

# HEINL RADIO BUSINESS LETTER

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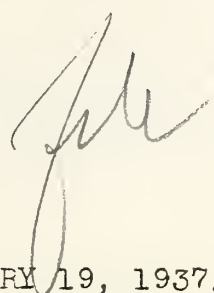
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WAYNE L. RANDALL



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No. 1006

## PRALL FORECASTS REALLOCATION, CAUTION ON SUPER-POWER

Anning S. Prall, Chairman of the Federal Communications Commission, told the Senate Independent Offices Sub-Committee on Appropriations that there will be a reallocation of broadcasting facilities and that the FCC will proceed cautiously in acting on super-power applications, printed hearing transcripts disclosed this week.

The FCC Chairman also made a plea that the Commission be granted greater powers to control the operations of broadcasting stations.

Commissioner Prall made his statements on reallocation and super-power in response to inquiries by Senator Byrnes (D.), of South Carolina.

Senator Byrnes complained that he was forced during his recent campaign for renomination to broadcast his messages to certain sections of South Carolina via stations in North Carolina.

"I happen to reside in one of the few States - I do not know the others - in which we have no radio station that covers the State", said Senator Byrne. "In a political campaign, if I desire to speak over the radio to the people of my State, I have to go out of my State. I remember at one time seeing about four or five others. I know that if a few 500,000-watt stations are established, in the ordinary course of events an advertiser could advertise over one of those so-called super-stations, and the regional stations which are now throughout the country would have very little opportunity, it seems to me, to secure advertisements, and would have to go out of business.

"It is not due to the action of the Commission in refusing applications", he added, "but is due, I recognize, to the engineering situation that those who came upon the scene at first secured the desirable frequencies.

"Now they claim a vested right; and if you desired to give me a frequency they would go into court on you and claim interference. I see no remedy for it unless there is a reallocation."

Replied Mr. Prall: "There will be a reallocation."

"I hope you will not authorize those 500,000 watt super-stations without the most careful consideration", Senator Byrnes continued, "because it will injure the local stations."

"We will not, Senator", said Commissioner Prall.

Senator McAdoo (D.), of California, asked the FCC Chairman whether he believed the Commission should have more power to regulate the "corporations" owning and operating broadcasting stations.

"I feel, personally", said Mr. Prall, "that if we were authorized under the Act to quiet a station or delete it for a temporary period, if we might close the station for two weeks for a violation, or a month, or six months, it would have a salutary effect on the industry as a whole."

Questioned by Senator Byrnes regarding the operations of "traffickers in licenses", Chairman Prall said:

"Senator, of course we hear stories and rumors about this, that, and other abuses in Government administration. You know and I know that, after many years' experience; to be true; but at any time you gentlemen hear any of those rumors, if you will take them up with us, we will investigate them thoroughly and immediately. Of course it is possible that those things can happen without our knowledge."

Senator Glass, Chairman of the Senate Appropriations Committee, asked Mr. Prall whether the FCC gets many complaints that too much time on radio stations is being devoted to advertising.

Said Commissioner Prall:

"Yes, we do, and we also find that the small station - we will say the 100-watter in a town or a city - gives more time to the local interests of all kinds than does the chain operator in that town. That is because the program timetable, as I would put it, of the chain operator perhaps takes the time in the evening when that station might be used by the local people, chambers of commerce, and churches, and organizations of that kind. The time probably is taken up by the national advertisers where the smaller stations are affiliated with chains throughout the country. So we do find complaint, Senator, more from the local, the small communities, with respect to lack of time devoted to community interests."

Senator Glass: "It has seemed to me here in Washington - because I have a radio in my apartment - that most of the time is taken up with advertising."

Mr. Prall: "Yes, I think that is true; but again you go back to the Act, and there is nothing in the Act which gives us any authority as to programs or the direction of broadcast stations with respect to the use of the time they are selling advertisers."



Senator Glass: "Would it be desirable to have such authority?"

Mr. Prall: "I think it would be."

