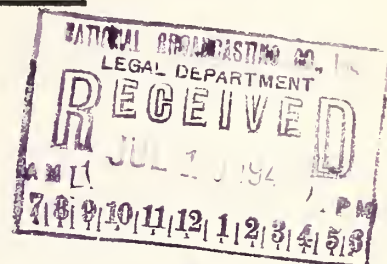


HEINL RADIO BUSINESS LETTER

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No. 1248

July 9, 1940

FLY SAYS DEFENSE PLANS SHOULD NOT ALARM BROADCASTERS

Seeking to quiet the fear among broadcasters that the Government may take over the operation of radio stations in case of war, James L. Fly, Chairman of the Federal Communications Commission, this week at his regular press conference reiterated a statement that the industry has nothing to worry about.

The FCC Chairman said he knew of no reason why radio advertisers should not continue to sign contracts for the usual periods.

"There is no reason in the world", he said, "why commercial organizations and commitments should not continue unimpeded."

Chairman Fly insisted that the FCC has no plans to assume "sweeping control" over broadcasting activities in event of national emergency.

In response to questions, Mr. Fly asserted "our Government isn't qualified to take over broadcasting."

"Of course", he added, "if we should ever get into war, there will be some particular things the Government would have to do, but there would be nothing done of a sweeping character affecting the broadcasting industry."

Mr. Fly said there was no occasion now and expressed hope there never would be for the radio industry "to become alarmed about plans for defense."

"There is every reason the industry should not be alarmed", he continued. "Our plans are to leave private operations in private hands to continue to perform the functions they are now performing."

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The Federal Communications Commission has granted the application of Joe W. Engel, for a new station in Chattanooga, Tenn., to operate on the frequency 1370 kc. with 250 watts, unlimited time, upon condition that permittee shall file an application for modification of construction permit specifying exact transmitter location within two months after effective date of order.

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RULES AFFECTING RADIO OPERATORS TIGHTENED

New rules to strengthen and make more definite certain prohibitions with respect to conduct of commercial and amateur radio operators were approved Friday by the Federal Communications Commission, effective immediately.

Under authority contained in the Communications Act, the Commission amended its "Rules Governing Amateur Radio Stations and Operators" as follows:

Sec. 12.28 Obscenity, indecency, profanity. No licensed radio operator or other person shall transmit communications containing obscene, indecent, or profane words, language, or meaning.

Sec. 12.81 False signals. No licensed radio operator shall transmit false or deceptive signals or communications by radio, or any call letter or signal which has not been assigned by proper authority to the radio station he is operating.

Sec. 12.82 Unidentified communications. No licensed radio operator shall willfully or maliciously interfere with or cause interference to any radio communication or signal.

Sec. 12.30 Damage to apparatus. No licensed radio operator shall willfully damage, or cause or permit to be damaged, any radio apparatus or installation in any licensed radio station.

Sec. 12.50 Fraudulent licenses. No licensed radio operator or other person shall obtain or attempt to obtain, or assist another to obtain or attempt to obtain, an operator license by fraudulent means.

Likewise, the Commission supplemented its "Rules Governing Commercial Radio Operators" with:

Sec. 13.64 Obedience to lawful orders. All licensed radio operators shall obey and carry out the lawful orders of the master or person lawfully in charge of the ship or aircraft on which they are employed.

Sec. 13.65 Damage to apparatus. No licensed radio operator shall willfully damage, or cause or permit to be damaged, any radio apparatus or installation in any licensed radio station.

Sec. 13.66 Unnecessary, unidentified, or superfluous communications. No licensed radio operator shall transmit unnecessary, unidentified, or superfluous radio communications or signals.

Sec. 13.67 Obscenity, indecency, profanity. No licensed radio operator or other person shall transmit communications containing obscene, indecent, or profane words, language, or meaning.

Sec. 13.68 False signals. No licensed radio operator shall transmit false or deceptive signals or communications by radio, or any call letter or signal which has not been assigned by proper authority to the radio station he is operating.

Sec. 13.69 Interference. No licensed radio operator shall willfully or maliciously interfere with or cause interference to any radio communication or signal.

Sec. 13.70 Fraudulent licenses. No licensed radio operator or other person shall obtain or attempt to obtain, or assist another to obtain or attempt to obtain, an operator's license by fraudulent means.

