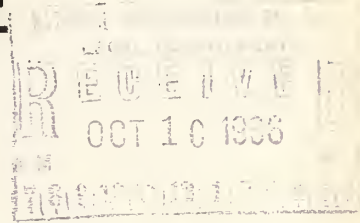


HEINL RADIO BUSINESS LETTER

2400 CALIFORNIA STREET

WASHINGTON, D. C.

CONFIDENTIAL — Not for Publication



INDEX TO ISSUE OF OCTOBER 9, 1936.

Economic Issue Leads In First Week's Hearing.....	2
Crosley Gives Practical Side Of Super-Power Issue.....	3
Craig Explains Position Of Clear Channel Group.....	5
Radio Listed In G.O.P. \$8,636,000 Budget.....	6
Paley Fights Super-Power Advocates.....	7
Television Pictures Enlarged By German Invention.....	8
RMA Asks Removal Of Commercial Curb On S-W Stations.....	9
Crosley Denies WLW Exercised Censorship.....	10
Shepard Explains Attitude Of Regional Stations.....	11
Mutual's September Billings Set Record.....	12
RCA Protests Certification Of Union.....	12

No. 970

2
g
S J +
M

ECONOMIC ISSUE LEADS IN FIRST WEEK'S HEARING

Economic issues had forged ahead of technical problems as the Federal Communications Commission concluded its first week of a public hearing on proposed reallocations in the broadcast band, 550-1600 kc.

Although the National Association of Regional Broadcast Stations, 81 members strong, had just begun the presentation of its case when the hearing adjourned Friday, it was apparent that the question of whether super-power stations, such as WLW, should be allowed to spring up over the country centers around whether or not such stations would ruin the investments of millions of dollars in local and regional outlets.

The array of engineering witnesses differed on the technical effects of opening up the remaining 30 clear channels to super-power stations, and it seemed likely that this problem could be solved more easily than the economic issue.

With suggestions of the establishment of megawatt outlets that would be capable of national coverage, regional and local stations were threatened with extinction by loss of revenue if not by blanketing of their transmissions.

A super-power station, it was pointed out, might even with high rates gobble up the national advertisers who now distribute their advertising expenditures among scattered regional and local stations.

The super-power threat also hovers over the networks, but to a lesser degree. William S. Paley, President of the Columbia Broadcasting System, flatly opposed the high power advocates as the CBS network includes many regional stations, but he warned that Columbia would not be found napping but would be prepared to demand super-power for its larger stations if the FCC decided in favor of greater power and fewer stations.

With the Clear Channel Group of 13 stations standing four-square against any further breakdown of clear channels and with the organized regional stations asking such a breakdown along with horizontal power increases to 5 KW, the FCC appeared headed for a compromise decision.

The question of big stations versus little stations is not new, as it was raised prior to the 1928 reallocation and from time to time since then. However, technical advancements in broadcasting, together with economic competition, have brought the fight to a climax that demands an adjustment by the Federal regulatory body.

Lined up on both sides are veterans in broadcasting such as Powel Crosley, Jr., of WLW, Cincinnati, and Edwin M. Craig, of WSM, Nashville, on the higher-power side and John Shepard, III, President of the Yankee Network, leading the regional group.

CBS has taken sides with the regional stations, but NBC has not yet expressed an official opinion on the question. The National Association of Broadcasters, because of the sharp differences of opinions among its own members, is remaining strictly neutral.

The Radio Manufacturers' Association, through Bond Geddes, Vice-President and General Manager, took sides with the Clear Channel Group. In a resolution the RMA recommended that the FCC retain clear channels as they now are and that minimum but no maximum power be fixed for these stations.

X X X X X X X X X

CROSLY GIVES PRACTICAL SIDE OF SUPER-POWER ISSUE

While most of the witnesses before the broadcast hearing of the Federal Communications Commission were talking of super-power from a theoretical or observational point-of-view, Powel Crosley, Jr., owner of the only 500 KW station in the United States - WLW, Cincinnati - gave the Commission first-hand observations of two years' operation.

Although explaining that he did not appear as the advocate of any theory of allocation, Mr. Crosley said:

"I believe that the high-powered station located on a clear channel frequency performs a definite and necessary function, and as a meritorious institution should be preserved and encouraged."

