

HEINL RADIO BUSINESS LETTER

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June 21, 1938.

TELEVISION ALLOCATIONS FOUGHT BY RADIO SERVICES

Protests against the allocation of 19 channels to experimental television in the ultra-high frequency bands were heard by the Federal Communications Commission this week in a move to clear the way for making its frequency allocations between 30,000 and 300,000 kc. effective next October.

Radio services engaged in communications united in urging the FCC not to give television such a large share of the ultra-high frequencies while it is still in the experimental stage.

FCC engineers hoped to work out a compromise, however, whereby the allocation order would be no longer delayed. Issued last Fall, it is due to take effect in October.

Involved in the order, though not in the controversy, are 75 channels in the band 41,020 to 43,980 kc. for aural broadcasting - a new type of radio station that is designed to provide local service exclusively.

The Commission in its Order No. 19 allocated seven channels between 44,000 and 108,000 kc. to television along with 12 channels between 156,000 and 300,000 kc. Each television channel is six megacycles wide.

Objections were made by the following radio communications services:

Mutual Telephone Company of Hawaii, Mackay Radio & Telegraph Co., Inc., RCA Communications, Inc., Press Wireless, Inc., Aeronautical Radio, Inc., and International Business Machines Corp.

Col. Manton Davis appeared as counsel for R.C.A. Communications, Inc.; Louis G. Caldwell represented Press Wireless and Aeronautical Radio, while John H. Wharton appeared for Mackay. International Business Machines was represented by Alfons B. Landa and Walter S. Lemmon, President of the World Wide Broadcasting Foundation.

Because the ultra-high frequencies promise to open new fields for radio, the outcome for the fight for allocations is likely to have profound influence on the development of the radio industry.

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CLEAR CHANNEL COMPLETES CASE ON SUPER-POWER

The Clear Channel Group of broadcasting stations completed their case in behalf of super-power before a special committee of the Federal Communications Commission early this week and the regional stations opened their arguments for horizontal power increases and a break-up of clear channels.

With the hearings going into the third week, public interest had subsided to such an extent that a much smaller room was taken for the inquiry than the Commerce Department auditorium where the investigation opened June 6th.

More lively testimony and possibly some pyrotechnics were anticipated when the hearing shifts to the WLW case, probably next week.

A damper was put on the plea of the Clear Channel Group of stations for a change in FCC rules to permit regular authorized power of 500 KW by the action of the Senate just before adjournment in adopting the Wheeler resolution. Although the Wheeler resolution was merely advisory, even broadcasters admitted that the FCC would hardly move to amend its 50 KW power limitation rule in the face of a Senate expression of policy against super-power.

As a consequence the major issue for the remainder of the inquiry appeared to be a fight between the Clear Channel Group and the National Association of Regional Broadcast Stations over whether or not the clear channels are to remain intact or be split up for the benefit of regional outlets.

The Clear Channel Group did not ask for an immediate assignment of stations to 500 KW but requested that the FCC rule limiting power to 50 KW be amended to fix 50 KW as the minimum power for clear channel stations. This change would open the way for super-power allocations in the future.

Regional stations were asking for horizontal power increases from 1,000 to 5,000 watts, while local stations sought to raise their power from 100 to 250 watts. No opposition had developed up to this week on this demand.

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ENOUGH ADVERTISING FOR ALL, MALAND CONTENDS

Contradicting arguments that super-power stations would undermine the economic support of regional and local stations, Joseph O. Maland, of WHO, Des Moines, appearing as the final witness for the Clear Channel Group this week argued that there is enough potential advertising for all classes of radio stations even though the super-power stations over-reach the locals and regionals.

Under questioning by Louis G. Caldwell, counsel for the Clear Channel Group, Mr. Maland discussed at length the social and economic issues involved in super-power operation.

"What little competition now exists between a 50 KW. clear channel station and a regional or local station in the same city will disappear", he said. "WLW, for example, carries no local advertising whatsoever; its commercial programs consist entirely of network and national spot advertising. All local advertising in Cincinnati is done over the other stations, together with a large amount of network and national spot advertising as is apparent from Table 27. At present, for the remaining 28 full-time 50 KW. stations, about 22.5% of the time sales is local advertising. Of the 10 in our group, the percentage is 14.2%. Even this percentage may be too high because a number of stations have reported time sales as 'local' that must be considered regional and therefore national, so far as radio is concerned. That is, they require or desire coverage over a larger area than a regional or local station can give. In the case of WHO, we find our local advertising at present is only 2.9% of the total. Whatever be the correct percentage, it is clear that it will be lost with an increase of power to 500 KW. and it is equally clear that it will go to regional or local stations in the same city. A local retailer is not going to pay high rates for coverage over an area which means nothing to him. The same is true of local wholesalers, to a large extent.