Senator Glass: "Would it not be better to give the Commission itself discretionary power?"

Mr. Prall. "I believe it would. I believe the Commission would be able to accomplish things in communities where very little time is given or can be given to local broadcasting."

Senator Adams: "A little aside from the question, do you think that the programs which are put on by the big advertisers indicate real comprehension on their part of the tastes of the American people? My reason for asking that is that the large programs seem to specialize in silliness and imbecility."

Mr. Prall: "Of course the programs are varied to a large degree, and if you have a family of about five, some in the adolescent age, and from that up to -

Senator Adams: "Up to 70."

Mr. Prall: "Yes; I think you will find that perhaps there are three different views as to what they like to hear over the air."

Senator Glass.: "We do not accept the view of any one who is over 70 years of age, however."

Senator Byrnes: "What proportion of the people read the 'funny' pages of the newspapers?"

Mr. Prall: "The same rule applies to that."

Senator Glass expressed the view, in which Commissioner Prall concurred, that the FCC should not have any control over the price paid by any one for a broadcasting station, thereby differing with the House members who complained during the House hearings against the high sale prices of many radio stations.

After Senator Steiwer (R.), of Oregon, had raised the question regarding the sale prices of WOV, New York, and KNX, Los Angeles, there following the following conversation:

Senator Steiwer: "How does the Commission justify allowing prices of that kind to be paid?"

Mr. Prall. "In the first place, that station was doing a business showing a profit on \$1,250,000 of 16 percent."



Senator Steiwer: "Let me interrupt at that point, if I may. The value of that plant would consist of just two things, would it not, the replacement value of the plant, plus the value of the license?"

Senator Adams: "Are there not two other things in that? One is intelligence in management, the second is the character of the programs."

Mr. Prall: "There is a decision of the court dealing with that subject, where the court, I believe, points to an important phase, or refers to it as an important item, that is, the value as a going concern. I do not feel that we can simply take the equipment, the buildings, of the physical assets, and place a value on their replacement as being the value of the business to you or to me."

Senator Glass: "Should the Commission assume to do that? If I am unbusinesslike and indiscreet enough to pay a high price for a radio station in my town, should the Commission intervene and say I should not be indiscreet enough to do it?"

Mr. Prall: "I wonder, Senator, on that very line, if we have any right whatsoever to tell a man what he should or should not pay for a station."

Senator Glass: "I do not think you ought to have."

Senator McAdoo: "I do not think so, either. The Commission should determine solely whether or not the transfer is in the public interest."

Mr. Prall: "We take into consideration the buyer, and what a change of ownership in a station will mean to the community where it is located, or the community the station serves. If in our judgment it will better serve or serve as well the community to be served, that is one point, if the station has built up a business and shows a good profit comparable with the investment, whatever it amounts to, I think most of the owners of broadcasting stations go so far as to feel that 10 percent of the annual income is a fair price for a station."

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#### FROM SILHOUETTES TO TELEVISION

It was a co-incidence that in the ballroom of the Germantown Cricket Club in Philadelphia where the Philco television demonstration was held recently that the walls were bordered with large black and white silhouettes of former presidents of the club. Thus those who attended the Philco gathering had the unique experience of seeing at one and the same time the oldest and newest things in pictures - silhouettes and television.

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## AYLESWORTH MAIN DUTIES NOT RADIO HE SAYS

An inquiry directed to M. H. Aylesworth, former President of the National Broadcasting Company, brought a reply that his new duties with the Scripps-Howard newspapers will have very little to do with radio.

Mr. Aylesworth advises that Jack Howard, son of Roy Howard, is in full charge of radio in the Scripps-Howard organization and that he will keep in touch with these activities through young Mr. Howard.

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## TEMPORARY LEGAL APPOINTMENTS TO FCC ARE UPHELD

The United States Court of Appeals for the District of Columbia this week upheld an Executive Order inspired by the Federal Communications Commission and the refusal of the United States District Court to dislodge certain appointees to the FCC Legal Division.

