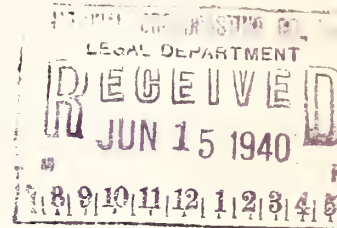


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CURB ON NETWORKS SEEN AS MONOPOLY REPORT IS RELEASED

Unless the national emergency prevents or the Administration intervenes, the Federal Communications Commission is expected to take steps to curb the control exercised by the major radio networks over the broadcasting industry, especially over the activities of affiliated stations.

This was indicated as the FCC hurriedly released its long-delayed report on the monopoly investigation just as Commissioner Thad Brown, Chairman of the Monopoly Committee, was summoned before the Senate Interstate Commerce Committee and given a severe grilling by Senator Tobey (R.), of New Hampshire.

While the report, which is highly critical of the domination of the broadcast industry by the networks, particularly the National Broadcasting Company and the Columbia Broadcasting System, has not yet been approved by the full Commission, it is likely that Chairman James L. Fly will go along with the three-man committee in pressing for special regulations to govern the chains.

The significance of the monopoly report, based on a two-year investigation, will not be determined, observers believe, until the FCC decides what steps to take to cure the abuses cited by the Committee. The Committee, which included Commissioners Paul A. Walker and Frederick I. Thompson, did not advocate any action that would break up the networks but recommended that the advantages of the chain system of broadcasting be retained while the evils be eliminated.

The Committee said that no amendments to the Communications Act are necessary and pointed out that the FCC has authority "to make special regulations applicable to radio stations engaged in chain broadcasting". If any further authority is found to be needed later, the report stated, amendments to the radio law may be proposed to the next Congress.

The report is expected to encounter some opposition on the Commission itself, particularly if the Commission proposes too drastic curbs on the networks in whatever regulations may be drawn up. If the national defense emergency grows in seriousness, the whole report may well be put aside for the present.

"The heart of the abuses of chain broadcasting is the network-outlet contract", the Committee declared. Accordingly, it recommended "reformation" of these contracts to eliminate such abuses while retaining the advantages of chain service.

The 1300-page report of the Committee "reveals at every turn the dominant position of the network organizations in the field of radiobroadcasting." It is based upon more than 10,000 pages of testimony and nearly 800 exhibits, largely obtained through hearings which continued for 73 days, in an investigation pursuant to a Commission order of March 18, 1938.

The Committee found that the interests of affiliated stations "have been subordinated to the interests of the network owned and controlled station". It points out that of the 660 standard broadcast stations operated in 1938, more than half - 350 - were on major networks and included almost all of the country's high-powered stations. The 660 stations were owned by 460 persons. However, 87 of these persons owned more than one station and received approximately 52 percent of the total business of all commercial broadcast stations.

Apart from the stations affiliated with their networks, the National Broadcasting Company and the Columbia Broadcasting System in 1938 owned or controlled 23 stations, of which 15 were 50-kilowatt, unlimited time, clear channel stations. The record reveals that the chains have developed around these key stations and have been operated largely for their benefit.

"The predominance of network organization is evidenced by their disproportionate share of the income of the radio broadcasting industry", the Committee commented in reporting that of the \$18,854,784 net operating income of all the stations and networks for 1938, nearly half - \$9,277,352 - went to National and Columbia.

Examples of "arbitrary and inequitable practices" on the part of the networks in their relation with affiliated stations are cited by the report as follows:

"The provision that the outlet station cannot accept programs from any network other than the one to which it is bound by contract deprives the station of profitable business and the listening public of programs for which there is a demand.

"The practice of requiring stations to set aside all or a major portion of their broadcast time for the utilization of the networks, regardless of whether such time is used or not, places an undue burden upon the outlet station and lessens the ability of the station to serve the local needs of the community.

