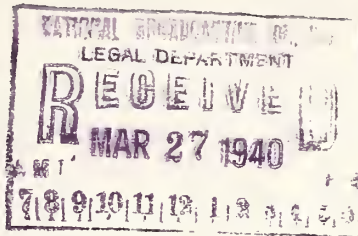


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March 26, 1940.

TELEVISION'S FUTURE UNCERTAIN AFTER FCC SURPRISE

The immediate development of television was halted this week and the newly-born industry's future was thrown into confusion following the surprise action of the Federal Communications Commission in suspending its recent order because of promotional activities of the Radio Corporation of America.

Just what the result of a new hearing, scheduled to start April 8th, will be, no one could say. The FCC action was interpreted in some quarters as a move "to crucify" RCA, which has taken the lead in the commercial development of television.

David Sarnoff, President of RCA, said in New York he was "amazed" at the FCC's action, which was announced on Saturday, while other leaders in the radio industry kept silent.

The FCC action was precipitated by Commissioner Paul Walker, a proponent of Government operation of utilities, and was seconded by Commissioner Frederick I. Thompson, newspaper publisher. It was supported by Chairman James L. Fly and Commissioner Thad H. Brown.

The only dissenting vote was cast by Commissioner T.A.M. Craven, who is understood to have protested that the FCC was exceeding its authority in trying to control the production and marketing of television receivers.

Newspaper advertisements appearing in New York papers were responsible for the Commission's action, it was said. These advertisements, containing a statement by RCA, were headed "Television for the Home". The statements outlined the recent development of visual broadcasting and invited "the participation of the public in this effort of American private enterprise to create a new art and new industry".

Members of the Commission who voted to reopen the inquiry argued that RCA was attempting to "freeze" the development of television despite the refusal of the FCC to fix standard lines for visual broadcasting at this time. They also expressed fear that the public is being persuaded to invest in receivers prematurely.

Mr. Sarnoff, who was at White Sulphur Springs, Va., issued a statement through his New York offices denying any intention of flouting the Commission's recommendations.

"I am amazed at the action of the Commission", Mr. Sarnoff said. "We have spent nearly \$10,000,000 in developing television and in trying to create a new art and a new industry.

"We thought that we were proceeding exactly in accordance with the order on the subject recently adopted by the Commission."

The Commission's latest television move came only a few hours after the National Broadcasting Co., a subsidiary of RCA, filed an application with the FCC for a construction permit to erect a television broadcasting station in the National Capital. It was said to be the plan of the broadcasting company to have the station completed by December, and together with other stations to be erected throughout the country, to broadcast the inauguration ceremonies next January.

"Television promotional activities on the part of the Radio Corporation of America has prompted the Federal Communications Commission to order a further hearing, beginning April 8, to determine whether research and experimentation and the achievement of higher standards of television transmission are being unduly retarded by this company, its subsidiaries, or other licensees, and whether the effective date for the beginning of limited commercial operation should be changed from September 1 to some subsequent date", the FCC stated in announcing its decision. "Meanwhile, that section of the new rules permitting restricted commercialization is suspended pending further order.

"The current marketing campaign of the Radio Corporation of America is held to be at variance with the intent of the Commission's television report of February 29. Such action is construed as a disregard of the Commission's findings and recommendations for further improvement in the technique and quality of television transmission before sets are widely sold to the public.

"The question of the present status of television transmission and the feasibility of its general reception by the public was the subject of the recent extensive hearings before this Commission. Because of the fluid state of the art and the continuance of research and experimentation, the Commission declined for the time being to establish television transmission standards. Authority to issue such standards is of course vested only in the Commission. Recommendations to insure that the standards when issued would be based upon a sufficiently advanced technical state of the art were incorporated in the report of February 29.

"Actual demonstration to members of the Commission", the report pointed out, "indicates the need for further improvement in the technical quality of television." The Commission stressed the need of continued research in various significant phases of the field involving the number of lines and the number of frames per second, the retentive quality of screens, the mechanics of scanning, the problem of various screen sizes with particular reference to larger screens, the problem of polarization and the related question of the type of antennas, and various alternative methods of synchronization. Inherently this research and experimentation has potentialities of great value to the public.