Discussing the history of his radio ventures since he first became interested in broadcasting in the early twenties while in the business of manufacturing phonographs, Mr. Crosley recalled:

"The first time I heard the term 'super-power' was back in 1922 just after we inaugurated our first 50-watt station with the call letters WLW. Another organization in Cincinnati, operating a 20-watt broadcasting station for some months, encouraged a radio club in Cincinnati, composed of prominent radio listeners to get together and make a protest about our 50-watt 'super-power' transmitter.

"A committee was appointed to investigate. I was invited to appear before the committee. I did so with a clothes

10/9/36

basket full of letters, many of them from such far away points as Troy, Ohio.

"The committee pondered the evidence weightly and a week later reported to the radio club its finding that even though we were using 50 watts we were evidently rendering a better service than we would be able to render with 20 watts as indicated by the favorable comments and congratulations upon our forward step as expressed in this mass of letters."

Two years' experimental operation of a 500-KW station, Mr. Crosley said, has proved that the super-power was beneficial to the public, that it does not create undue interference, and that it has proved as profitable an investment as its predecessor, the 50 KW station.

The investment cost of a 500 KW station, he said, is about \$500,000 more than for a 50 KW outlet. Asked what he thought should be the controlling factor in approving super-power stations, Mr. Crosley said the prime question is whether the station was able to pay for the power increase.

"With the power of 500,000 watts", he said, "during the first three months of 1935 we received almost four times as many fan letters as we had received during the same period the preceding year operating with a power of 50 KW.

"By way of summary, I believe that the benefits to the public from our successive power increases have been threefold. First, many listeners received programs which, because of the type of receiving equipment used or because of distance, they never would have received otherwise; second, the reception for those who could hear the programs is vastly improved; and, third, we have been able by increased revenues to improve the programs themselves.

"We have endeavored to cover the 'No Man's Land' lying between areas well served by local or regional broadcasting stations, to deliver, Winter or Summer, in spite of atmospheric or other forms of interference, satisfactory reception for the radio listener who cannot afford the more elaborate and costly receiving sets. That we have succeeded in doing this is evidenced by the recent engineering report of the Federal Communications Commission indicating the popularity of our station in rural districts."

X X X X X X X X

CRAIG EXPLAINS POSITION OF CLEAR CHANNEL GROUP

A plea that the Federal Communications Commission leave the present clear channels alone, raise the minimum power permitted on such frequencies from 5 to 50 KW, and remove the maximum power limitation, was made by Edwin W. Craig, of WSM, Nashville, Tenn., as chief spokesman for the Clear Channel Group of 13 stations, four of which are owned by newspapers.

After reciting at length the history of Federal regulation of broadcasting, Mr. Craig pointed out that most of the clear channel stations are pioneers in the industry.

There are two fundamental issues before the Federal Communications Commission, he said: "First, to what extent shall the Commission preserve and protect clear channels and, second, what shall be the minimum and maximum power on those channels."

Answering his own question as to how many frequencies should be allotted to clear channel classification, Mr. Craig said:

"Our group believes that the original number of forty, established in 1928, represented a sensible compromise between the conflicting objectives and the complicated factors that had to be considered. It regrets, for the sake of the future as well as the present interests of rural and remote listeners, that ten of them have been deteriorated into high-power regionals. It does not, however, advocate that these duplicated channels be restored to their virgin condition. We recognize that there may be practical obstacles to such a step.

"We do earnestly urge that the present actual number, thirty, be maintained inviolate and that they be kept clear not only within the confines of the United States but also, so far as possible, under existing and future international treaties and agreements they be kept clear throughout the continent of North America and the West Indies."

Discussing the second issue of increased power, Mr. Craig advocated a minimum power of 50 KW for every clear channel station but opposed raising this minimum to 500 KW as had been informally suggested. He said his group had no objection to the requests for increased power from the regional stations as well.

The reason why the Clear Channel Group does not favor a 500 KW minimum, Mr. Craig said, is that some cities and regions are able to support such super-power stations while others are not.

"What, now, are the reasons for urging that you remove the maximum limitation?" he asked.

10/9/36

"Thirteen years ago one kilowatt was the highest power permitted on a clear channel", he explained. "Now a clear channel station operating with such power is a museum piece. Generally speaking, in 1928 five kilowatts was the highest power used by any broadcast station; a clear channel station using such power now has all but become an extinct species.