"With reference to network and national spot advertising, it is also clear that regional and local stations will not lose the business they now have. There will still be as many competing networks and probably more. The regional and national spot advertising regional and local stations now have will be retained; the very fact they have it is due either to the higher rates and excess coverage, or the higher rates alone when the appropriation is limited, or the unavailability of the particular time of day desired by the advertiser. The same reasons, and particularly the higher rates, will be even more in evidence with the increase of the clear channel station's power to 500 KW."

"In my opinion, local advertising is one of the fields which radio has hardly begun to take advantage of. This is shown by the experience of the principal other class of media which can meet the needs of the local advertisers, newspapers.

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For example, the Media Records Blue Book showed that during the year 1937 the display advertising in 396 daily and Sunday newspapers in 103 cities was 70.4% local retail, 21.6% general or national, and the other 8% divided between automobile and finance. The issue of Editor and Publisher for February 26, 1938, showed that of the total advertising revenue of all newspapers for 1937, amounting to \$620,000,000, \$194,000,000 went to national advertising. The experience of newspapers is that the smaller the community, the larger is the percentage of local display advertising.

"Successful national advertising acts as a spur to local advertisers to use the same methods and the same media, so far as possible, to reach the local public."

Discussing the increase in rates necessary to support a 500 KW. station, Mr. Maland stated that in his opinion it would amount to from \$175 to \$200 per hour over existing rates for 50 KW operation. He pointed out that every member of the Clear Channel Group was firmly convinced that if the stations increased their power to 500 KW., the proportion of network programs was certain to be reduced to about two hours instead of three out of four.

Mr. Maland pointed out that with \$8,000 in time charges an advertiser could have a quarter-hour advertising program over a network of 90 to 100 outlets from coast-to-coast with a potential audience of many millions, while the Saturday Evening Post, with a circulation of slightly over 3,000,000 charges \$8,000 for one page in the interior of the magazine in black and white and as high as \$15,000 for the outside back cover in colors.

With respect to the location of clear channel stations, Mr. Maland stated that for technical reasons stations must, for the most part, be established in the larger centers of population where a higher signal strength is necessary, whereas the surrounding population can be served by weaker signals. With respect to economic factors, he contended that due to the cost of operation, high power stations must necessarily be located in the larger trading areas.

With regard to the social factors, Mr. Maland stated that there could be no basis for fear that licensees of the Clear Channel stations might use them for editorial or political purposes.

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ENGINEERS REVIEW LABORATORY GAINS IN TELEVISION

Considerable progress has been in made in laboratory experiments with television in this country, RCA scientists told the Institute of Radio Engineers in New York last Saturday at a special session devoted to visual broadcasting.

Dr. R. B. Janes and W. H. Hickok of the RCA tube laboratories at Harrison, N. J., described improved pickup or "Iconoscope" tubes in which tubes of the general type now employed in the field tests were made three times as sensitive through research in the chemistry and physics of photo sensitive surfaces. The scientists also conducted experiments in the field of optics, and by improved glass envelopes for the tubes have been able to transmit images to the "mosaic" within the tube with greater clarity and sharpness of focus. The increased sensitivity thus obtained at the point of pick-up is added insurance against their being reproduced in the receiver with the characteristics of an under-exposed photograph. It was revealed that the improved Iconoscopes were now receiving practical test by NBC engineers in the field tests.

A paper by Dr. R. R. Law considered advances in providing greater contrast in the images reproduced in Kinescope tubes. It was pointed out that, desirable as "bright" images may be, this quality is not sufficient in itself for the clearest possible picture reproduction. Accordingly, Dr. Law's recent researches have been concerned with the improvement of "contrast" in television receiving tubes.

Closer to the frontier of pure research, and consequently somewhat more remote from practical application, were the revelations of H. Iams, Dr. G. A. Morton and Dr. V. K. Zworykin. This paper reported on the progress of the RCA laboratories in combining the electron image tube with the Iconoscope to provide a six to ten time increase in sensitivity. In this "super Iconoscope" the scene to be televised is focussed on a photo-cathode surface. Light striking the surface knocks out electrons from its further side in proportion to its intensity at any point.