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"The intent of the Commission was to give the industry further opportunity to move forward in an orderly manner and upon a sound scientific basis without causing injury to the public and resultant injury to the new industry itself, particularly to other manufacturers cooperating in seeking to bring about video improvements through experimentation rather than crowding the market with present-day receivers which may soon become obsolete. Economic loss to the public, the report warned, would be occasioned by 'premature purchase in a rapidly advancing field'.

"Not all types of television transmission can be received by any receiver. In the present state of the art it is impossible to decide what type of transmitter will be made standard. More research and experimentation will be necessary, and is being conducted, before any such standardization can be achieved. Receiving sets constructed or on the market today may not be capable of receiving television programs from standardized television transmitters when the art has sufficiently advanced to permit such standardization. Public participation in television experimentation at this time is desirable only if the public understands that it is experimenting in reception and not necessarily investing in receiving equipment with a guarantee of its continued usefulness. Television is here to stay, but conceivably present day receivers may for practical purposes be gone tomorrow.

"Promotional activities directed to the sale of receivers not only intensifies the danger of these instruments being left on the hands of the public, but may react in the crystallizing of transmission standards at present levels. Moreover, the possibility of one manufacturer gaining an unfair advantage over competitors may cause them to abandon the further research and experimentation which is in the public interest and may result in crowding them into the market with apparatus at present efficiency levels. Rapid advance is desirable - but television is of great and permanent significance to the public. It is therefore of greater importance that the task be done thoroughly and with an eye to television's potential usefulness to the public. These are the goals which the Commission deems the public interest to require."

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An announcement of a public sale of property of the defunct Grigsby-Grunow Co. in the U. S. District Court for the Northern District of Illinois, Chicago, was released this week by Frank M. McKey, trustee in bankruptcy for the corporation. The sale will be at 11 o'clock April 8 in Room 1802, 7 South Dearborn Street, Chicago, before Referee Wallace Streeter.

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NAB AND ASCAP REOPEN WAR WITH NO HOLDS BARRED

The American Society of Composers, Authors, and Publishers and the National Association of Broadcasters, who have been fighting over music copyright fees for years, renewed their war this week with both sides determined to take no quarter.

ASCAP fired the first gun with a proposal to boost substantially the broadcasting industry's payments to the music copyright owners. Negotiations will start April 15, it was said. Neville Miller, President of NAB, who has been busy for several months organizing Broadcast Music, Inc., in an effort to give the broadcasters another source of music, issued a statement attacking the ASCAP's demands. And the war was on in earnest.

In its statement the ASCAP Board asserted that the use of music in radio had increased so materially since the contract now in effect was signed in 1931 that several new policies would be necessary in the new contract.

"A survey of radio in 1936 showed that during the first quarter 10,000 radio programs used a total of 638,302 musical compositions under the control of ASCAP", John G. Paine, General Manager of ASCAP, said. "The increase of the use of the Society's music on the radio is revealed in the report of the last quarter in 1939 which shows that 16,000 programs used a total of 2,169,503 musical compositions, a phenomenal increase in the use of music on the air.

"In 1932 advertisers paid radio approximately \$25,000,000; in 1939 advertisers paid radio approximately \$171,000,000. ASCAP fees are based on a percentage of radio gross receipts from advertisers. If radio's revenue is decreased, ASCAP's receipts decrease in proportion. Mr. Miller either purposely or accidentally reported the Society's receipts from radio at a sum \$1,000,000 greater than they have ever been in any one year.

"As a side comment to this", Mr. Paine said, "radio broadcasters were given a flat deal by the Society in 1931 when the radio industry was in its infancy, under which agreement the broadcasters got their music for practically nothing. In 1932, it was found that the largest users of music on the radio were paying nothing, or practically nothing, for their use of music. Even today sustaining programs pay ASCAP only a nominal charge for use of our music."

Mr. Paine added that while the Society received more royalties from radio than from any other industry or profession, it should be kept in mind that 75 percent of all radio programs was composed of music from ASCAP's repertoire."

Mr. Miller immediately made the following statement:

"The American Society of Composers, Authors and Publishers made public today its demands for a 100 percent increase in

the payments made to it by the broadcasting industry. This increase is demanded by ASCAP despite the fact that the radio broadcasting industry is already making payments to ASCAP at the rate of five million dollars a year. This sum is five times as great as that paid by any other industry. It represents over two-thirds of ASCAP's total revenue and is an increase of 900 percent over the sums paid by broadcasters in 1931.