Under these provisions the Commission clarifies its authority to prosecute as well as suspend licenses in cases of violation.

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THAD BROWN TO GET ANOTHER GRILLING

The Senate Interstate Commerce Committee isn't through with Thad H. Brown yet.

After an executive discussion of the matter yesterday (July 8), the Committee decided to hold a third hearing at 10:30 A.M. tomorrow, (Wednesday, July 10).

Meanwhile Commissioner Brown is without authority to participate in any Federal Communications Commission proceedings as his term expired June 30 and he is off the Government payroll until the Senate acts.

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CANADA RAISES WAR-TIME TAXES ON RADIOS

The budget introduced in Canadian Parliament effective June 25th imposes an additional "war exchange" tax of 10 percent on all non-Empire imports, according to the American Legation at Ottawa, and raises the excise taxes on a number of articles, including radios and radio tubes, both imported and domestic. The additional tax of 10 percent on all imports is based on the value for duty purposes, whether the articles are free or dutiable, except goods entering Canada under the British preferential tariff. This tax will be subject to drawback in the case of goods imported for further manufacture and export from Canada, as in the case of regular import duties. A new excise tax of 10 percent of the duty-paid value is imposed on radios and radio tubes.

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FLY, JOHNSON TO ADDRESS NAB CONVENTION

James Lawrence Fly, Chairman of the Federal Communications Commission, and Assistant Secretary of War, Louis Johnson, will address the convention of the National Association of Broadcasters in San Francisco next month.

This will be the first appearance of Chairman Fly before an NAB convention. Mr. Johnson will speak on the national emergency and its possible effect on the American system of broadcasting. The convention will open at the St. Francis Hotel in San Francisco, August 4, and continue through August 7.

Urging that every station be represented, Neville Miller this past week declared:

"The problems which radio faced in the past pale in comparison with those it faces in 1940. We are in an emergency period. New problems, technical, social and commercial confront us. We are setting up a convention program designed to make this a well-informed industry, to give opportunity for all views to be expressed, evaluated and compared before final formal action is taken. What is done at San Francisco this August will shape the course of broadcasting for possibly years ahead. Every member owes it to himself to have a voice in determining the decisions which must be made."

A comprehensive report on BMI and a full review of the NAB Code are features of an agenda which includes analyses of the labor situation, the A. F. of M., wages and hours, a full review of FM, reports covering legislative matters and the relations of the industry with government and advertisers.

Of wide public and industry interest will be a panel discussion on the problems of special events broadcasting, with particular reference to coverage of the war and the handling of political broadcasting, to be presided over by Mark Ethridge, WHAS. Taking part in the discussion will be Paul White, Director of Special Events of CBS; Abe Schechter, Director of Special Events of NBC; Van C. Newkirk, in charge of special events for KHJ-Mutual on the Coast, and Herb Hollister of KFBI.

In conjunction with the convention there will be meetings of the independent and IRNA groups and FM broadcasters. The Board of Directors will hold its annual meeting on August 4. On the same day, the Code Compliance Committee will be in session to receive recommendations from members.

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RADIO EXPORTS MAKE PARTIAL RECOVERY

United States' exports of electrical equipment were valued at \$12,089,165 in May of this year compared with the April trade of \$11,811,777, an increase of 2.3 percent, according to the Electrical Division, Department of Commerce.

Shipments of radio receiving sets, which had decreased in April to the low level of \$655,679, recovered in May to total \$779,732. Loudspeakers improved from \$22,988 to \$29,861, while receiving set components showed little change at \$447,573. All other radio classifications, however, registered decreases; transmitting sets, tubes and parts decreased from \$363,488 to \$308,775; other receiving set accessories from \$60,180 to \$48,958; and radio receiving tubes fell to the lowest level of the year when sales totaled only \$170,080 in May as compared with \$269,233 in April.

Foreign sales of electrical equipment in May exceeded the \$8,973,606 trade of May, 1939, by \$3,115,559, or 34.7 percent. The trade for the first 5 months of the current year aggregated \$58,222,623 compared with the corresponding 1939 volume of \$43,354,568, an increase of \$14,868,055, or 34.3 percent.