"Now, when we are ready to advance forward another step, which after all is exactly the same order and the same proportionate effect as the leap from five to fifty kilowatts, why should there be any opposition?

"Part of the opposition is, I suppose, psychological. Five hundred thousand watts sounds like a lot of electricity. It is, however, the equivalent of only 675 horsepower, or less than one-third the power it takes to drive a new Douglas airplane."

The Clear Channel Group comprises, besides WSM, the following stations:

KFI, Los Angeles; WLW, Cincinnati; WGN, Chicago; WSB, Atlanta; WBAP, Fort Worth; WFAA, Dallas; WHAS, Louisville; WWL, New Orleans; WLS, Chicago; WHO, Des Moines; WHAM, Rochester, and WOAI, San Antonio.

All except WWL use 50 KW power at present, and the New Orleans station has an application for 50 KW. pending.

X X X X X X X X X X

RADIO LISTED IN G.O.P. \$8,636,000 BUDGET

An item of \$1,750,000 for public relations, including radio, is listed in a budget of the Republican National Committee disclosed this week in Washington by Henry P. Fletcher, counsel. The budget calls for total expenditures of \$8,636,000.

Only \$2,000,000 has been collected, however, and a drive has been started to raise \$1,000,000 more every week until the November election.

The Democratic National Committee expects to spend about \$5,000,000 for the campaign although it has raised only \$2,000,000 to date. No breakdown of this budget has been disclosed.

X X X X X X X X X X

PALEY FIGHTS SUPER-POWER ADVOCATES

While the Columbia Broadcasting System can effectively use super-power and will apply for a full quota if the Federal Communications Commission admits it to broadcasting, William S. Paley, President of the network, told the Commission this week that wide use of super-power has dangerous implications for many independent and smaller broadcasters.

Because increases of transmitters to 500 kilowatts, if allowed at all, can be awarded only to stations now having the highest power, the effect will be "to make the big fellow still stronger, and the little fellow weaker", Mr. Paley said. The implications of super-power need further exhaustive study before altering the basic structure of broadcasting, he added.

"From the standpoint of the network", said Mr. Paley, "we believe that all three moves toward super-power, toward duplication and toward 5,000-watt regional stations, combine to force a new pattern of network coverage:- a pattern involving the use of fewer stations of greater power - with a stronger signal service in rural areas - with a satisfactory, if sometimes lesser signal service in cities where stations must be dropped from the network to maintain a balance of economics and of public service. We foresee no material effect upon our program service in such a network structure.

"Under the present broadcast structure \$10,000,000 annually for talent alone is poured into sixteen hours a day of Columbia programs. Under the possible new structure I have outlined we believe this generous endowment would not be threatened. Our careful estimates of the cost of 500 KW stations indicate a probable burden of over \$10,000,000 of capital investment by the broadcasters - with an additional operating cost of between \$3,000,000 and \$4,000,000 a year.

"The Columbia Broadcasting System stands ready to accept its share of the load if super-power is admitted as a full-fledged member of the broadcast family. If the Commission sees fit, in the light of all the evidence, to sanction it, Columbia will apply for its full quota. Three of our affiliate stations - WJR, Detroit, WHAS, Louisville, and KSL, Salt Lake City - have already applied. Certain of our other affiliate stations will apply. Six more of the clear channel stations on the Columbia network, six stations which we own ourselves, will similarly file applications for 500 KW in New York, Chicago, Charlotte, Minneapolis, St. Louis and Los Angeles."

Urging a realistic appraisal of the effect of super-power on radio-listening, Mr. Paley asked: "If we consider super-power not in terms of the stations which would benefit by it or the stations which would suffer by it, but in terms of the listening public, what do we find? We find that the difference

between 500 KW. and 50 KW. is clearly not the difference between good service and bad service. Even in deep rural areas it is rarely the difference between a usable and non-usable signal. Perhaps in one-half of one percent of the radio homes of the United States would super-power, as such, make the difference between an adequate and an inadequate signal.