Another possible approach to Iconoscopes of increased sensitivity was described by Dr. V. K. Zworykin and J. A. Rajchman in their joint paper dealing with the "electrostatic electron multiplier". This is a device in which electrons are made to bounce from surface to surface, dislodging several times their number at each impact. It has been calculated that it is theoretically capable of amplifying an impulse 200,000,000 times. Obviously, such a device, successfully coupled to an Iconoscope, should increase its sensitivity enormously.

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When RCA scientists announced the creation of the electron multiplier, in 1936, the bouncing electrons were controlled by a magnetic field. However, magnetic fields in immediate proximity to the Iconoscope present problems, because magnetism is also used to control the beam that scans the picture within the tube. In the electrostatic electron multiplier, the magnetic field is eliminated in favor of other control, which does not interfere with the normal working of the Iconoscope. The engineers have thereby removed a large obstruction from their path toward the "candid" Iconoscope of the future, which will get clear pictures under adverse conditions of illumination.

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DELETION OF WMBO URGED FOR ACT VIOLATION

Denial of the application of Station WMBO, Auburn, N.Y., for renewal of its license was recommended to the Federal Communications Commission this week by Examiner Robert L. Irwin on the grounds that it was transferred to the Auburn Publishing Company in violation of the Communications Act.

At the same time Examiner Irwin recommended that the license of WBNY, Buffalo, also operated by Roy L. Robertson be renewed.

Mr. Robertson, according to the Examiner's report, acquired control of WMBO in February, 1936, but in July 1, of the same year entered into an agreement to transfer the station to the Auburn Publishing Company for \$15,000 without obtaining FCC approval.

Other Examiner's recommendations during the past week were:

That WBNX, New York, and WMBG, Richmond, Va., both operating on 1350 kc., be granted increases in power from 1 KW to 1 KW-5KW, the latter for daytime operation.

That WHBL, Sheboygan, Wis., be granted an increase in daytime power to 1 KW and that the operating hours of WEMP, Milwaukee, be increased from daytime to unlimited.

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CELLER STRONGLY DEFENDS RADIO INDUSTRY

A vigorous defense of the radio industry was made by Representative Emanuel Celler (D.), of Brooklyn, in opposing the investigation of the Federal Communications Commission recently voted down by Congress.

"Various charges and so-called indictments have been brought against a number of radio companies", Mr. Celler said. "I herewith set forth some of these charges, and what I deem to be the correct answers thereto:

"First. It was charged that sales and transfers constituted 'trafficking in licenses'.

"Transfers of radio stations must be approved by the FCC. Transfers cited before the Rules Committee were approved after public hearing. In each case it was demonstrated that the transfer price was reasonable in relation to prospective earnings. To base transfers on the value of equipment involved would be to limit such transfers to radio stations which are unsuccessful as business ventures. Public interest, not price, is the test upon which transfer of control should be determined. Congress did not intend transfers should be disapproved because the sale price is more than the value of the apparatus.

"Second. It was charged that because of network operation, a monopoly exists in the ownership and operation of radio stations.

"There is intense competition among networks. There are four major networks, many regional networks. A station affiliated with a network is an independent station, voluntarily entering into a contractual arrangement to obtain the program service of a network just as a newspaper subscribes to the service of a press association.

"Third. It was charged that big stations 'drown out' small stations, and that small stations have the best programs.

"Engineering data at the F.C.C. reveal that two stations can now serve the same area without mutual interference, irrespective of the power output of either station. Questions of program content are matters of common knowledge. The FCC is engaged in a comprehensive study to determine the place of small stations in the future development of the industry.

"Fourth. It was charged that radio is 'dominated and controlled by the power trusts'.

"The FCC is required to keep a complete record of stock ownership of all radio stations. Full and complete information of ownership of radio stations is now available from public records. Only 2 of 696 broadcasting stations in the United States are owned by power companies.

"Fifth. It was charged that the 40 clear-channel stations in the United States are controlled by the major network companies.

"Most of these stations are independently owned stations and have affiliated with the networks to obtain high quality program service. Of the 97 stations carrying Columbia programs - March 1937 - only 10 are clear-channel stations.