"The provision that non-network rates for national advertising business cannot be less than those of the network prevents the outlet station from entering into a healthy competition for advertising business.

"The provisions of the contract concerning the free use of the first converted hours (a nighttime hour or its equivalent in two daytime hours operation), combined with low initial compensating rates for the next hours, results in an inequitable distribution of proceeds from network broadcasting. Whereas Columbia and National had aggregate network time sales of \$44,313,778 for 1938, they paid to the 253 independently controlled stations on their networks only \$12,267,560, approximately one-half of which was paid to 25 of these stations with a relatively strong competitive position based on the need of the networks for their particular facilities.

"Moreover, the contracts generally cover periods of time far in excess of the period for which the station is licensed and bind the outlet to network policies far beyond the expiration date of the license."

The Committee found these "arbitrary contractual arrangements" further reflected in the program policies of the networks, mentioning:

"Outlet stations are required by their contracts to accept all commercial programs sent by the network organizations unless they are able to prove to the satisfaction of the networks that a particular program will not serve public interest. Since the outlet stations have only general advance knowledge of the content of the program, they have come to accept whatever the network chooses to forward to them.

"Furthermore, approximately 90 percent of the commercial programs sent by network organizations are produced by advertising agencies, so that the delegation of program responsibility by the licensee is carried one step further."

The Committee cited a number of instances in which chains have gone even farther than the regular network-outlet contract and have "actually taken over the management" of the affiliated station in violation of Section 310(b) of the Communications Act.

Pointing out that all but two of the 34 high-power, clear-channel stations and all the high-power regional stations are on the two major networks, the Committee reaches "the inescapable conclusion . . . that National and Columbia, directed by a few men, hold a powerful influence over the public domain of the air and measurably control radio communication to the people of the United States", adding: "If freedom of communication is one of the precious possessions of the American people, such a condition is not thought by the committee to be in the public interest and presents inherent danger to the welfare of a country where democratic processes prevail."

The policy of CBS and NBC of placing talent under exclusive contract, according to the report, has the effect of limiting the efforts of much of the best talent in the country to network programs and of arbitrarily restricting the programs of independent competing stations, as well as the communities in which these independent stations are located. These two networks between them control about 800 of the best known artists in the broadcast and concert field.

The report reveals the National Broadcasting Company a dominant factor in the field of electrical transcriptions, stating: "The Committee feels that such domination reacts to public disadvantage by penalizing independent stations which, not being members of a network, must make frequent use of electrical transcriptions."

The practices of Mutual, it is pointed out, differ somewhat from the general network operations. At the time of the hearings, Mutual took no options on the time of stations and received only a commission, not exceeding 15 percent, on the proceeds of network commercials. While it has an organization for selling network commercial program time to advertising agencies, the stations which served as Mutual outlets have the privilege of also selling the network time, for which they share commissions with Mutual. Also, Mutual has no program producing facilities.

"The business of broadcasting is the fastest growing source of advertising revenue in America", comments the report in showing that income from this source increased from \$28,000,000 gross in 1928 to \$165,000,000 ten years later. But unlike other big business enterprises, broadcasting is not the chief activity of its owners, but is operated principally as a "side line" to the main business.

Two-thirds of the nation's standard broadcast stations are operated as incidental to other businesses. In many cases, the actual owners of the stations do not personally operate them. In addition to the operation of approximately 300 stations by newspapers, 125 other stations are operated by businesses of various kinds. Two-thirds of all standard broadcast stations are licensed to corporations or are under their control.

Many of the largest corporations which control broadcast stations directly or indirectly are themselves controlled through proxy voting by a very small number of persons who, themselves, hold no material ownership interest in the companies, the report points out. For example, Radio Corporation of America, which owns the National Broadcasting Company, is controlled by three persons who between them own only 5,829 shares of a total of 9,864,502 voted by them.