"Although most of ASCAP's statement talks about the alleviation of certain abuses which ASCAP itself admits exist in its present licensing system, when the camouflage is stripped away the proposal boils down to a demand that the broadcasting industry should double its payments for the radio performing rights in the compositions controlled by ASCAP's publisher and composer members.

"ASCAP's demand was put forward without previous negotiation with broadcasters and after a refusal to meet with the negotiating committee appointed by the National Association of Broadcasters. Although ASCAP attempts to divide the broadcasting industry by making concessions to certain groups, the total amount of the reductions which it suggests is inconsiderable compared to the total amount involved.

"Moreover, ASCAP's new plan perpetuates the major abuse about which broadcasters have always complained, and requires broadcasters to pay to ASCAP a percentage of all broadcasting revenue even that obtained for programs which do not utilize ASCAP music, such as news broadcasts, sports events and programs of classical music. The broadcasting industry will be unified in resisting demands, the effect of which would be to impose charges wholly destructive of the American system of broadcasting.

"ASCAP is again attempting to take advantage of its monopoly of popular music to impose an unfair method and rate of payment upon broadcasters, but ASCAP has this time overreached itself and has made demands which the broadcasting industry must resist as a matter of life and death.

"These demands will strengthen Broadcast Music, Inc., the organization recently created by the broadcasting industry to foster new creative talent by increasing the already widespread support of its aims."

Gene Buck, President of ASCAP, in Phoenix, Arizona, labelled Mr. Miller's statement "pure bunk".

"Certainly there will be an increase in payments, but only on the big commercial broadcasts, which can well afford it", he asserted. "Fees under the proposed contract would be collected at the source when the chains make their terms with advertisers. Hundreds of the smaller stations actually will pay less under the new set-up."

He charged that Mr. Miller "is setting up a smoke screen" to place himself in a good strategical position for bargaining conferences between the broadcasters and the ASCAP next month. The five-year contract expires on December 31st.

Broadcast Music, Inc., he termed a "puppet organization" of the National Association of Broadcasters.

"It cost the NAB more than \$2,000,000 to set up this competing outfit", he added. "I wish them luck. They can have the glory, but we'll keep the artists."

Mr. Buck said that Mr. Miller's statement on increased costs under the new ASCAP contract was "about 75 to 80 percent off" on the gross.

Terms of the proposed contract call for royalty payments varying from 3 to 7½ percent of the broadcasters' income, according to the size of their stations, for use of ASCAP-controlled music, Mr. Buck explained.

The present contract requires payment of 5 percent of a radio station's income from advertising, in addition to a "sustaining" fee which varies according to a station's size or scope.

ASCAP is a non-profit organization of composers to protect their music copyrights and collect royalties on their songs.

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LICENSE OF STATION KGFI ORDERED REVOKED

The Federal Communications last week ordered revocation of the license of the Eagle Broadcasting Co., Inc., to operate radio station KGFI at Brownsville, Texas, effective April 15. If the company requests hearing within 15 days of formal notification, the order will be held in abeyance pending outcome of the hearing.

Unauthorized transfer of the management, control and operation of the station in violation of Section 310(b) of the Communications Act of 1934 as amended is the basis for the revocation order.

On or about October 7, 1938, the Eagle Broadcasting Co., by and through Ewol E. Wilson and Ernest E. Wilson of Corpus Christi, are alleged to have surrendered possession to James G. Ulmer of Tyler, and M. D. Gallagher of Brownsville. The latter are said to have exercised management until about April 22, 1939, when Lawrence D. Yates took contractual control.

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FCC WINS COURT VICTORY; MAY IGNORE COMPETITION

The Federal Communications Commission won a significant victory this week when the U. S. Supreme Court held that it does not need to consider the possible effects of competition in granting a construction permit for a new radio station. The decision means that free competition shall prevail within the broadcasting industry and only the fittest shall survive.

The opinion, written by Justice Roberts, reversed a ruling by the Federal Court of Appeals for the District of Columbia, which required the Commission to issue findings of fact on this question.

"Plainly it is not the purpose of the Federal Communications Act to protect a licensee against competition, but to protect the public", Justice Roberts said.

"Congress intended to leave competition in the business of broadcasting where it found it, to permit a licensee who was not interfering electrically with other broadcasters to survive or succumb according to his ability to make his programs attractive to the public."

