

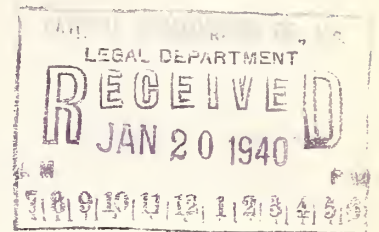
HEINL RADIO BUSINESS LETTER

2400 CALIFORNIA STREET

WASHINGTON, D. C.

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FCC GETS LARGEST BUDGET, WANTS MORE

The Federal Communications Commission this week got its largest appropriation from the House in its history, but Chairman James L. Fly warned the Appropriations Committee that this was only the beginning and expressed the opinion that the FCC is not adequately performing its functions.

Cut only \$8,660 under the Budget Bureau's recommendations, the FCC appropriation, as carried in the Independent Offices Supply Bill, aggregates \$2,116,340. This is \$291,340 above this year's appropriation although it does not include the \$13,175 allowed for the Great Lakes survey in the current Act.

The 1941 appropriation, while less than the FCC asked of the Budget Bureau, provides for 38 additional employees and additional monitoring equipment.

Included in the personnel increase are 24 additional administrative employees and 14 for the field service. Five additional attorneys are to be hired for the heavily-staffed Legal Department at salaries ranging from \$2,000 to \$4,600. The Accounting Department will get an Assistant Chief Accountant, a Senior Economist, an Economist, and an Associate Economist.

Representative Wigglesworth (R.), of Massachusetts, in questioning Chairman Fly asked whether the budget, if allowed, would not be the "largest appropriation you ever had for this activity".

"That is correct, sir", replied Mr. Fly. "I think it is all too little. I do not want to appear to be over-assertive about it, but I do think it is all too little for this vast work."

"You think as you go along you cannot see any end in sight?" asked Congressman Wigglesworth.

"I do not want to assure this Committee there is an end in sight", continued Chairman Fly. "You have something by the tail here and I don't think you can let loose. This is a tremendous field, an advancing field. There is a great public interest involved."

Earlier, discussing the need for telephone regulation, Mr. Fly said that the FCC has the duty to regulate the telephone industry but not the funds.

"I am reluctant to take any part of the responsibility for not performing that duty", he said. "You have there a most

complicated set-up - the greatest of all monopolies anywhere. It is a vast, complicated structure. Now, without criticizing it on that account, without condemning it, I do want to suggest that it must be regulated. Any such monopoly must be regulated, and particularly a cast, complicated system of that kind ought to be regulated. . . .

"As the final one of those impressions, I want to say I think one of the things that has impressed me most deeply is the Commission's inability to carry out the functions, the duties which this Congress has established and laid upon that Commission. And here is where we strike one of the voids. You have mentioned one of them, sir, Mr. Fitzpatrick - that is, duty to regulate the telephone industry - and I hope we can do something about that by way of a special appropriation later. The inability to carry out the functions that the Congress has delegated to us has been obvious in a number of particulars. Before mentioning the more specific items, I want to say in passing I have made a check on the 1939 budget figures, and I understand there was a transfer of funds during 1939 in the total sum of \$13,400 from the equipment allotment to the personal-services allotment.

"A special survey was made in the field by the Civil Service Commission, and it was the only survey that was ever made in that situation, and that led to an expenditure, almost necessarily, of \$16,000, and that necessitated the one transfer. I believe there are no others.

"Now, as I have taken the liberty of suggesting, I think the real basic thing here, gentlemen, is for more adequate performance of the functions. I would like to see - and I am sure the committee would like to see - this job done in accordance with the intention of the Congress in laying out the functions in the first place. It has already been mentioned that there is a tremendous need in the common-carrier field; that is, particularly in the telephone and telegraph field.

"There is another field that has been drawn to my attention peculiarly, and that is the field of investigation. All the matters presented to the Commission in one way or another affect the public interest. The information on those matters is presented by the parties - in general, it is an ex parte procedure. And even in the cases where we have opposing counsel we have no assurance that all of the factors bearing upon the public interest and all of the factors that really go to the merits of the case, as the Commission has to decide it, in the light of the public interest - we have no assurance that the facts in that regard are brought forward."