The Committee's letter of transmittal accompanying the report summed up the recommendations as follows, in part:

"It is our opinion, based upon the extensive investigation which we have just completed, that public interest, convenience or necessity are adversely affected by inclusion in the network-outlet contracts of many of the contractual provisions discussed. . . . The elimination of arbitrary and inequitable contractual arrangements will tend to subject the networks to active competition and will render the independent station more secure within the industry, and better able to cope with the networks in all fields of network activity.

"The Committee believes that competition in the radio-broadcast field can be further enhanced by a revision of the so-called clear-channel policy, whereby new stations are refused access to clear channels regardless of the service which the new station would be able to render and regardless of how small the interference to the clear channel would be. The record evidences that all but two of the high-power clear channel stations in the United States are on the Columbia and National networks as well as all the high-power regional stations. The exclusive grant of a clear channel to a station which can only serve limited areas prevents people in other sections of the country from receiving service from stations which could otherwise operate on the clear channel frequency. In our opinion, the Commission should consider the wisdom and practicability of utilizing the clear channels so that people living in all sections of the United States can have the benefit of radio reception at present denied them.

"The Committee believes that the Commission should proceed at once to deal with these problems to the extent that Congress has given it authority in the Communications Act of 1934. In our opinion, the Commission possesses ample power under the Communications Act to redefine its licensing policy and require the elimination of inequitable and arbitrary contractual arrangements which affect the duty of the licensee to serve the public interest. The actual administrative experience which the Commission will obtain under its new licensing policy will enable it to suggest to the Congress the enactment of amendatory legislation if such is later found to be necessary.

"It is the opinion of the Committee that through the exercise of the powers of the Commission in dealing with the contractual relations between network and outlet, the potential advantages of chain broadcasting in this country can be retained. At the same time, the abuses which have prevented many of its potential advantages from being realized can be corrected. It is the Committee's belief that the excision of arbitrary and inequitable provisions from network-outlet contracts will eliminate many of the detrimental practices involved in chain broadcasting without sacrificing any of the benefits.

KNOWLSON ELECTED RMA PRESIDENT; DIRECTORS NAMED

James S. Knowlson, Chairman of the Board and President of the Stewart-Warner Corporation, was elected President of the Radio Manufacturers' Association Wednesday at the annual meeting in Chicago. He succeeds A. S. Wells, also of Chicago.

"Jim" Knowlson is a native Chicagoan, born there June 29, 1833, and was married to Miss Norah Eustis of Chicago. They have four children. Mr. Knowlson graduated from Cornell University (M.E. and E.E.) in 1905. He was electrical engineer of the General Electric Company, of Schenectady, 1905-09, and President of the Speedway Manufacturing Company. He is President and Chairman of the Board of Directors of the Stewart-Warner Corporation.

Mr. Knowlson is a member of the University, Chicago, Glen View, Commercial, Chicago Commonwealth, and Hinsdale golf clubs. He is a Sigma Psi, a Republican, an Episcopalian, and resides at Hinsdale, Ill.

Vice-Presidents chosen are: Paul V. Galvin, of the Galvin Manufacturing Co., Chicago; Roy Burlew, Ken-Rad Tube and Lamp Corp., Owensboro, Ky.; E. E. Osmun, Centralab, Milwaukee, Wis., and Donald MacGregor, of the Webster Co., Chicago.

Leslie F. Muter, of the Muter Co., Chicago, was re-elected Treasurer.

Among the Directors elected were: P. S. Billings, Paul V. Galvin, J. J. Kahn, and Donald MacGregor, all of Chicago; James T. Buckley and Ernest Searing of Philadelphia; H. C. Bonfig, of Camden, N.J., E. H. Vogel, of Fort Wayne, Indiana, David T. Schultz, of Newton, Mass., Octave Blake, of S. Plainfield, N.J., H. E. Osmun, of Milwaukee, Wis., Ray F. Sparrow, of Indianapolis, Ind., and James C. Daley, of Bellwood, Ill.