Justice Roberts emphasized that Congress "has not, in its regulatory scheme, abandoned the principle of free competition."

No dissent was announced. Justice McReynolds did not participate.

The Court of Appeals directed the Commission to make findings of fact as to whether a proposed station to be operated by The Telegraph Herald of Dubuque, Iowa, would financially injure a station already operated by Sanders Brothers.

A license had been granted to The Telegraph Herald by the Commission, which contended that existing stations have no right to "protection from competition".

The Commission asserted that Sanders Brothers had suffered no legal injury, and had no right to appeal to the Court of Appeals.

The Supreme Court held that "resulting economic injury to a rival station is not in and of itself, and apart from considerations of public convenience, interest or necessity, an element the petitioner must weigh and as to which it must make findings in passing on an application for a broadcasting license."

The Supreme Court decision was the latest in a long string of victories for the youthful FCC counsel, William J. Dempsey, who argued the Dubuque case in the court early in February.

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FM CHANNEL NEEDS OUTLINED FOR COMMISSION

As the frequency modulation hearing went into its second week, FM Broadcasters, Inc., presented a partial plan of its channel needs to the Federal Communications Commission in response to a request made last week by Chairman James L. Fly.

Paul A. DeMars, Technical Director of the Yankee Network, said that the frequency modulation sponsors want six channels between 40 and 50 megacycles for development of aural broadcasting.

He said the kind of frequency modulation stations should be determined by the size and geographical distribution of communities to be served. For the present, he recommended confining frequency modulation broadcasting to urban areas.

Henry P. Thomas, General Electric radio engineer, described advantages of frequency modulation over standard broadcasting, contending a one-watt station under the new method to be the equivalent of a 50-watt transmitter of the present type.

Other witnesses were Dr. Greenleaf Whittier Pickard, consulting engineer for the Yankee Network, and E. R. Weir, General Electric engineer.

The Don Lee Broadcasting System has made application to initiate experiments in frequency modulation, according to Thomas S. Lee, President.

Research will be made in the Armstrong method on 1 KW, according to application made at the Federal Communications Commission. Frank Kennedy, Chief Engineer of the System, was in Washington this week at FCC frequency modulation hearings in support of the contention for the expansion of radio service.

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MAGNETIC STORM DISRUPTS RADIO WIRE COMMUNICATION

An invisible storm without wind or rain struck at radio, telephone, telegraph and cable services over half the world Sunday, disturbing communications for three to five hours, damaging electric plants, upsetting marine and aerial compasses, and causing hundreds of thousands of dollars damage and loss of revenue.

The magnetic disturbance, the worst in the memory of experts, was first observed at 8:49 A.M., at Cheltenham Magnetic Observatory, near Baltimore, Md. It reached greatest intensity between 11 A.M. and 2 P.M. Decreasing toward nightfall, it was accompanied by brilliant Aurora Borealis manifestations in northern latitudes and was expected to diminish gradually and to end Monday.

Northern lights were first reported seen in England between 9 and 10 P.M. (4 and 5 P.M., Washington time). The intensity of the storm was so great the lights might have been visible as far south as Washington had the night not been cloudy, Dr. John Fleming, Director of the Bureau of Terrestrial Magnetism, explained.

At 11 A.M., during the height of the storm, these events were taking place all over the world:

All radio telephone and cable service to Europe and radio to ships at sea was cut off, and service from San Francisco to Pacific points was subject to delay and interference.

Telegraphic service was seriously crippled, continuing only over special "carrier circuits" maintained between the busiest centers.

Short wave radio transmission became almost impossible, weak signals being heard from Rome and London, nothing at all from Paris, Berlin, Moscow, Stockholm and Holland.

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RADIO SIGNALS USED IN IONOSPHERE STUDY

Radio signals emanating from a recently constructed mobile unit will be used by engineers of the Bureau of Standards and National Geographic Society to observe changes in the ionosphere during the partial eclipse of the sun on April 7.

The ionosphere is a region of radio reflecting layers lying from 30 to 250 miles above the earth which makes long distance broadcasting possible by reflecting radio waves, which travel in straight lines.

The equipment will be set up in the vicinity of San Antonio, Texas, which is near the center of the eclipse path. Steadily increasing signals will be sent out and the time required for an echo to return will be recorded photographically, and will show variations in the ionization density of the layers and their heights.