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MOST PROGRAM COMPLAINTS TRIVIAL, FCC SAYS

The vast majority of radio program complaints received by the Federal Communications Commission are dismissed as frivolous, unsubstantiated, or not warranting an investigation, the FCC told the House Appropriations Committee during executive hearings on the Independent Offices Supply Bill.

James L. Fly, Chairman of the FCC, placed in the hearing record a classified list of the complaints received without comment.

The table showed:

Sixty-nine complaints of censorship, denial of free speech, and refusal to broadcast particular programs had been received during the past fiscal year, but only two merited an investigation.

The FCC received 625 complaints against the scare that Orson Wells gave the country in his famed CBS "War of Worlds" broadcast and disposed of them all after an inquiry which brought a mild reproof.

Fred Allen is the only other radio personality mentioned in the list. The FCC got 49 complaints against his program but investigated none of them.

It received 21 complaints against children's programs; investigated none.

Out of 93 complaints charging obscene, indecent, or profane broadcasts, 67 were investigated formally.

All complaints regarding medical programs were investigated. Fifty-five were closed after formal investigation; nine were designated for hearing and later closed; and one was still pending at the close of the year.

Complaints of general inferiority and excessive advertising numbered 52, of which 46 were dismissed, four closed after formal investigation, and one was left pending.

The FCC, in addition, received thousands of "fan letters", Chairman Fly reported.

"The complaints in this 'fan mail' category were of such a character as did not require detailed examination or investigation", the FCC stated in a footnote.

"For example, during a 15-day period beginning Jan. 16, 1939, the Commission received, with reference to broadcasts by or refusal to carry broadcasts of the Rev. Charles E. Coughlin, alone", . . . 21,118 letters.

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CONNERY CHARGES LICENSE TRAFFICKING IN HOUSE TALK

Renewing his demand for a Congressional investigation of the radio industry, Representative Connery (D.), of Massachusetts, on Wednesday charged widespread trafficking in radio licenses and inserted tables showing all radio station deals in the past year in the Congressional Record.

"Even a casual reading of the Appropriations Committee hearings pertaining to the Federal Communications Commission should convince every member of the House of the need for an immediate congressional investigation of the entire subject of radio, particularly the apparent inability of the members of this Commission to protect the public and to eliminate or set aside the present radio monopoly", he said.

"Despite the fact that the Treasury Department of its own volition called this matter to the attention of the Federal Communications Commission, even to the extent of furnishing the Federal Communications Commission with a photostatic copy of the sworn statement indicating the apparent bankruptcy of the applicant for a radio license, this application for a license was granted by the Commission.

"I note that even the new Chairman of the Commission admits that he has reason to suspect that in many instances these radio licenses are issued to or are actually in the hands of or under the control of persons or corporations other than those to whom the license was issued.

"This Commission has under way a report on monopoly in radio. This Commission has been making such a study for the Lord only knows how long a time. Last June the Congress was told that such report would be available in a short time, perhaps 60 days. Last month, the Appropriations Committee was told it would be ready the middle of January. To my mind, we will have such a report when the Congress decides to institute its own investigation and not much sooner.

"These radio licenses are governmental property, temporarily loaned for a period of not more than 1 year to an applicant who presumably and under the law must serve public interest. I challenge anyone in the radio industry to allege that other than for the purpose of obtaining the license much consideration is given to public interest.

"These licensees pay no tax to the Government despite the fact that the possessors of such licenses yearly reap millions of dollars in profits.

"One part of this radio monopoly, the Columbia Broadcasting System, with an investment of less than \$1,600,000, as we are told by the Security Exchange Commission, yearly pays dividends to its stockholders of some 150 percent on the original

investment; and yet, despite these extortionate profits, these licensees, as I said before, pay no tax to the Government for the use of this highly profitable Government franchise.

"On the basis of these earnings, I fear that unwary investors have been influenced to purchase stock in these radio monopolies which monopolies depend for their profits entirely on the continuance of these governmental grants. Once any of these monopolists are deprived of the governmental license, they hold the investment in such concerns will be worth almost nothing.

"You will be interested to know that this property for which the Columbia Broadcasting System has invested some \$1,600,000 is selling on the New York Stock Exchange on the basis of some \$50,000,000 and paying dividends of more than \$2,000,000 yearly. Also, it is my understanding that on an investment of some \$3,000,000 in National Broadcasting Co., the Radio Corporation of America, the parent company, which I will discuss further and in more detail at a later date, earns a profit of some \$10,000,000 yearly.

