advertising of products having laxative properties, depilatories, and deodorants is barred, as well as any discussion of internal bodily functions or other matters not in general and ordinary good taste. Care is exercised

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in the broadcasting of features harmful to children and continual experiments are conducted to develop programs of benefit as well as of an entertainment value to child listeners. All commercial continuity is carefully prepared and examined and advice of the various federal and state authorities is followed in the advertising of all products.

"It is shown that the plans of the Columbia system contemplate additional representation on the West Coast and that said system is now in the process of building its own organization in that area. Rapid development in transportation, together with the motion picture production activities in Los Angeles, have combined to make the West Coast an important section for program originations, as well as for commercial sales activities."

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NETS CONSIDER F.D.R. DROUGHT TOUR NON-POLITICAL

The radio networks have decided to accept the word of President Roosevelt in good faith with regard to his tour of the drought-stricken middle west and will "cover" its high spots without charge to the Democratic National Committee.

To insure fair play, however, they will give Governor Landon as much opportunity as the President for speaking over the air on the drought problem. Both presidential candidates will probably be heard when they meet at Des Moines for a conference with other governors.

So far only one address by President Roosevelt has been scheduled for the drought tour and that will be in connection with a bridge dedication at Hannibal, Missouri. It will be broadcast locally only.

The President has not yet been charged for time on the air, although the campaign formally opened following the Democratic National Convention in mid-June. The Republican National Committee has paid for one Landon address, that given August 22 at Middlesex, Pennsylvania.

Because the networks carried a non-political address by Mr. Roosevelt from Chautauqua, New York, they will not charge the G.O.P. for Governor Landon's address there this week with the understanding that it also will not deal with pure politics.

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ZENITH SETS RECORD FOR FIRST QUARTER

Zenith Radio Corporation reports an operating profit for the first quarter ended July 31 of its current fiscal year amounting to \$706,940 after depreciation, excise taxes, royalties and liberal reserves but before Federal income and profits taxes or possible assessment against undistributed profits, as per the company's books, according to Hugh Robertson, VicePresident and Treasurer.

This is the largest profit which Zenith has ever earned in any quarter of its history despite the fact that the first quarter is usually the most difficult in which to make any profit.

"Shipments so far this month and orders on hand indicate a much greater volume for August than was originally anticipated. Orders already on hand for September shipment exceed the scheduled production for the month. Production for October will be scheduled early in September based on any orders we may be unable to fill during September and our Distributors' orders for October shipment."

While the volume of business done during the quarter was unusually large, Zenith continued to maintain its usual liquid condition and closed the quarter with no bank loans or bonded indebtedness. All current obligations were discounted.

Plans are progressing for moving into the company's new quarters immediately after the close of the current season, Mr. Robertson said.

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RADIO STATIC LAW TO BE TESTED IN NEW YORK

An ordinance designed to test the authority of municipalities in controlling radio interference was presented to the Village Board at East Rockaway by Mayor Alanson Abrams as the first step in a country-wide program to improve radio reception.

Preparation of the ordinance resulted from tests made in various parts of the village. These indicated that escaping electrical power caused a large part of the static interfering with reception. The tests were arranged by Frank L. Carter, who recently organized the National Committee for the Control of Radio interference.

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The proposed ordinance was drafted by Paul M. Segal and Paul D. P. Spearman, Washington radio attorneys. It makes it unlawful for "any person, firm, association or corporation to knowingly or wantonly operate or cause to be operated any mechanical device, apparatus or instrument of any kind within the corporate limits between the hours of-- and 12 midnight, the operation of which shall cause reasonably preventable electrical interference with radio reception within said corporate limits."

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HARD SAYS HE'S NOT PAID BY G.O.P. FOR BROADCASTS

William Hard, noted Washington correspondent, last week disclosed that he is not being paid by the Republican National Committee for his political interviews and comments over an NBC network. The G.O.P., he said in a letter to Editor & Publisher, merely pays the expenses. His letter follows:

"In the magazine called Microphone I have read a reprint of an editorial of yours on the paying of radio commentators by the Republican National Committee. Without entering into the argument of your editorial, I should like to say that the Republican party is not paying me any salary or fee whatsoever. It is paying me my out-of-pocket traveling expenses but nothing else. I write articles in magazines for my livelihood. In the August issue of the Redbook I had an article in which I expressed my views as to the New Deal. In a forthcoming issue of the Redbook there will be another article of mine in the same tenor. I have done my best to give my magazine readers for some time past an outright expression of my conviction that the New Deal should be defeated. I now express that same conviction on the air. This, I think, I have the right to do. I cannot see how in any way it impinges upon the freedom and independence of the broadcasting companies. The air contains a great plenty of arguments on the other side.

"I may add that I do not at the present moment know of any radio commentators that are being paid by the Republican party.

"I may further add that I join you in condemning any practice whereby a commentator who is thought to be unsponsored be paid surreptitiously by that party to insert party propaganda into his broadcasts. A secret subsidy to commentators would be morally wrong and, in my judgment, should also be legally wrong."