Necessity for the radio industry to meet its obligations in the present world and national situations was stressed at the opening of the Sixteenth Annual Convention. President A. S. Wells, of the Wells-Gardner Co., Chicago, and President of the RMA for the past two years, declared that the industry must prepare for the difficult problems and obligations now evident, together with more government regulation.

"This Association faces at the monent", he said, "as do all individually, a very critical time in its existence. That is true not only because of the fact that we have before us many controversial subjects but also because of the world situation which is forcing the government to assume more and more responsibility, so-called, toward industry. If we are to have more and more regulation by government, as seems obvious because of an apparent national necessity, it is much better that this Association, as well as all associations for that matter, be strong and

active so that they may function as they should function when making government contacts. We must recognize the fact that there will be more and more government regulation of all industry, and I think it is the belief of most of us that government regulation as it comes will come through trade associations, for the most part, when those associations show themselves to be strong and know what they are doing."

Several thousand radio distributors and dealers, as well as manufacturers, attended the annual radio industry meetings, including sessions of several allied industry organizations.

Steps toward nominations on the minimum wage committee of the Federal Wage-Hour Administration were taken by the RMA Board of Directors. A radio industry committee is planned later this year by the Wage-Hour Administration to consist of one-third each of representatives of the industry, labor and the public, with nominations for the industry group to be made by the Radio Manufacturers' Association.

The policy regarding maintenance of replacement parts for receiving sets also was considered by the Board of Directors and a committee appointed to arrange for a definite guaranty to the public in buying receivers that replacement parts will be available for the average life of the receiver.

The annual industry banquet was held Wednesday night in the Grand Ball Room of the Stevens Hotel, and the National Parts Trade Show was continued through Friday evening.

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LICENSES EXTENDED PENDING TREATY REALLOCATIONS

In order to permit further studies of the frequency assignments to stations under the North American Regional Broadcast Agreement, the Federal Communications Commission this week extended standard broadcast station licenses expiring August 1 for an additional two months to October 1. The Commission will announce at a later date the procedure with respect to the licensing of facilities which will be available under the provisions of this agreement.

The order applies to all standard broadcast stations, and automatically extends the expiration date of all licenses for which applications for renewals have been filed. Modified licenses to cover the new expiration date will not be issued.

Licensees who have not as yet submitted renewal applications are notified that in order to permit operation after August 1 applications for renewal, based on the present authorized facilities, must be filed. However, if an application for renewal covering the period beyond August 1 has been filed, it will not be necessary to refile such application under the new order.

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CRAVEN SEES COMMERCIAL TELEVISION AT EARLY DATE

Commissioner T.A.M. Craven, Chairman of the Special Television Committee of the Federal Communications Commission, believes that several competitive commercial television stations will be operating in the United States "at a relatively early date" unless the economic effects of the European war retards the industry's development.

He has so informed Senator Lundeen (Farmer-Labor), of Minnesota, in a letter replying to the Senator's inquiry as to why he voted for the recent FCC decision to withhold commercial television until the industry agrees on a single transmission standard. Commissioner Craven previously had opposed the FCC action in reopening the television inquiry.

Commander Craven said he does not agree with some of the details of the May 28th report but that he concurs with the Commission "in its broader objectives".

"It is my opinion", he wrote, "that the Commission intends to encourage actively the promotion of television as a service to the public in their homes. It is my belief that as soon as the scientists of the industry can come to an unbiased agreement with respect to the best current engineering practices for television, the Commission will authorize full commercialization to be undertaken by licensees of television broadcast stations. In the near future the Chairman of the Commission will call to Washington the leading television engineers of the country for the purpose of encouraging higher standards and coordinated approach to research. Thus, with this cooperation between the Commission and the industry, technical progress and agreement on basic standards of the best current engineering practice can be facilitated. In this connection I do not believe anyone will condone 'stalling' by any licensee, engineer, or manufacturer on the question of the best current engineering practices in television.