"Yet this Commission admits it has done nothing to protect the innocent investor from being virtually defrauded of his savings by the false picture which is painted to those who do not realize that radio monopoly possesses but little other than a governmental grant.

"To my mind there is not a member of this body who will condone anyone trafficking in governmental franchises. Yet this committee's report not only proves that such trafficking in radio licenses exists but that such a practice has the approval of the members of the Federal Communications Commission."

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NAB CODE RAPPED IN HOUSE HEARING ON FCC BILL

The NAB Code provision barring the sale of radio time for controversial broadcasts came in for some critical discussion during the House sub-committee hearings on the FCC Appropriations Bill, it was disclosed this week.

James L. Fly, Chairman of the FCC, sought to defend the Code in a round table discussion with Representatives Woodrum (D.), of Virginia, Dirksen (R.), of Illinois, and Wigglesworth (R.), of Massachusetts.

Congressman Dirksen asked Mr. Fly whether he or any member of the FCC had a hand in drafting the Code and appeared surprised when told that they had not.

Asked for his opinion as to the reaction of the Code, Chairman Fly said:

"I believe right now that a majority of the broadcasters and a majority of the public generally accept the rule as being a wholesome one."

After Mr. Fly had attempted to explain the Code provision, Representative Woodrum commented:

"You would be giving the public a pretty good sock in the eye if you gave free time to anybody who wanted to get it and give an argument."

"It looks to me like a matter of very great public importance if somebody can afford to pay the rather reasonable fees which would be charged by radio stations for 30 minutes' time. I can think of nothing of great widespread public importance that one side of the issue would be able to pay for an hour's time and the other side would not be able to be heard."

Later he commented that "a lot of sins are committed under the guise of freedom of speech".

Representative Dirksen asked Chairman Fly whether he or any member of the FCC had given any sanction to the NAB Code. Mr. Fly stated that he had made a speech generally endorsing it, but added that he was not speaking for the Commission.

"Of course, any public utterance you make on the field of radio, Mr. Fly, you will have great difficulty in divorcing yourself from the public mind from your official capacity", said Congressman Dirksen.

Chairman Fly was asked whether the FCC had exercised any form of censorship during the year. He placed a formal statement in the record stating that it had not.

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CBS OFFERS THREE-POINT PLAN FOR TELEVISION

The Columbia Broadcasting System, through Paul W. Kesten, Vice-President, suggested three plans for developing television to the Federal Communications Commission this week. Any one of the three, the CBS contended, would assure a sound development of television and tend toward precluding a public trial at public expense.

Mr. Kesten also predicted that television set sales might be boosted by from 10,000 to 15,000 in New York City within a year and from 30,000 to 45,000 in two years through proper development. The price of a receiver, he added, might be brought down thereby to \$150.

The keynote of all three CBS plans is to protect the public against purchase of television sets with no guaranty against obsolescence within a day, a week, or a year, and thereby, coincidentally, protect broadcasters from the ill-will which such useless expenditure would create among purchasers, Mr. Kesten said.

Under the first plan, present transmission standards would be "frozen" for a period of years as was done in England to stimulate the sale of television sets by assuring long service.

Under the second plan, as detailed by Mr. Kesten, new program schedules would be delayed until such time as the Commission was satisfied that sets could be modified by minor and inexpensive changes to meet future technical improvements in broadcasting.

The third plan provides that broadcasters proceed with scheduled programs at once but open or close each program with a notice to the public that present standards are so impermanent that technical changes might at any moment preclude the further use of existing television receivers.

Mr. Kesten summed up the three proposals as follows:

- "1. Fix present transmission standards on the seven lower bands immediately and definitely - "freeze" them against change - for a stated and adequate number of years. Simultaneously allow television broadcasters to proceed with scheduled programs as contemplated under Rule 4.73(k) (The Commission Rules).
- "2. Delay both the freezing of standards and the launching of new program schedules, not until ultimate standards can be set, but long enough to determine if such flexible standards can be set that any predictable change within those standards will not make wholly or largely obsolete receiving sets designed to anticipate such changes.
- "3. Proceed immediately with scheduled programs as proposed without freezing present standards and without setting flexible standards which insure receiving sets against change, but let the broadcasters tell the public, actively and frequently, that this is so - that sets have no assurance of continued use - and let this go on until standards can be guaranteed for a definite period of years."

