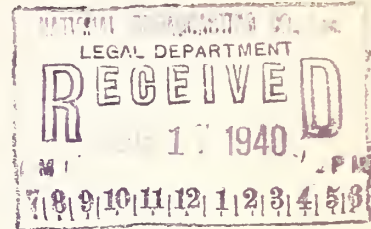


HEINL RADIO BUSINESS LETTER

2400 CALIFORNIA STREET

WASHINGTON, D. C.



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No. 1258

August 17, 1940.

SIZZLING SENATE SESSION MARKS SARNOFF RECALL

Despite the air-cooled hearing room, there seemed to be a rise in temperature when David Sarnoff, President of the Radio Corporation of America, and Senator Charles W. Tobey, of New Hampshire, both hard hitters, again exchanged blows in a Senate inquiry which old-timers may remember started a couple of months ago to determine whether or not Thad Brown had been derelict in his duties as a member of the Federal Communications Commission and whether or not he should be given another term of 7 years at \$10,000 a year. For more than a week, Thad's case has been forgotten in a searching investigation that Senator Tobey, frequently aided by Senator Burton K. Wheeler, of Montana and Senator Clyde Reed of Kansas, has been making into charges that the RCA eight years ago bribed two United States Senators - Moses of New Hampshire and Hastings of Delaware - and Harry C. Mahaffy, Jr., Clerk of the Federal District Court at Wilmington to get a Government anti-trust suit postponed.

In the present scrimmage in the Senate, party lines seem to have been forgotten. Thad Brown, whose reappointment is being fought, is a Republican. Senators Tobey and Reed, who have been so vigorously hammering Brown and later Columbia and the RCA, are Republicans. Senator Wheeler, backing them up is a Democrat; Moses and Hastings, both now out of the Senate, are Republicans.

The recall to Washington of Mr. Sarnoff, who had previously testified at length, came as a surprise. With him and an interested observer of what was very likely one of his first Senate investigations was Niles Trammell, newly elected President of the National Broadcasting Company. Mr. Trammell, however, in the words of an old song "Went way back and sat down". So did Mr. Sarnoff who was kept waiting throughout the long morning session and not called to testify until 2:30 o'clock in the afternoon.

When he finally took the witness stand, Mr. Sarnoff said that he had tried to be frank and honest with the Committee. He told of his embarrassment at the RCA's lawyer, Robert O'Callaghan having enlisted the aid of three Washington real estate brokers in the anti-trust case postponement.

"I was made president of the RCA the day the depression began and the day the Government suit began. The RCA was just a shell. I am proud of my accomplishment and what the company is today", Mr. Sarnoff said. "If we had lost the anti-trust suit, the RCA would not only have been bankrupt but would have had to go out of business. Then at the most discouraging time along comes O'Callaghan with his bright suggestion, which turned out to

be anything but bright. I reprimanded him for bringing all these people into it and said, 'These are your skunks - you skin them!'

"You abhor the tactics of O'Callaghan", Senator Tobey shot back, "yet in the face of that you retained O'Callaghan until this year renewing his contract at \$10,000 a year."

"Do you own 50,000 shares of RCA stock?"

"You flatter me - I only own 5,000 shares."

"Is it true that you have been disposing of your stock in the RCA?"

"No, I have increased my stock in the past ten years."

The charges of Mr. Sarnoff's large stockholdings and that he was disposing of his stock appeared in a long attack on the RCA, which Senator Tobey then read, prepared by a business analyst J. Austin Smith. The RCA later hired Smith.

"The more Smith damned you, the more he castigated you, blacklisted you, and ripped you up the back, the more anxious you were to have him in the folds of the company. It doesn't make sense, does it?" Senator Tobey asked.

"Isn't it damned funny", Senator Tobey exploded, "after Smith had dynamited you that you took him into your company? Why didn't you say, 'You rascal, put up or shut up'? Why didn't you sue him for these attacks. Why does big business make a fool of itself when someone sticks a knife in its fifth rib and then instead of fighting says 'Come into our happy family'?"

"A corporation official must relieve himself of dealing with this individual or that individual", Mr. Sarnoff answered.

"You refuse to stigmatize such a rascal but then by George you take him into the company."

"Smith said you got a '600,000 bonus", Senator Tobey stated.

"That is not only a lie but it is crazy."

"You say it is a lie, then Manton Davis, your lawyer, hires him."

"I am inclined to say that was a mistake."

"Doesn't the Scripture say 'Avoid any appearance of evil?'" Senator Tobey queried.

"Yes", Mr. Sarnoff retorted getting a laugh from the Senators and audience, "but many appearances of evil have virtue underneath."

To which Mr. Sarnoff added: "One of the values of this hearing has been to make us wiser."

"I am delighted if that has been the result", Senator Tobey concluded.