The action was taken on an appeal filed by David R. Crow, who stood at the head of a Civil Service list of eligibles for the positions of Assistant Attorney and Associate Attorney, when examinations were held in 1935. His grades, however, had been increased by ten in each case because he was a disabled War Veteran.

Temporary appointees to the jobs had passed the examination but were not among the first three certified by the Civil Service Commission. Nevertheless, the President, at the request of the FCC issued an Executive Order making their appointments permanent. Then followed the suit for a writ of mandamus by Mr. Crow.

The Appellate Court in affirming the decision of the lower court points out that the office which Mr. Crow seeks is now filled by an incumbent who is discharging his duties.

Hampson Gary, General Counsel of the Communications Commission, was one of the FCC attorneys who won the case.

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Examiner Melvin H. Dalberg this week recommended to the Federal Communications Commission that the application of KWBG, of Hutchinson, Kans., for permission to transfer from 1420 to 550 kc. and increase power from 100 to 250 watts be denied.

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# FTC CHARGES TELEVISION INSTITUTE WITH UNFAIR COMPETITION

American Television Institute, Inc., a correspondence school and others, 433 East Erie St., Chicago, are charged in a complaint issued by the Federal Trade Commission with unfair competition in the sale of courses in radio and television.

Representations made by the respondents are alleged to have had a tendency to mislead a substantial portion of the student public into erroneous beliefs regarding the respondents' courses, and to have caused them to enroll as students on account of such beliefs.

Certain representations made by the respondents in newspapers, booklets and general business correspondence, are alleged to serve as representations that: Several young men are to be selected and trained for positions in radio television at the respondents' expense until actually employed; that a seventy-lesson course is offered, collection of the tuition fee being deferred until a job is obtained for the student at \$125 a month or more; that the respondents operate a wide-spread employment agency through which students are placed in paying positions upon graduation; that there is a shortage of radio television operators; that the respondents own a huge laboratory in which equipment is manufactured in great quantities; and that they operate television broadcasting stations in which the pupils are given opportunity for graduate residence study. It was also represented, according to the complaint, that certain individual respondents are engineers for certain radio stations.

These representations are exaggerated, misleading, and untrue, according to the complaint.

Besides the Institute, others named as respondents are U. A. Sanabria, President; R. B. Fullerton, Vice-President; A. H. Zamotany, Treasurer, and American Television Institute, Inc., a corporation, and as co-partners, trading as American Television Institute and Sanabria Television Laboratories.

Alleging violation of Section 5 of the Federal Trade Commission Act, the complaint allows the respondents 20 days in which to file answer to the charges.

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## MINNESOTA GIVEN NEW BROADCAST STATIONS BY FCC

A construction permit for a new broadcasting station was granted this week by the Federal Communications Commission to Albert Lea Broadcasting Corp., of Albert Lea, Minn., for operation on 1200 kc. with 100 watts power, daytime. The same facilities also were granted to the Winona Radio Service, of Winona.

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## TOTAL INVESTMENT IN INDUSTRY PLACED AT \$40,000,000

Chairman Anning S. Prall, of the Federal Communications Commission, told the Senate Sub-Committee on Appropriations that the estimated total investment in the broadcasting industry is "in the neighborhood of \$40,000,000."

He said there are 24,500,000 homes in the United States equipped with radio sets. In addition, there are 4,000,000 more auxiliary sets in the homes and 4,500,000 in automobiles, making a grand total of 33,000,000 sets in use.

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## EXAMINER APPROVES SALE OF KMPC TO GEORGE A. RICHARDS

The sale of all capital stock of the Beverly Hills Broadcasting Corporation, owner of KMPC, Beverly Hills, Calif., to George A. Richards, President of WGAR, Cleveland, and WJR, Detroit, for \$125,000 was recommended to the Federal Communications Commission this week for approval by Examiner Ralph L. Walker.