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BUTCHER FINDS RADIO HAS REPUTATION FOR FAIRNESS

Broadcasting stations and networks are gaining the reputation for fairness in the current Presidential campaign, Harry C. Butcher, Vice President of the Columbia Broadcasting System, found on a trans-continental tour.

Returning to Washington this week after a five weeks trip to the West Coast, Mr. Butcher said:

"I talked with everybody along the way--from barbers to capitalists--and the opinion was unanimous that radio is giving both sides of the political campaign.

"The consensus was that the press is generally opposed to Roosevelt and, even though its news reports may be fair, editorial policies have led the public to believe that most newspapers are biased.

"Because radio gives equal opportunity to all parties and candidates, and because it expresses no editorial judgments, the average man relies on it rather than the press for the facts."

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FRENCH TOWN CRIER MAY RESORT TO AID OF RADIO

The historic town crier appears to have disappeared entirely from England, and in France he threatens to resort to the radio to broadcast his messages, according to a Paris correspondent of the London Observer.

Describing the French crier, the correspondent writes:

"The instrument with which he attracts attention is not a bell, but a drum. In a village, the duties are performed by the garde-champetre, who combines the offices of village policeman, bill-sticker, and, frequently, bell-ringer for Sunday church and daily angelus, with that of general executant of the orders of the maire.

"When on duty he wears a shabby cap of semi-military design, and a leather baldric with a brass plate on it as his sole uniform over the clothes in which he tills his little plot of land. If the place is rather larger than a village, the 'tambour' may be a separate official. In either case he can be hired by private persons to make commercial announcements, or

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to proclaim lost property.

"Well, this picturesque figure is in danger of disappearing. His voice, and no doubt his drum also, would still be heard, and he would continue, you may be sure, to draw the modest fees for using both; but he would no longer be seen--that is if the authorities accede to the request which his professional association has just made on his behalf.

"For he would drum and speak into a microphone at the mairie, and loud-speakers would make his voice heard at each of the cross-roads where he has hitherto repeated his message."

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WALKER DENIES ANY CHANGE PLANNED IN PHONE INQUIRY

Paul A. Walker, chairman of the Telephone Division of the FCC, late last week issued a statement denying published reports that a shake-up was contemplated in the FCC staff conducting the American Telephone and Telegraph Company inquiry, now in recess. In a formal statement he said:

"The telephone investigation is going forward with full speed, with a splendidly qualified and highly capable staff of assistants. It is a tribute to regulation that so able a group of men could be assembled in so short a time for this most important utility investigation now before the country.

"Stories purporting to cast reflection on the work, the character of the evidence produced, or the personnel, are nothing more than insidious propaganda, tended to discredit the investigation and dishearten the personnel.

"Statements as to the purported supplanting as counsel of Samuel Becker, a brilliant lawyer of high integrity, and the forced resignation of John H. Bickley, Chief Accountant, and recognized as one of the very ablest accountants engaged in utility regulation, are wholly unauthorized and without any official sanction whatever.

"Much good has already been accomplished for the public by the investigation, and by the valuable and high class evidence produced. The investigation will continue to go forward without let-up, and its results will merit the commendation of telephone users and of all those sincerely interested in the protection of the public through utility regulation."

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FCC ISSUES REVISION OF RULES ON ULTRA-HIGH WAVES

The Federal Communications Commission this week issued its revised rules pertaining to relay, international, television, facsimile, high frequency and experimental broadcast stations and announced they will become effective September 15.

Originally adopted by the FCC on May 21, the regulations were made the subject of a hearing, were scheduled to become effective July 1, and were later postponed. Several significant changes have been made as the result of protests or requests from the services concerned.

The regulations mark the first official recognition of impending new services in the broadcast field and follow a reallocation of channels in the ultra-high frequencies. They are made necessary by rapid developments in the field of television, facsimile, short-wave and international broadcasting, and apex broadcasting.

The more important changes made in the rules since the draft of May 21 was issued are as follows:

The tolerance for relay broadcast stations having a power output of 10 watts or less was reduced to 1% on 31,100 to 4; .400 kc. and above with the tolerance for stations with power of more than 10 watts 5%. For relay stations on 1622-2830 kc. the tolerance permissible is 4%.

Two new groups of frequencies are provided for relay (or pick-up) broadcasting in the ultra-high frequency band. They are 38,900, 39,100, 39,300, 39,500, 39,700, 39,900, 40,800 and 41,400 kc.

A more liberal interpretation of the rule governing rebroadcasts of commercial programs by experimental stations is provided by a rewording of Rule 1072 (a). It reads:

"A licensee of an experimental broadcast station shall not make any charge, directly or indirectly, for the transmission of programs, but may transmit the programs of a regular broadcast station or network including commercial programs, if the call letter designation when identifying the experimental broadcast station is given on its assigned frequency only and the statement is made over the experimental broadcast station that the program of a broadcast station or network (identify by call letters or name of network) is being broadcast in connection with the experimental work. In case of the rebroadcast of the program of any broadcast station, Rule 177 applies."