Columbia owns eight and leases one of these stations, five of which are clear-channel stations.

"The National Broadcasting Co. controls 17 stations outright. Its blue network and red network comprise 145 stations, including the 17 aforesaid.

"Mutual owns only one station, and that is WOR, located at Newark, N. J. It has arrangements with 77 other stations.

"It is interesting to note that no network license has ever been revoked."

Representative Celler declared that much is said concerning the high profits of some of the broadcasting stations.

"My answer is. 'What of it?' Representative Celler went on. "They pioneered; they risked their all in the beginning. They went into undiscovered regions. They are entitled to their rewards. Just as in the beginning they pioneered in the field of radio, so they are now pioneering in short-wave broadcasting. They are constantly experimenting. Before long these same companies will give us television. The profits derived in radio aids these companies in developing and advancing in these new realms. If not for these profits, we would not have advanced so far in radio. If not for these profits, we would not now have the present benefits of short-wave broadcasting and television. There would not now be at the disposal of these companies funds for experimentation into short wave and television."

The Brooklyn Congressman referred to the purchase of KNX, a 50,000 watt station in Hollywood, the payment of \$1,250,000 for which occasioned considerable comment last year.

"While such a price may appear high, it should be noted that on this investment an earning of 16% was shown", Mr. Celler continued. "A thorough hearing on this transfer was held by the three Commissioners comprising the Broadcast Division of the Communications Commission. They unanimously approved the transfer. Undoubtedly, the desire to encourage competitive conditions in the industry entered into their decision. It was shown in the records that Columbia Broadcasting System had no adequate outlet in Southern California and that to deny the transfer would be tantamount to denying the people of that area a full opportunity to hear Columbia programs. Moreover, important programs can be originated from that source because of the concentration of available talent incident to the moving-picture industry. These and other factors made it appear to the Commission that the transfer was thoroughly justified. And it is undoubtedly true that this purchase price is substantially lower from the standpoint of earnings than the price paid for other stations which the Commission has approved.

"In connection with the purchase of Station KNX, it was the view of a certain company that it would be subject to justifiable criticisms if it declined to meet the price at which this station was available. In order to perform acceptable public service, it was necessary to have this outlet on the West Coast.

Had this company failed to acquire this property on the grounds that the price asked represented an amount in excess of the value of the equipment, it was felt that the company would not be meeting its obligation to offer the listeners in every section of the United States the benefit of its service.

"It should also be noted that Federal taxes are an important factor in arriving at an agreement for the price to be paid for a station. An example is Columbia's proposed purchase of WOAI at San Antonio, Tex., for \$825,000, which also has been referred to before the Rules Committee. The purchase price, I am informed, was based upon the seller's desire to obtain \$600,000 net for his station. The remainder of the purchase price, or \$225,000, was the approximate amount which would be paid in taxes to the Federal Treasury. In this case taxes constituted such a problem that the seller insisted upon cancellation of the contract after December 31, 1936, if the proposed transfer was not approved by the Commission. The Commission neither approved nor disapproved this transfer, there having been insufficient time for consideration after the examiner who conducted the hearing made his report. This proposed purchase was an attempt by Columbia to equalize the facilities in Texas where Columbia suffered a competitive disadvantage."

The history of the rapid growth and development of the radio industry Representative Celler stated clearly demonstrates that there is vigorous competition among networks and reveals that the charge of monopoly is wholly without foundation.

"The National Broadcasting Co. was organized in 1926, and, as it pioneered the field, had no competition when it formed its red and blue networks", the speaker continued.

"The Columbia network was established in 1928 and began with a nucleus of a very few relatively low-powered stations which were on the less-favored channels in the East. In the face of strong and established competition, the Columbia network has steadily developed. By its initiative, its originality of production, the need which it met, and the public acceptance of its services, this network has rapidly increased its competitive force. Then came the Mutual Broadcasting Co., which has ever sought a betterment of facilities which will improve its opportunity to serve the listeners of the United States. Certainly it can be demonstrated that National, Columbia, and Mutual have brought effective competition into the network field. It has prevented what otherwise threatened to become a great single network monopoly, as I said before, under the control of one giant company analagous to the American Telephone & Telegraph Co. Inquiry to advertisers who purchase radio time or a casual examination of the industry's trade publications will disclose that competition among major networks is intense and that no monopoly exists."