Mr. Richards, who only recently acquired WGAR, has a Winter residence in Beverly Hills. The Beverly Hills Broadcasting Corporation lists its total assets at \$40,839.96. KMPC operates on 710 kc., with 500 watts power.

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## MOSCOW LIKES POETIC RADIO ADS, CONTEST DISCLOSES

The Radio Centre, Moscow, while it accepts no commercial advertising in the sense that it is understood in the United States, apparently prefers a little poetry mixed with radio trade announcements.

A contest was recently held for the best advertisement for use on the radio. The first prize of 1500 rubles was not awarded, but two workers shared the second prize of 1000 rubles by submitting advertisements in verse. The advertised articles were rugs and books.

A third prize went to a woman who submitted an advertisement in story and verse for shops selling children's toys.

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## IDAHO AUTO ANTI-RADIO BILL DEFEATED

Word was received from Bond Geddes, Executive Vice-President of the Radio Manufacturers' Association, from Boise, Idaho, that the bill to prohibit use of radios in automobiles, recently introduced in the Idaho Legislature, had been defeated. Mr. Geddes, who went to Idaho to lead the fight against the bill, sent the following telegram to Washington late Friday afternoon:

"All Legislature leaders assure and author concede defeat of Senator Whitten's bill in the Idaho House of Representatives to prohibit auto radios. Also House Leadership Committee today voted unanimously to kill bill. This followed excellent hearing Thursday before entire House of Representatives and large applauding audience. Radio automotive trades and several broadcasters appeared."

The defeat of the bill in the Idaho House is welcome news to radio manufacturers and broadcaster's due to the fact that it passed the Senate February 5th by the close vote of 22-20.

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## IT'S A HARD LIFE, PRALL TELLS THE SENATORS

The Federal Communications Commission members have a tough time, according to their Chairman, Anning S. Prall. Whatever they do, somebody gets mad.

Testifying before the Senate Sub-Committee on Appropriations, Mr. Prall said:

"Due to the fact, I believe, that practically every item brought before our Commission is controversial, practically every case we have is protested. Our every act tends to hurt somebody, and therefore we are losing our friends and making potential enemies all the time. Much has been said in the way of complaint to you gentlemen of the Senate, and to Members of the House, about the Communications Commission."

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Denial of an application by Loyal K. King, of Pasadena, Cal., to erect a new broadcasting station in Pasadena for operation on 1320 kc. with 250 watts, daytime, was recommended this week by Examiner Ralph L. Walker to the Federal Communications Commission.

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## AUTOMATIC SOS SIGNALS STUDIED BY FCC

Plans to install automatic radio S.O.S. signal devices on all American cargo ships were discussed at a conference of radio manufacturers, telegraph companies and steamship companies on Friday in the offices of the Federal Communications Commission. For months, officials of the Commission revealed radio engineers and experts of the Commission, the Bureau of Standards and the Coast Guard, have been testing two types of apparatus built according to specifications laid down by the Commission.

Their installation would eliminate the necessity of carrying more than a single radio operator on a ship, and would do away with two of the three radio watches now maintained. Signals from vessels in distress using the equipment would be heard not only in the radio room of other ships but on the bridge, in the engine room and at other watch stations.

According to the Commission's tentative plan, the new device would be installed only on cargo vessels, since all passenger vessels will be required, as they are now, to carry enough radio operators to keep a continuous watch at all times.

The sets, which have been built according to the specifications laid down by the Commission and which have been under test since November, were submitted by the Radio Marine Corporation of America and the Mackay Radio and Telegraph Company. The Coast Guard tests were carried out at Fort Hancock, N. J., and the Bureau of Standards experiments were made in the Bureau's Washington laboratories.

Further studies will be made before the final decision to install them is reached, since the instruments have not yet received a practical test during serious atmospheric disturbances.