"I should like to urge upon the Commission and the industry one basic consideration on the subject of super-power: Study it. I do not believe any of us know enough about the immediate effects and the subsequent effects of super-power, both in itself and in relation to the progress and welfare of radio broadcasting and radio listening. Many of the doubts I have raised have been, expressly, doubts. Many of them have been questions, not answers. We need those answers. I believe the Commission needs those answers before altering the basic structure of broadcasting."

X X X X X X X X

TELEVISION PICTURES ENLARGED BY GERMAN INVENTION

Television pictures on a screen 1 x 1.20 meters are said to be possible through a new invention of Telefunken Gesellschaft, Germany, according to Andrew W. Cruse, Chief of the Electrical Division, U. S. Bureau of Foreign and Domestic Commerce. Heretofore, limits to the possible size of the television tube have kept the dimensions of pictures to within 8 x 10 inches.

With the new instrument, the tube is very small. The end is absolutely flat instead of curved and is 10 mm. thick to withstand outside air pressure. The picture thrown on the end of this tube is only 5 x 6 cm., about 2 x 2½ inches. The end of the tube is fitted to a projection camera lense of large size and picture is thus enlarged and thrown upon a screen which stands separate from the receiver. The loudspeaker is located at the base of the screen.

In order to obtain a particularly clear, sharp and contrasting picture on the end of the tube the tension was stepped up to 20,000 volts. The advantage of this receiver is that the picture thrown upon the screen can be viewed by a large number of people sitting even 6 to 8 meters away. The disadvantage is that all the faults and flaws are likewise enlarged. However, the Witzleben transmitter, which has been broadcasting 120 lines, plans to increase this in August to 380 lines, and this will probably improve the sharpness of the pictures. During the Olympic Games, Germany employed a direct scanning method for its broadcasting instead of the intermediate film, but film will be used for all normal broadcasts at present.

X X X X X X X X X

RMA ASKS REMOVAL OF COMMERCIAL CURB ON S-W STATIONS

Proposals that American short-wave broadcasting stations be permitted to operate on the same commercial basis as long-wave outlets and that the ban on rebroadcasting of short-wave stations be removed, were made by the Radio Manufacturers' Association at the broadcast hearing this week before the Federal Communications Commission.

The action was taken as a result of a decision reached at a recent meeting of the RMA Directors and is in line with the organization's policy of promoting short-wave reception.

Two resolutions were submitted to the FCC by Bond Geddes, Vice-President and General Manager of RMA. They follow in full:

"Whereas the Radio Manufacturers' Association is of the opinion that short wave broadcasting in this country is far behind that offered by foreign short wave stations, and that because of this situation many of our nationals residing in foreign countries, as well as citizens of other countries, are thus deprived of the opportunity of listening to the United States programs, and

"Whereas good short wave broadcasting would reach and serve many locations in this country where, because of remoteness from regular broadcasting stations, bad static conditions, and other natural conditions, day time reception on the standard broadcast band is practically impossible and night time reception is poor, and

"Whereas the Radio Manufacturers' Association is of the opinion that the building of higher-powered, more efficient short wave broadcasting stations with better and more regular programs is being retarded, if not entirely stopped, because licenses for the operation of short wave stations in this country are on an experimental basis only, and commercial use and sale of the time of these stations is denied to their owners and operators,

"Therefore, be it resolved, that the Board of Directors of the Radio Manufacturers' Association recommend to the Federal Communications Commission that restrictions as to commercial use in the sale of time by the short wave stations of this country be eliminated, and that said short wave broadcasting stations be placed on the same commercial basis as the broadcasting stations on the standard broadcast band."

10/9/36

"Whereas under the present rules it is unlawful for any broadcast station to pick up a short wave program and rebroadcast it, and

"Whereas there are many low-powered, local stations serving communities, who because of their lack of power and consequent small coverage are unable to maintain and broadcast good programs, therefore, necessitating the use of phonograph records and in some cases the pick up of programs of larger broadcast stations and their rebroadcast with the permission of the originating station, the latter is very successfully done where the broadcast station whose program is picked up is not too far remote, and where static and natural conditions do not interfere too greatly. In the latter case, if these stations were allowed to pick up good short wave programs from the larger stations with, of course, the permission of the originating station, these programs could be picked up at a greater distance and with greater clarity and less interference from static and other natural conditions.