No defined general trend was noticeable, trade fluctuations being numerous in both directions among the individual commodity categories. Outstanding among those which showed an upward tendency were refrigerators, radio receivers, rubber-covered wire, several generator classes, and others.

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DEMOCRATIC CONVENTION NOT TO BE TELEVISED

The Republicans will have had one thing that the Democrats won't when they meet in Chicago next week, i.e., television.

The National Broadcasting Company, which aroused considerable interest, especially among the women delegates, with its television pick-ups, has found that transmission problems would be too great to repeat the performance at Chicago.

The Democratic convention will be covered just as thoroughly by radio, however, as all the major networks are preparing to send their crack announcers and commentators to Chicago.

Preliminary and unofficial estimates of the cost of covering the G.O.P. convention to NBC, CBS, and Mutual were between \$250,000 and \$275,000, chiefly due to the replacement of valuable commercial periods. Variety estimated the television experiment at \$15,000.

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KGKB REVOCATION IS AFFIRMED

The Federal Communications Commission last week announced its proposed findings of fact and conclusions, proposing to affirm the recommendations of Commissioner Payne to revoke the license of the East Texas Broadcasting Company (KGKB), Tyler, Texas, operating on 1500 kc., with 250 watts, unlimited time.

Upon consideration of all the facts of record, the Commission found that the East Texas Broadcasting Company, licensee of Station KGKB, had, on some date unknown to the Commission during the year 1936, delegated the operation and management of the station to one James G. Ulmer. By virtue of such action the company voluntarily transferred the rights theretofore granted to it by terms of the license issued by this Commission, without its consent in writing for such transfer or assignment, in violation of the provisions of the Communications Act of 1934, as amended.

"East Texas Broadcasting Company, licensee of Station KGKB did therefore, violate the provisions of the license heretofore issued to it for the operation of said station, and the revocation order entered in this matter on February 13, 1940, is affirmed", the FCC stated.

All parties will have 20 days within which to file exceptions and request oral argument on the proposed report and exceptions.

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FAIR TO HONOR BROADCASTERS AUGUST 3

A nationwide tribute to the broadcasting industry of the United States will be presented under the joint auspices of the World's Fair of 1940 in New York and the Golden Gate International Exposition of San Francisco on Saturday, August 3, according to an announcement issued this week by both Fairs.

The date has been set aside as Broadcasters' Day at the two expositions and a simultaneous celebration has been planned as an expression of public goodwill toward the radio industry. Especial emphasis will be placed on the efforts of radio at promoting national unity through the free expression of ideas. The date has been selected because the annual convention of the National Association of Broadcasters will open in San Francisco on the following day, August 4.

The chief event of the day will be an impressive program in the Court of Peace and Freedom at the New York World's

Fair. As the climax of the program a plaque will be unveiled. A similar ceremony will take place simultaneously at the San Francisco Fair. The design of the plaque is based on a quotation from Walt Whitman: "The liberties of the people are safe as long as there are tongues to speak and ears to hear."

Harvey D. Gibson, Chairman of the Board of the New York Fair, and Marshall Dill, President of the San Francisco Exposition, in a joint statement declared:

"The World's Fair of 1940 in New York and the Golden Gate International Exposition are happy to join in this proposed tribute to a great and vital American industry, an industry which has become a tremendous force in the development of our national aims and ideals. In these times of stress, it is more important than ever that Freedom of Radio take its place along with those other priceless freedoms guaranteed to us by the Bill of Rights. We believe that the two great international expositions now being held on opposite sides of our American continent can perform a great service to the nation by helping to focus attention in this way on the American concept of Freedom of Radio taking its place alongside Freedom of Speech, Freedom of Worship and Freedom of the Press."

The ceremonies at the two Fair grounds will provide the nucleus for a one hour broadcast over all the major networks and independent stations of the country. The coast-to-coast hookups of the Columbia Broadcasting System, National Broadcasting Company and the Mutual Broadcasting System, totalling more than four hundred stations, will carry the broadcast from 9:00 to 10:00 P.M., EST. In addition, scores of non-network stations will be linked to the chains for the occasion.

Details of the broadcast program have not yet been completed but the general outline will include expressions of opinion by various leaders, including Mr. Gibson and Mr. Dill, and top-flight entertainment by the greatest stars in the entertainment world today. Neville Miller, President of the National Association of Broadcasters, will speak for the radio industry in accepting the tribute.