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## THE SPEED OF RADIO DEVELOPMENT AS SEEN BY FCC CHIEF

The Senate Sub-Committee on Appropriations for the Independent Offices was given a striking example of the speed of changes in the radio industry by the FCC Chairman, Anning S. Prall, in this fashion:

"We do not know, and nobody knows, just what is going to happen in radio. Some time ago, in a conversation with an executive of the National Broadcasting Co., at a demonstration of the facsimile machine which is perfected, I said to him, 'What are the newspapers going to do about this?' He said, 'I do not know.' I said: 'This thing is going very fast, is it not?' He said, 'It is going so fast that we erected a \$10,000,000 building on Long Island, and before it was completed it was practically obsolete.'"

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## TWO WASHINGTON TEACHERS TO ADVISE ON RADIO PROGRAMS

The U. S. Commissioner of Education announced this week that two Washington university teachers have accepted his invitation to constitute an expert Advisory Committee for a new group of educational radio programs in the series now being presented by the Office of Education, Interior Department.

The men named are Dr. Ben A. Arneson, head of the Department of Political Science at American University, and Dr. Herbert Wright, Professor of International Law at Catholic University. Dr. Wright heads the Department of Politics at the university.

The series on which they will be advisers will be devoted to telling the development of the civil liberties contained in the Constitution's bill of rights.

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## COAST GUARD HEAD LAUDS RADIO IN FLOOD AID

Radio, by spanning the flood-torn gaps in normal communication facilities, has again taken its place in relieving human suffering", writes Rear Admiral R. R. Waesche, Commandant, U. S. Coast Guard.

"The Coast Guard, in common with the Naval Reserve, Army and Amateurs, established a joint emergency radio net of 240 stations to carry on, more effectively, the work of its forces. It is a safe prediction that the swift, nimble hands of radio have snatched from a watery death as many lives as any one force in the disaster.

"The Coast Guard, in common with other relief agencies, will learn many lessons out of the current disaster -- lessons which should test the powers, reveal the weaknesses, and chart the future paths of emergency communications."

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The Czechoslovak Post Office has just announced that plans for the construction of a television transmitter in Prague are now ready, according to World-Radio. The preparatory work will begin very soon and the transmitter will be ready to put out its first tests at the end of this year.

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 ::: INDUSTRY NOTES :::  
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Glenn Laboratories, Inc., 287 West 127th St., New York City, selling a thyroid treatment for overweight, is charged with unfair competitive practices in violation of Section 5 of the Federal Trade Commission Act. The product they offered for sale, namely "Dr. Thomas' Rx 157" is alleged to have been advertised over the radio and in newspapers and magazines.

George Henry Payne, of the Federal Communications Commission, and Mr. and Mrs. A. Atwater Kent were guests at a dinner given by Ralph Beaver Strassburger, wealthy Pennsylvania publisher and Mrs. Beaver at Palm Beach, Fla., in celebration of the birthday of Mrs. John Dewar, of London.

New wrinkles and gadgets in radio and their meaning to every listener will be explained in a quarterly series to be presented over the National Broadcasting Company by O. B. Hanson, NBC Chief Engineer. The first of the series, an interview with John B. Kennedy, commentator, will be broadcast Tuesday, February 23rd, at 7:45 p.m., EST. Other broadcasts will be offered at three month intervals.

Detrola Radio and Television Corporation reports for 1936 a net income after surtax on undistributed earnings, of \$109,725, equal to 80 cents each on 137,500 common shares, against \$73,567, or 66 cents a share on 112,000 shares, in 1935.

Dollar Crystal Co., Omaha, Nebr., has been ordered by the Federal Trade Commission to discontinue certain unfair competitive methods in the sale of mineral water crystals, in violation of Section 5 of the Federal Trade Commission Act. These products are sold as "Genuine Texas Mineral Crystals", "Texas Mineral Water Crystals", and other similar names. The order bars representation by means of radio, advertising matter, etc.

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# CBS JANUARY BILLINGS 24.2% AHEAD OF 1936

Time sales on the Columbia network for January, 1937, totalled \$2,360,740, an increase of 24.2% over the same month in 1936, which was previously the highest January in CBS history. In January 1936 it was \$1,901,023.

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