"In addition, the Commission intends to grant immediately several pending applications for television broadcast stations throughout the country. The Commission will authorize these licensees to transmit television programs while, at the same time, requiring them to keep their stations abreast of scientific progress by undertaking research leading to uniformity in the external performance characteristic of the transmitters.

"The foregoing appears to me to have the broad objective of facilitating rapid progress toward the adoption of proper uniform standards of current engineering practice for television. At the same time there is the intention of authorizing television broadcasting stations operated by private enterprise on a regular business basis as soon as this is consistent with the adoption of proper uniform engineering standards for transmitter performance. With such objectives television can move forward faster than it has in several years past, because the Commission again presents some incentive to the television pioneers of the Nation. The Commission's report indicates it will authorize full commercialization of television as soon as the engineering opinion of the

industry is prepared to approve any one of the competing television systems.

"Since I am vitally interested in making constructive progress to start television as a vast new industry, with all its implications as to service and employment, I see no logical reason for insisting upon one method in preference to others, provided all of us can agree on something which is intended to stimulate progress. While I regret the Commission's rules will not permit immediate commercialization by experimental television station designed primarily to broadcast television programs, my colleagues prefer another method also designed to achieve progress on to the ultimate goal of good television service to the public. I recognize that other methods may possibly achieve the desired goal by a different route. Therefore, under the circumstances, I see no valid reason for dissenting in this respect. I am confident that the Commission will not delay authorizing commercial television by waiting unduly for the unknown inventions of the future.

"While I have advocated public trials of different television engineering developments, if such be necessary to get television started, I recognize that this procedure has disadvantages as well as advantages. I also recognize, and have also advocated, the desirability of the industry progressing uniformly and concurrently with respect to standards of engineering practice. Uniform standards should be the ultimate goal. Personally, I prefer that the Commission refuse to approve or disapprove standards at this time because of the disagreement among the engineers of the industry. However, I have no basic objection to the Commission prescribing such uniform standards from time to time, provided such standards are broad in base and subject to change; and provided further that such action does not preclude public trial of technical developments of the future. In this connection, any standards adopted or prescribed today will be changed in the future anyway, as new inventions are made, or as public opinion dictates. No one can stop inventive genius or control public opinion. For example, I cannot envisage either the television industry or the Commission being bound 10 years hence by the best engineering practices current today, even though standardization will influence the situation. Improvements undoubtedly will occur requiring frequent changes even in basic standards. While the problem of obsolescence is a factor to be considered, I do not believe that factor alone will or can stop progress or prevent changes for the better.

"Therefore, in connection with this engineering phase of the television problem, it appears useless for me to insist upon a specific procedure."

Commissioner Craven concluded that he had "discussed this reply to your inquiry with the chairman of this Commission. He informs me that we are in close agreement on the broad objective of facilitating progress in television", he added.

The correspondence was carried in the appendix of the Congressional Record on Wednesday.

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 :::: TRADE NOTES ::::
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The Federal Communications Commission has granted the Mackay Radio and Telegraph Company special temporary authority for the establishment of a direct radiotelegraph circuit between New York City and Rome, Italy, employing existing facilities and frequencies authorized that company for use at Brentwood, N.Y. Request was filed because Commercial Cable Co. communications between New York and Rome have been interrupted. The Mackay company intends to provide direct radio service with Rome heretofore conducted by its associated cable company.

The National Broadcasting Company has been authorized by the Federal Communications Commission to use the short-wave radio channel of 11,820 kilocycles in improving its international broadcasting service, according to an announcement from Radio City. The new frequency, assigned to Station WNBI, Bound Brook, New Jersey, will go into service next week.

A complaint charging the use of lottery methods in connection with the sale of radios and other merchandise to ultimate consumers has been issued by the Federal Trade Commission against Leona Johnson and Aubrey M. Graff, individually and trading as Radio Distributors, 30 North Dearborn St., Chicago.