Radio programs are stronger at night, engineers explain, because the higher layers become less densely ionized and radio signals reflected from them do not have to pass twice through the electrified region of the day layer, thus losing energy on the way. Engineers also believe that the observations may be helpful in determining the processes occurring on the sun which determine the ionization of the earth's atmosphere.

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 ::: TRADE NOTES :::
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The Federal Communications Commission had adopted an order granting the application of Southern Bell Telephone and Telegraph Company for a permit to construct a coastal harbor station at Madeira Beach, Florida, to operate in the public service using frequency 2598 kc. (subject to condition that the frequency assigned may be changed by the Commission at any time without advance notice or hearing to another assignment within the band 2500-2600 kc.); maximum power 400 watts, unlimited time with A2 and A3 emission. This station will serve vessels in the Gulf waters along the west coast of Florida, an area between the areas now served by the Miami and Port Sulphur stations. In the area proposed to be served are the harbors of Tampa, St. Petersburg and Clearwater, Fla.

World radio markets series issued by the Department of Commerce last week included reports on Switzerland, the Bahamas (supplement), and British India (supplement).

William T. Meyers has been appointed to a new position as Executive Consultant for chain-store and sales policies, according to Edward Wallerstein, President of Columbia Recording Corporation.

H. V. Kaltenborn has been signed by the National Broadcasting Company for a series of commentaries to be heard over the NBC-Red Network on Saturdays from 7:45 to 8:00 P.M., EST, and on Sundays from 3:45 to 4:00 P.M., EST, beginning Saturday, March 30, and continuing on that schedule until he sails for Rome on April 27th. While travelling extensively abroad to study the progress of the war, he is to be heard frequently over NBC.

The French Government announced this week in Paris a national funeral would be given Edouard Branly, 95-year-old French physicist, next Saturday in Notre Dame Cathedral. Mr. Branly, whose invention of the coherer led Marconi to develop wireless, died last Sunday night without a radio in his Paris home.

"To think that I had something to do with its invention", he used to say in expressing his disgust over use of radio for propaganda purposes.

Dr. Branly was acknowledged in scientific circles as the discoverer of how to detect and receive wireless impulses, although credit for harnessing them goes to Guglielmo Marconi.

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TELEVISION TRADE HALTED BY FCC ORDER

The merchandising of television sets, which had been begun on a large scale in the New York area last week, came to an abrupt halt Monday, as a stunned industry attempted to digest the import of the Federal Communications Commission's suspension of its order permitting limited commercialization of television, starting on September 1, and its criticism of RCA's promotion plans, according to the New York Times' business page.

Manufacturers were confounded by the statement and dealers were equally upset. Only one organization, however, the Dealers Group of the Electrical and Gas Association, took public exception to the Commission's action. Mortimer Fogel, Chairman of the Dealers Group, made public a letter to the Commission urging it to rescind its action.

Officials of the RCA Manufacturing Company held several conferences in the day but issued no statement, preferring to await the scheduled reopening of the television hearings by the Commission on April 8. It was generally reported in the trade that RCA promotion and advertising of television sets would be held in abeyance until after the hearings.

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FIRST S-W RATE CARD ISSUED BY NBC

The National Broadcasting Company this week will issue its first rate card covering commercial international broadcasting to Latin America, according to an announcement by L. P. Yandell, in charge of commercializing NBC's short-wave service.

The new rate card, first of its kind ever issued, applies to both short wave stations owned and operated by the company, WRCA and WNBI, and allows sponsors to contract for a minimum of 13 weeks, instead of 52 weeks heretofore required, and for a minimum of five minutes per program, instead of the 15 minutes required previously.

Provisions are made for unusually high discounts and rebates, including a discount of 40 percent offered to yearly advertisers. Mr. Yandell explained this was in order to encourage purchases of time for longer periods.

Three languages will be used for the programs - Spanish, English and Portuguese. The latter classification will cost less because of the smaller number of such language groups as compared with those understanding Spanish or English.

Hourly rates are listed at \$300 for Class A time in the Spanish and English classifications and at \$180 for Portuguese programs. Mr. Yandell revealed that a listener breakdown shows an audience approximated at 800,000 in Argentina; 350,000, Brazil; 150,000, Mexico, and 160,000, Cuba.

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