While the main portion of the broadcast will originate at the New York and San Francisco Fairs, pickups will be made from all over the nation to give a complete cross section of broadcasting in America.

Dr. John S. Young, Director of Radio and Television for the World's Fair of 1940 in New York, and R. C. Coleson, Director of Radio for the Golden Gate International Exposition, will be masters of ceremonies.

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RADIO ENGINEERS SOUGHT FOR GOVERNMENT EMPLOYMENT

The United States Civil Service Commission has announced examinations to fill engineering positions in the Government in various specialized fields. Salaries range from \$2,600 to \$4,600 a year, less a retirement deduction of 3-1/2 percent.

Applications must be filed with the Commission's Washington office not later than August 5 if received from States east of Colorado, and not later than August 8, 1940, if received from Colorado and States westward.

Applicants must have had study in an engineering course in a recognized college, and professional engineering experience in the branch of engineering for which application is made. Optional branches included in the examination are: Electrical, heating and ventilating, materials, mechanical, mining, radio, structural, telegraph, telephone, and welding. Substitution of additional engineering experience may be made for part of the required education; and graduate study in engineering may be accepted for part of the experience. Applicants will not be given a written test, but will be rated on their qualifications as shown in their applications and on corroborative evidence.

Full information as to the requirements for the examinations, and the appropriate application forms, may be obtained from the Secretary of the Board of U. S. Civil Service Examiners, at any first or second class post office, or from the U. S. Civil Service Commission, Washington, D. C.

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FCC JOINS IN HUNT FOR FALSE SOS RADIO REPORT

The source of a false SOS reporting that the United States destroyer Barry had been struck by a German submarine was sought by Government investigators this week.

Authenticity of the SOS was suspected almost as soon as it was picked up by Mackay Radio because it was sent on the short-wave band of 55 meters instead of the "Barry's" wavelength of 500 meters. The false message, mentioning the "Barry" by name but not signed with its call letters, reported:

"Sinking slowly, hit by German submarine; water in hold; can last three hours." It gave a position 400 miles off the coast of Spain."

The Navy declined to disclose position of the destroyer after establishing it was safe. It was known to be in Spanish waters, however, and there have been reports that it was at Bilbao, Spain.

The Federal Communications Commission tackled, as an "exceedingly difficult task", the job of running down the author of the false message.

Chairman James L. Fly said the Commission was making an extensive investigation through its monitor stations in cooperation with the Navy and Mackay radio, which picked up the mysterious message.

"It is a puzzling case", Mr. Fly said. "We cannot monitor every wave length all the time. When a message comes and goes on an unsuspected wave length, there you are."

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::: TRADE NOTES :::

WOR will be the first station in the country to completely equip one of its studios for high fidelity Frequency Modulation broadcasting in accordance with the recent new regulation of the FCC calling for high fidelity facilities for FM broadcasts. The new equipment will be put in to use simultaneously with the beginning of FM transmission from WOR's new site at 444 Madison Avenue the latter part of this month.

William S. Knudsen, in charge of correlating production under the National Defense Program, announced yesterday that W. H. Harrison, Vice President and Chief Engineer of the American Telephone & Telegraph Co. had been appointed Director of the Construction Division of the Production Department of the National Defense Advisory Commission.

Gross billings for time on the Columbia Network -- prior to deductions for agency commissions and time discounts to sponsors -- totaled \$3,144,213 during June, 1940. The June figure brings the six-month cumulative total for 1940 to \$20,457,372.

June time sales of the Mutual Broadcasting System amounted to \$299,478, an increase of 31.2 percent over June 1939 time sales of \$228,186. Cumulative time sales for the first six months of 1940 amounted to \$2,031,323, an increase of 25.1 percent over the similar 1939 period when time sales amounted to \$1,624,235.

Gross client expenditures on NBC networks increased 7.7% in June over the corresponding month in 1939, and rose 8.7% during the first six months of 1940 over the same period last year. Total billings last month were \$3,642,100 compared with \$3,382,404 in June 1939. For the first six months of 1940 billings totalled \$24,559,876 as against \$22,598,937 for the same period in 1939.