The Hotel Astor has signed a contract for a weekly series of commercial shortwave broadcasts to Latin America, according to L. P. Yandell, Director of International Commercial Broadcasting for the National Broadcasting Company. The Astor is the second hotel to buy foreign time on NBC.

WOL, Washington, this week filed suit in the New York Federal Court against the Wahl Eversharp Pencil and Blow Agency, seeking \$240,500 damages for alleged infringement of copyright. An injunction against the program "Take It Or Leave It" broadcast Sundays over CBS at 10 P.M. is also sought.

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ORDER ON AMATEUR PORTABLE TRANSMITTERS MODIFIED

The Federal Communications Commission this week amended its order banning use of licensed portable and portable-mobile amateur stations on frequencies below 56,000 kc., to permit domestic communication with such licensed equipment in the public interest during a "bona-fide" communications emergency when normal facilities are inadequate or non-existent, and to allow actual domestic testing and developing of this emergency use equipment on Saturdays and Sundays of each week, between sunrise and sunset, providing notice is given at least 48 hours in advance to the Commission's inspector in charge of the district in which such domestic operation is contemplated.

The FCC also interpreted its Order 73, which forbids operation of portable and portable-mobile amateur stations on frequencies below 56,000 kc. to not apply to an amateur who changes residence and moves his fixed station equipment accordingly.

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THAD BROWN GETS ROUGH TREATMENT AT SENATE HEARING

Commissioner Thad H. Brown was given one of the most severe grillings that a member of the Federal Communications Commission has ever had on Capitol Hill this week when the Senate Interstate Commerce Commission summoned him before a public hearing. Oddly enough, Colonel Brown got his roughest treatment from the Republicans although he was renominated for a seven-year term as a Republican from Ohio.

Senator Tobey (R.), of New Hampshire, conducted most of the inquisition, but he was assisted occasionally by Senator White (R.), of Maine, and Chairman Wheeler (D.), of Montana. The Committee adjourned without taking any action on the renomination as some of the members indicated they wanted to see the monopoly report before voting.

The questioning of the Commissioners ranged from inquiries as to what influence Tommy Corcoran and Ben Cohen have exercised over the Commission to what happened at a party given by several members of the Commission in a New York night club.

In most instances, Colonel Brown was able to evade a direct answer to the questions by either explaining that he did not know or that some other member of the Commission had handled the matter. He also explained from time to time that the answer could be found in the monopoly report, which was released just as he appeared before the Committee.

It is expected that Colonel Brown's nomination will come in at least for some discussion, if not opposition, when it reaches the Senate floor.

Senator Tobey pressed the Commissioner for details of what he termed a "brawl" at a dinner party in a New York "hot spot", according to the Associated Press. At one point he asked whether any women entertainers at the party came off the stage and "came in contact with members of the party".

"No", said Colonel Brown.

He also replied in the negative when Senator Tobey asked if one of the guests had "put his hand on one of the women's legs."

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CRAIG, CAREER MAN, A. T. & T. VICE PRESIDENT

Cleo F. Craig, who began his telephone career as a \$15-a-week equipment inspector, was elected Vice President of the American Telephone and Telegraph Company this week. In his new post Mr. Carig, who succeeds Theodore G. Miller, retired, will have complete charge of A. T. & T.'s long-distance service.

Mr. Craig has had a typical Bell System career, coming up through the ranks and serving in a diversity of territory. He was born in Rich Hill, Mo., and upon graduation from the University of Missouri in 1913, joined the St. Louis office of the Long-Lines Department of A. T. & T. as Equipment Inspector. He was soon moved to Kansas City, but returned to St. Louis in 1917 and by 1920 was made District Plant Superintendent. In 1922, Mr. Craig went to New York as Plant Accountant and remained until 1925, when he was appointed Division Plant Superintendent in Atlanta. In 1927 he returned to the New York headquarters and in 1933 became General Manager of the Long-Lines Department.

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