"Therefore, be it resolved, that the Board of Directors of the Radio Manufacturers' Association recommend to the Federal Communications Commission that the restrictions regarding the pick up and rebroadcast of short wave programs be eliminated and be on the same basis as those regulations governing the pick up and rebroadcast of programs from stations broadcasting on the standard broadcasting band; such pick ups and rebroadcasting only to be done with the expressed permission of the originating station."

X X X X X X X X X

CROSLEY DENIES WLW EXERCISED CENSORSHIP

Powel Crosley, Jr., President of Crosley Radio Corporation, of Cincinnati, denied before the Federal Communications Commission October 7th that WLW, the nation's most powerful station had "censored" political programs.

Obviously angered at suggestions by Commissioner George H. Payne that WLW had rejected requests for radio time from Dr. F. E. Townsend, founder of the Townsend Old-Age Pension Plan, and Representative William Lemke, Union Party presidential candidate, Mr. Crosley replied:

"We have never refused radio time, to my knowledge, to either Dr. Townsend or Representative Lemke. We have leaned over backward to avoid taking part in political or controversial matters."

X X X X X X X X X

10/9/36

SHEPARD EXPLAINS ATTITUDE OF REGIONAL STATIONS

A proposal that all regional broadcasting stations be permitted to increase their power, day and night, to 5 KW and that more than one full-time station be allowed to operate on a clear channel was made to the Federal Communications Commission by John Shepard, III, as President of the National Association of Regional Broadcast Stations.

"The Association has 81 members located in 34 States and has one or more members on 35 different frequencies out of 40 frequencies assigned to regional stations", he explained.

"The Association is unanimously of the opinion that regional stations, both as a group and as individuals, would be adversely and most severely affected if stations should be authorized and regularly licensed to operate with 500 KW.

"The regional stations have their own peculiar problems and the interests of regional stations may conflict with the interests of some other class of stations or some other station within a class, and if such conflicts should arise the only way the facts can be fairly and fully presented on behalf of regional stations is through an organization or association made up of such stations. The National Association of Broadcasters, having a membership which is made up of every class of station, cannot, of course, afford to, and the regional stations would neither ask nor expect it to take sides with the interests of any other class of station presented by membership in the National Association of Broadcasters.

"Having determined what all of the stations' general interests were and attempting to condense these into as few definite proposals as possible, it was unanimously determined that the Association should sponsor and present evidence supporting changes in the rules of the Commission so that such rules as amended would permit the operation of regional broadcast stations with 5 KW power at night, as well as day, and so as to also permit the operation of more than one full-time station on a clear channel. It was also definitely determined as the governing policy of the Association that it should and therefore would sponsor these changes in Commission rules for general application to regional broadcast stations."

X X X X X X X X

10/9/36

MUTUAL'S SEPTEMBER BILLINGS SET RECORD

A 103.8% increase in time billings was reported this week for the Mutual Broadcasting System for last September in comparison with the same month's figures in 1935. This is the greatest increase in the history of the network. Total billings for September, 1936, were \$168,919.65. For the same month in 1935 they were \$82,907.19. The cumulative figures for the first nine months of 1936 total \$1,294,904.02.

X X X X X X X X X X X

RCA PROTESTS CERTIFICATION OF UNION

On behalf of the Radio Corporation of America, protests were made to the National Labor Relations Board this week against a recommendation that the United Electrical and Radio Workers' Union, an outside organization, be certified as the exclusive bargaining agency in the company's Camden plant.

Gen. Hugh S. Johnson, former NRA Administrator and Special Labor Adviser to the company during the strike which led to an agreement to hold an election, testified on behalf of the company, which was also represented by its attorney, Henry S. Drinker, Jr., of Philadelphia.

The discussion centered around the election in which 9,752 employees were eligible to vote and at which 3,163 votes were cast. Of the votes cast, 3,016 favored the United Electrical Union and 51 the plant or company union. Several other votes were blank, void or challenged.

General Johnson and Mr. Drinker maintained that the number of those who favored the outside union, while an overwhelming majority of those voting, was far from a majority of those eligible to vote.

The Board reserved decision on the company's appeal against the recommendation made by the Board's acting director in Philadelphia, who proposed that the United Radio and Electrical Workers' Union be regarded as the exclusive bargaining agency in the plant for all employees.

X X X X X X X X X X