Mr. Kesten emphasized that CBS had no preference among the three plans submitted for the Commission's consideration. He also suggested that the "small sample" method of measuring public opinion be used by the Commission and the television industry. Mr. Kesten, a keen student of selective sampling and polls, recommended that 1,000 television sets be installed, on loan, in representative homes in the New York area. He urged this because he felt that the reactions of the well-to-do would be very misleading, "just as a survey of the political likes and dislikes of the wealthy few would not be representative of the electorate".

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ZENITH, PHILCO AGAINST "FREEZING" TELEVISION

Opposition to the adoption of the RMA standards for television in a manner that would "freeze" the industry and discourage further experiments was voiced at the television hearing of the Federal Communications Commission held this week, by spokesmen for the Zenith Radio Corporation, of Chicago, the Philco Radio and Television Corporation, of Philadelphia, and others.

John R. Howland, Assistant to Eugene F. McDonald, Jr., President of Zenith, told the FCC that his organization approves of all the proposed rules for television except the adoption of fixed standards. He expressed the belief that the standards "should be labelled experimental pro tem and let got at present".

"The very fact that television receivers have not sold in greater quantities may in some way be as much related to the character of television receivers that are now being built in accordance with these standards as it is to possible faulty programming", he added.

Mr. Howland said the RMA standards "had been put together in a great hurry" and that he questioned "whether we cannot stop and take stock and discover whether we cannot approve better standards when the pressure is off".

David B. Smith, representing Philco, admitted that his company had been wrong and the FCC right a year ago when it joined in the demand for adopting the RMA standards for television.

He also urged that the industry be allowed time, probably six months, to "bring the standards up to date". Philco needs at least two months, he said, to complete present experiments.

Prices on television receivers are "entirely out of line", Mr. Smith said, and he said that Philco is experimenting with methods of manufacturing sets much cheaper than the current market.

Mr. Howland was questioned regarding the holdings in television patents by the Commissioners. He said that a "rough" estimate of the distribution was that RCA held 45 per cent, Farnsworth 25 percent, and Hazeltine, Philco, and three or four others smaller proportions.

RCA has licensed its television patents, he said, "on a perfectly fair basis".

John V. L. Hogan, noted radio engineer, appearing for Radio Pictures, Inc., expressed the opinion that "the whole of television is a series of headaches".

"It's going to be a case of finding out", he said with regard to television development, "and I don't know how we can do

it except by trials, which are the least harmful ones, which will encourage it most, which will do the best ultimate job."

Mr. Hogan said it is too early to fix hard and fast rules for television. Setting up a 5-point plan of objection, he said the FCC (1) should adopt no fixed standards, (2) should not classify stations in two groups as proposed, (3) should allow stations to charge for transmission costs, (4) should not limit channels, and (5) should encourage program stations, use of high frequencies, and more transmission power.

"Let the industry work out its own problems", he said, "and let the public buy what it likes."

Robert Robins, of the Cath-Ray Electronic Laboratories, Inc., said his company is about ready to market a television receiver to sell for approximately \$100.

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NAB OFFICIAL CITES SALES POWER OF BROADCASTING

Radio can sell anything, Edward M. Kirby, Director of Public Relations of the National Association of Broadcasters, told the National Association of Cleaners and Dyers in Baltimore this week.

Rephrasing the question, "can radio sell", Mr. Kirby said it might be better stated, "is there anything which radio cannot sell?"

"Despite an adverse press, remember, a man used radio to sell himself to the country as president, two terms in a row", he said. "Remember, that year in and year out radio has sold toothpaste as well as automobiles; cigarettes and breakfast food, cosmetics and life insurance, perfumes and silverware, soup and gasoline, savings banks and coffee, tea and soap. It has sold laundry service and it has sold home washing machines, too. It has sold luxury items just as quickly as it has sold everyday staples. And, more importantly, it has sold more of these products and services each year above the preceding year's volume. Reflecting these results, radio, for the past six years, is the only medium of advertising which has enjoyed an uninterrupted increase in the volume of advertising placed by both local and national advertisers during tough depression years when results were the only things that counted.