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FCC ANALYZES PROGRAM EXPENSES

Two statistical statements compiled by the Federal Communications Commission by licensees of standard broadcast stations and the three major networks have just been printed and distributed. The first is entitled "Analysis of Program Expenses of Stations with Time Sales of \$25,000 or more and the three Major Networks 1939" carrying the following conclusion:

Item	<u>51.9 stations</u>	<u>3 Major Networks</u>	<u>Total</u>
Program expenses:			
Salaries and wages of program department	\$ 6,417,118	\$2,382,846	\$8,799,964
Talent expenses	9,504,431	5,376,229	14,880,660
Royalties and license fees relating to program material	4,289,454	519,857	4,809,311
Cost of wire services, exclusive of transmitter line	2,305,434	5,145,223	7,450,657
Other expenses directly related to program	<u>2,993,042</u>	<u>1,045,613</u>	<u>4,038,655</u>
Total program expenses	\$25,509,479	\$14,469,768	\$39,979,247

The second statement has to do with cost and average cost of power to Standard Broadcast Stations having time sales of \$25,000 or more in 1939.

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COLUMBIA SEEKS NEW L.A. TELEVISION STATION

An application for a construction permit for a new television broadcast station in Los Angeles has been received from the Columbia Broadcasting System. It would be operated on Channel 3, 66,000-72,000 kc., 1,000 watts visual and aural and emission A3 and A5.

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CONGRESSMAN ATTACKS WINCHELL BROADCASTS

An echo of the radio rumpus in the Senate was the introduction of a newspaper story describing one of the RCA sessions into the Congressional Record of August 12 by Representative, J. Thorkelson, (R) of Montana who took the occasion to attack Walter Winchell as follows:

"This article about the RCA verifies statements which I have made during the 2 years I have been here in Congress. The National Broadcasting Co. is the network over which the Jewish vilifier, Walter Winchell, exhaled his poisonous defamatory remarks against any and all who believe in the fundamental principles of this Government. It does not matter to him who they are or what position they occupy, if they cannot see eye to eye with his own organized minority. They are all wrong, according to Mr. Winchell. The president of this station, Mr. Sarnoff, evidently is in accord with the statements made by Mr. Winchell, and he should be, because he is one of the same people, only he comes from Russia."

"I have said many times that our national-broadcasting stations and the national press are controlled and dominated by this minority, where nothing is broadcast or published except what is in accord with this minority viewpoint. It is because of this control the people have remained uninformed to date, and it is to enlighten them that I have made it my business to insert such information in the Congressional Record so that the people of this Nation should learn the truth."

"As to Mr. Winchell himself, little can be said, or, rather, nothing should be said, as even the most contemptible expressions give him too much credit. The New Yorker carried an article in which it alleged that Edgar Hoover, of the F. B. I., furnished this Charlie McCarthy of the air two G-men for his protection. I often wonder why the people should be taxed to protect such accidents of humanity. I cannot imagine what they are saving him for. For what purpose can he serve, except as a mediocre mudslinger? I would be much more sensible to give him a shovel so that he may engage in respectable labor. He could at least in such occupation dig a pit for himself to fall in, and what a relief that would be to those who are tired of his diatribes and slander! This crowd, as the article clearly shows, lives on bribes. Benjamin Franklin had his contracts and troubles when he tried to finance the Revolutionary War, for he had dealings with those whose god is gold and whose savior is a bribe."

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MUST GIVE FIXED POINT-TO-POINT CALL LETTERS

To meet the need of identifying transmission by fixed public point-to-point radiotelegraph and radiotelephone stations for monitoring purposes, the Federal Communications Commission has adopted a new rule requiring identification announcements at specified intervals.

Worked out in cooperation with the various common carriers, this rule provides that identification call letters be transmitted at least twice each hour. In the case of radiotelegraph stations using international Morse code, it shall be at a speed of not to exceed 25 words a minuet without the use of multiplexing, tape facsimile, or other methods of operation. In the case of radiotelephone stations, type A-3 emission may be used, provided privacy or secrecy equipment is not employed during such transmission.

The new requirement is intended to assist adequate national defense surveillance without unduly impairing the efficiency or rapidity of service now offered by the various companies. Up to now these stations have not been required to transmit the call letters of the frequencies emitted.

The complete text of the new rule follows:

Sec. 6.37 Call letters, transmission of. Every point-to-point telegraph and telephone station in the fixed public and fixed public press services shall transmit three times in succession at half hourly intervals during each 24 hour period the identifying call letters of the frequency or frequencies below 50,000 kilocycles on which transmissions are taking place. This transmission shall be made within the period ten minutes before and ten minutes after the hour and half hour under the following conditions:

Point-to-point Telegraph Stations.

(a) The transmission shall be made in international Morse code utilizing either type A-1 or type A-2 emission at a transmission speed not to exceed twenty-five words per minute without the use of multiplexing, tape facsimile, printer or other similar equipment or methods of operation during such period and shall consist of transmitting the signal "QRA de" followed by the call letters.