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The rules governing visual broadcast services have been divided into two distinct groups, one for television broadcast stations and the other for facsimile broadcast stations. One low-frequency band (2,000-2,100 kc.) has been retained for television stations desiring to carry on research work in the secondary or rural service area of such stations.

The latter is a concession to the Purdue University and the National Television Corporation, of New York, which protested the FCC move to transfer all television stations into the ultra-high frequencies. Television assignment by the FCC henceforth will be made by bands rather than specific frequencies for the aural and visual channels. Three frequencies were made available for facsimile stations in the 2,000-2,100 kc. band provided no interference is caused to television stations operating in that band. They are 2012, 2016, and 2096 kc.

Previously the FCC had ordered all 11 television stations operating in the low frequencies to vacate them and to seek assignments in the ultra-high frequencies. The abandoned visual broadcasting channels are to be allocated for inter-city police services.

The rebroadcast rules (Rule 177) which aroused a protest of "censorship" from Oswald F. Schuette, then Director of the Short Wave Institute, is not included in the revised regulations, but Andrew W. Ring, FCC broadcast engineer, explained that it has not been abandoned.

The rule, which among other things prohibits any United States station from rebroadcasting a foreign program without written authority from the commission, has been revised, he said, but not yet approved by the FCC in its final form. It will be issued in time, however, to become effective September 15.

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"Literary Digest this year for the first time is selling the broadcast sponsorship rights to its Presidential poll", comments Editor and Publisher. "How will newspapers like to publish Digest figures that have been broadcast the night before for advertising purposes?"

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POWER INDUSTRY SEEKS 16 RADIO WAVES

The electric power and light industry has filed with the Federal Communications Commission an application for the allocation of sixteen radio frequencies and two additional "special-emergency" allocations and the retention of two allocations at present available on the "special-emergency" basis, the Edison Electric Institute reports in its August bulletin.

Hebert W. Eales, chairman of a special institute delegation in charge of the application, cites the disastrous floods last Spring as emphasizing the industry's need for unrestricted use of radio for power-system operation and trouble dispatching, to the same extent as is required for police service, in the interest of the convenience and safety of the public.

There would be no direct financial revenue to the electric light and power industry through the use of the radio as contemplated, Mr. Eales points out. The service is wanted to supplement and not to replace other forms of communication in order to meet better the ever-increasing demands placed upon electric service by the public.

The individual companies interested in making use of radio service as outlined in the brief are urged by the institute to proceed to make the necessary studies of their requirements with a view to making applications promptly to the FCC for licenses to construct and operate the necessary stations, such applications to be confined to the band of frequencies sought by the institute.

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COLUMNIST POKES FUN AT G.O.P. "CHAIN LETTER" IDEA

The suggestion of William Hard, G.O.P. commentator on the air, that the Republicans inaugurate a policy similar to the chain letter system of informing listeners when a prominent party spokesman is to speak over the radio, has drawn the following fun-poking burlesque from H.I. Phillips, New York Sun humorist:

"The chain-letter system has been introduced into political broadcasting by the Republican National Committee. Whenever an important Republican program is scheduled, radio captains all over the country will phone five men asking them to phone five others, and so on."--News item.

Captain--Hello!.....Hello!...Is this Pobbs?... There's an important Republican radio program on the air tonight.

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Pobbs--Thanks for the warning. I'll do as much for you some time.

Captain--You don't understand...There is to be a most important speech of vital importance to the country... of paramount educational value to every voter...

Pobbs--Oh, one of those kind!

Captain--Lissen, you're one of five.

Pobbs--What do you mean "one of five?" Is this a secret order or something? Who's this talking, anyhow?

Captain--I'm a chain captain.

Pobbs--What's a chain captain? This is getting more intricate by the minute.

Captain--It's like this...I call up five voters and notify them whenever an important political speech is about to be broadcast.

* * * *

Pobbs--So they won't tune in by mistake. I get it. It's mighty nice of you.

Captain--No'. So they WILL tune in and NOT by mistake.

Pobbs--You don't mean to tell me you think any man is going to listen to a political speech after being given ample advance notice.

Captain--Exactly. The five men I notify, notify five others; those five others notify five more, and so on.

Pobbs--What makes you think so?

* * * *

Captain--It's like the old chain spirit. Nobody likes to break a chain.

Pobbs--Why not?

Captain--It's a bad omen. To break a chain brings bad luck to a voter.

Pobbs--Anyway you look at your idea it should bring bad luck to the candidate. Who's idea was it, anyhow?

Captain--Willie Hard's.

Pobbs--I thought it might be Izzie Soft's.

(They hang up)

Mrs. Pobbs--Who was that, Ignatius?

Mr. Pobbs--Some fellow with a grand idea for electing Roosevelt!