Gross expenditures on the NBC Red Network in June were \$2,919,405 compared with \$2,759,917 for June 1939, an increase of 5.8%. Gross expenditures on the NBC Blue Network totalled \$722,695 as against \$622,487 in 1939, an increase of 16.1%.

Cumulative billings for the first six months for the Red Network were \$19,326,846 compared with \$18,149,437 for the same period last year, an increase of 6.5%. Blue Network billings totalled \$5,233,030 as against \$4,449,500 for the first six months of 1939, an increase of 17.6%.

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I. T. & T. INCOME SHOWS SPURT FOR QUARTER

The International Telephone & Telegraph Corporation last week reported net income of \$406,580 for the quarter ended March 31, after taxes, depreciation, subsidiary dividends, interest and other deductions, but excluding reports from all European, Mexican and cable and radiotelegraph subsidiaries.

In the same quarter of 1939 net income on a similar basis was \$261,367.

The report included a cash dividend of \$600,000 received during last March from International Standard Electric Corporation but it was stated it was not expected further dividends would be received from that source.

"With respect to the properties of International Standard Electric Corporation and its subsidiaries, the corporation's latest advices indicate that the factories of the subsidiaries in the occupied areas of Denmark, Norway, Belgium and Holland have not been damaged and are operating, but on a reduced scale", said Sosthenes Behn, President. He added the French factories also were reported undamaged but that some machinery was transferred before evacuation of Paris upon instructions of the French government.

The report said preliminary information was that Russian-occupied Rumanian territory contained about 10 percent of the plant of the Rumanian telephone operating subsidiary, and that revenues from Transatlantic Cable Operation had been reduced seriously by the cables ceasing to function after German occupation of Holland, Belgium and France.

For the March, 1940, quarter the parent company, only, reported net loss of \$530,971, after taxes and other reductions, against loss of \$306,928 in the same period of 1939.

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SPONSORED NEWS MAY BE BANNED IN CANADA

Because of the alleged distribution by private broadcasting companies of war news in an unnecessarily alarming form, the Canadian Broadcasting Corporation is likely to be given a monopoly of news broadcasting in Canada, according to a Montreal correspondent of Editor & Publisher.

Sponsored news broadcasts will soon be a thing of the past, Hon. C. D. Howe, Minister of Transport, informed the Canadian House of Commons June 28, in reply to a question from R. B. Hanson, Conservative leader. He promised that Parliament would be told first, "if I am not scolded by New York news services", about the new plan which would be evolved after investigation of the situation by Walter S. Thompson, Director of Public Relations of the Canadian National Railways, whose appointment to do that work Mr. Howe announced.

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The plan which is reported to be under consideration would involve a pooling of the news gathered by the various news services including the Canadian Press, the British United Press and Transradio Press. This news would be collected and edited by CBC and then transmitted over its facilities. While the Canadian Press has been furnishing its news to CBS without charge it is possible that the other agencies might be given some compensation.

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PHILCO STOCK OFFERED PUBLIC THIS WEEK

Plans are proceeding for public offering this week of 325,000 shares of common stock of the Philco Corporation, according to the New York Times' business page. Smith, Barney & Co. will manage the offering. With them will be an underwriting group of thirty or more investment firms. The original registration statement was filed with the Securities and Exchange Commission on May 23, but public offering has been delayed pending a return of more normal conditions and the offering is expected to signalize the resumption of distribution of new issues of the equity type.

By announcing its intention to finance publicly, the company, formed in 1892, broke a tradition because its shares never before have been available to the public. On April 26 stockholders of the corporation amended the articles of incorporation and provided for reclassification of the existing common stock. Each share of previously outstanding common was exchanged for thirty-three and a third shares of new common stock. When effect was given to this exchange, Philco had outstanding 1,221,100 common shares, in addition to 28,385 shares of \$100 par value \$5 preference stock. It has no funded debt.

It is planned to offer 150,000 shares of the new common stock for the account of Philco Corporation and 175,000 shares for the account of certain stockholders who agreed to dispose of a part of their holdings for public subscription. All of the 150,000 shares to be sold for the account of the company are held in its treasury. The difference between the net proceeds to be received by the company and the \$3-par value a share will be added to the company's capital surplus, and the entire net proceeds, together with such additional funds from the company's funds as required, will be used to redeem the outstanding \$5 preference stock.

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