"It should be obvious that four networks do not constitute a monopoly.

"It was asserted before the House Rules Committee that the 40 clear channels in the United States are controlled by National Broadcasting Co., Columbia, and Mutual.

"Without going into great detail to answer this charge, it may be pointed out that there are four major networks operating regularly from coast to coast in the United States - National Broadcasting Co., with its Red and Blue networks, the Columbia, and Mutual. A few clear-channel stations are on each network. Some of these stations are owned by the networks, but most of them are owned independently and have become affiliated with the networks to obtain high-quality programs presented by nationally known talent.

"Each of the networks serves substantially more regional and local than clear-channel stations, the vast majority of all classes being independently owned. For example, of the 97 stations carrying Columbia programs as of March 1937, 10 are clear-channel stations, 6 are duplicated or 'broken-down' clear channel stations with coverage somewhat larger than regional stations, but substantially less than clear-channel stations, 2 are part-time clear channel, 65 are regional stations, and 14 are local or 100-watt stations. Of this group of 97 stations which comprise the Columbia Broadcasting System, Columbia owns only 8 and leases 1, and of these 9, 5 are clear channel, 1 is duplicated channel, and 3 are regional stations. The remaining 89 stations are independently owned and have voluntarily entered into contractual relationship with Columbia in order to receive its program service."

"It must be remembered that the broadcaster, to attract and hold the attention of the audience, must be keep to perceive what the audience wants and likes to hear. Whereas a Senator or Congressman comes up for reelection periodically, the broadcaster's programs are subject to continual vote of their listeners. It takes only a twist of the dial for the listener to vote for or against the offering of a network or a station, and this voting process is going on continually. The fact that the American people seem well satisfied with the quality of service they are receiving, plus the fact that the American programs have the highest quality of those of any country in the world, is evident from the general approbation the industry continually receives from the public."

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Stations WOR, Newark, N.J., and WLW, Cincinnati, were granted authority this week to increase the power with which they are conducting facsimile transmission experiments from 5 to 50 KW.

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BAN ON RADIO NEWS DISCUSSED AT NAEA MEETING

The recent trend toward elimination of radio news columns from newspapers was discussed at the annual convention of the Newspaper Advertising Executives' Association in Detroit last week, according to Editor & Publisher.

"Newspaper advertising managers evidenced a keen interest in the subject of eliminating radio news columns from the paper, with some advocating going 'whole hog' and dropping radio program listings as well as gossip columns", the article stated. "Perry LaBounty, Bloomington (Ill.) Pantagraph, led off the discussion by citing his paper's experience in dropping all radio publicity and programs. The Pantagraph has followed such a policy for six years, he said, with no apparent loss in circulation. He termed his paper's stand as being like that of the country boy 'who had an aversion to giving away free what he had to sell'.

"J. W. Fleck, Detroit Times, raised the question as to how much radio has taken away from newspapers in actual lineage. Based on what he termed a fragmentary study in his local field, he was of the opinion radio, as an industry, has put more lineage into newspapers than it has taken out via commercial broadcasting. He suggested national research was needed on this subject to clearly establish facts.

"Don Bridge, New York Times, mentioned the experience of one big agency which has added radio to its client's newspaper and magazine advertising program, showing that, contrary to the general impression agencies are eager to push their clients into radio because it is more profitable from the agency's standpoint, such was not the case.

"A show of hands indicated a number of papers have rejected the recent offer of sandwiching in commercial radio programs by sponsor's name, at paid space rates, along with regular unpaid listings.

"Lee Anderson, President of Lee Anderson Advertising Company, Detroit, departed from his prepared speech at the outset to inject his opinion into the radio discussion which preceded his talk. He reminded his audience that newspapers fostered public interest in radio as an entertainment medium in its early stages. He questioned how rigidly newspapers can now clamp down on radio publicity, asserting readers have come to view radio news as an entertainment feature, comparable to baseball, theater, art and book news, which, he said, are given news treatment entirely out of proportion to advertising revenue received directly from them.

"C. M. Campbell, Chicago Tribune, cited his paper's reasons for dropping its radio news column recently. He expressed the opinion that radio news columns should not be compared with movie review and comments, primarily because movies are not a direct competitor of the newspaper from an advertising standpoint. He referred to the paradoxical situation in which newspapers, through radio columns, build listening audiences for radio programs, which, in turn, help make radio a more effective advertising medium."