"For example in 1934, radio enjoyed an estimated gross volume of advertising business of but \$72,887,169. But in 1935, the volume jumped up fifteen million dollars; in the next, it rose to over the \$100,000,000 mark; in 1937, it went to the \$144,000,000 level; and in 1938 it soared above the \$150,000,000 stripe, and last year in 1939 it reached the new record of about \$165,000,000. An increase in the use of radio of over 126% in just six years.

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"No other media of advertising for both national and local purposes can match the record of radio. In the same period of time, magazine advertising, showed a growth of 29.32% and newspaper advertising showed 11.96% increase."

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::: TRADE NOTES :::
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Gross injustice would be done to the public "if present television standards are frozen", William H. Grinditch, Vice-President in Charge of Engineering of the Philco Radio & Television Corporation, Philadelphia, said this week at the annual Philco Mid-Winter Sales Convention in Palm Beach, Florida.

"Television is still in the research laboratory", Mr. Grinditch stated. "Developments are being made in this infant science so rapidly that setting standards on the basis of present scientific knowledge would be doing the public a gross injustice. Freezing the standards would be comparable to determining the gauge of a railroad track, buying rolling stock to conform to that gauge and then three months later finding that the agreed gauge was impractical and expensive. What then will be done with the rolling stock?"

WNYC, New York City's radio station, lost its prize program this week when the City Council, after a two-hour debate studded with references to the program's entertainment value, voted to remain off the air during the 1940-41 session, according to the New York Times. The line-up on the issue found the Democratic majority in full control, with thirteen votes against broadcasting to seven for continuing it.

Construction of WLWO new 50,000 watt international broadcasting station of the Cröasley Corporation, is being delayed by the war. It was planned to have the station ready for operation by January 1, but two shipments of a special material from England have thus far failed to arrive. The material is mycalex, a special type of high voltage insulating board. It is hoped that the transmitter will be ready for broadcasting a few weeks after the material is received. WLWO is operating on 10,000 watts at present.

Three more Southern radio stations - WMPS, Memphis, WTJS, Jackson, Tenn., and WATL Atlanta, become affiliates of the Mutual Broadcasting System, effective Sunday, January 21, it was announced this week.

The RCA "Signalyst", a low-priced signal generator designed for increased efficiency in radio and television receiver alignment work, has been announced by L. W. Teegarden, RCA Tubes and Equipment Sales Manager. The new service instrument is an important companion to the Rider Chanalyst and the Rider VoltOhmst recently acquired by RCA.

William A. Schudt, Jr., has been appointed General Manager of a newly formed Transcription and Commercial Record Division of Columbia Recording Corporation. His first duties will be to supervise the installation of recording studios at 799 Seventh Avenue, New York City and in the Wrigley Building, Chicago. When these are completed he will be in charge of production and sale of all types of transcriptions and commercial recordings.

Miss Catherine McNelis, who edited "Tower Radio" among other Tower magazines distributed by Woolworth's was sentenced to a year and a day in prison this week in New York after conviction of mail fraud in connection with the management of the periodicals.

A gift of radio transmitting equipment, including a 1,000-watt transmitter, has been made by the Columbia Broadcasting System to Ohio State University for use at its Radio Institute, Engineering School, and experimental station, WOSU. The equipment cost more than \$25,000. In addition to the transmitter, the equipment includes phasing unit and antenna coupling, designed and built by the Washington Institute of Technology, two motor generator sets, three spare armatures, and various other pieces of apparatus. The transmitter was built by Western Electric Company.

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McCOSKER LENDS JOHNSTONE TO FINNISH DRIVE

Alfred J. McCosker, President of WOR, announced this week that at the request of Herbert Hoover, National Chairman of the Finnish Relief Fund, the part time services of G. W. Johnstone, the Company's Director of Public Relations and Special Features, were being loaned to the Fund - a volunteer organization - for the present campaign.

Mr. Johnstone, a pioneer with sixteen years in radio broadcasting, will direct the Fund's radio activities from offices of the national headquarters in the Graybar Building, New York City. For the past week he has been aiding the National Committee in scheduling programs for broadcasting over the three major networks and local stations throughout the country.

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