(b) Point-to-point telegraph stations engaged in a radiophoto or an Addressed Program transmission shall not be required to transmit identifying call letters during the period when such identification would interrupt the continuity of the program or radiophoto that is being transmitted. In any such case the identifying call letters shall be transmitted as outlined above, immediately following the conclusion of the program or radiophoto.

Point-to-Point Telephone Stations

(a) The transmission shall be made employing either type A-1, A-2 or A-3 emission; provided, however, when utilizing type A-1 or A-2 emission the transmission shall be made in international Morse code at a transmission speed not to exceed twenty-five words per minute and shall consist of transmitting the signal "QRA de" followed by the call letters. When utilizing type A-3 emission, all privacy or secrecy devices shall be removed from the transmitter input circuit during such period and the announcement shall be made in the following order: "This is Station (call letters)."

(b) Point-to point telephone stations continuously engaged in a public telephone message, radiophoto, or an Addressed Program transmission shall not be required to transmit identifying call letters during the period when such identification would interrupt the continuity of the message, radiophoto, or program that is being transmitted. In any such case the identifying call letters shall be transmitted, as outlined above, immediately following the conclusion of the message, radiophoto, or program.

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SENATOR SHOWS FURTHER INTEREST IN PERSHING BROADCAST

Still pursuing the subject of the origin of the recent broadcast of General John J. Pershing, Senator Burton K. Wheeler (D) of Montana had printed in the Congressional Record the following editorial from the St. Louis Post-Dispatch:

"So that the people may know what forces are behind the proposal to send 50 American destroyers to help England, the Post-Dispatch has done some exploring into the background of General Pershing's broadcast of last Sunday. The findings are not complete, but they are most informative. Indeed, the curtain of silence and secrecy encountered at various points is highly significant in itself."

"Joseph Alsop, columnist and zealous Anglophile, arranged for the broadcast, but now asserts "it would be wiser" for him to say nothing about it. The day after the Pershing speech, his column wrote an article this week endorsing it, says General Pershing asked him to talk over the address, but declines to say who else participated. The general's aide, Colonel Adamson, says several persons, whom he would not name, had urged the general to make the speech. Pershing, who holds the key to the mystery, refuses to be interviewed about the speech or its origin. Just why all this disinclination to speak of the part of Messrs. Alsop Lippmann, Adamson, and Pershing?"

"Enough has come out to prove conclusively that the speech was part of a concerted campaign to send destroyers to England--an action which would, in the opinion of competent experts, weaken American defenses and constitute an act of war. The choice of General Pershing to put it before the public was a canny move. He is a military hero, a venerated figure. Isn't it likely that some shrewd mind considered him the ideal person to answer another popular hero, Colonel Lindbergh, who was scheduled to make an anti-interventionist broadcast?"

"The people are entitled to know the full facts as to the origin and inspiration of the Pershing speech. The mystery of his sudden emergence from retirement, at almost 80, to make this plea ought to be cleared up. General Pershing is still an officer of the United States Army. It would be entirely proper for a committee of Congress to call on him, and the other figures in this strange episode, to tell the full story. It is vital that Congress and the people know exactly what is going on backstage in Washington in these crucial times. A congressional investigation is assuredly in order.

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WILLKIE APPEALED TO IN RCA CASE

Others of the greatest prominence having been mentioned including President Roosevelt, former President Hoover, former Vice-President Dawes, the name of another celebrity was added to the RCA Senate investigation when Governor George D. Aiken (R) called upon Wendell Willkie to use all his influence to obtain the resignation of Former Senator Daniel O. Hastings, of Delaware from the Republican Party's National Executive Committee.

In an open letter to the Republican Presidential nominee, Aiken referred to testimony before a Senate subcommittee that Hastings received \$7,500 for a fee from Radio Corporation of America for his efforts toward obtaining a continuance of a Gov't antitrust suit against RCA.

At about the same time that Governor Aiken sent the letter to Mr. Willkie, Former Senator Hastings, again called to the Senate witness stand characterized as a "plain damned lie" any inference he had paid any money to Harry C. Mahaffy, Jr., clerk to the United States Court in Wilmington, Delaware, to use his influence with Judge John P. Nields, for a continuance of an RCA antitrust suit in 1932. It had been charged that Former Senator Hastings had had considerable to do in having Judge Nields appointed to the Federal Bench.

Senator Tobey (R) of New Hampshire asked if Mr. Hastings had lost a case in the United States Court in Wilmington since 1934.

The witness answered that he wished he could say no, and then added that if the Senator were implying that the witness had been favored by Federal Judge Nields, presiding in the court, he was wrong.

In explanation of his long series of victories before Judge Nields, Mr. Hastings announced, "I'm a good lawyer. Other lawyers have won many cases before Judge Nields. There is nothing unusual about what Judge Nields has done for me."

J. Austin Smith, New York accountant, told the Committee that he had been employed in 1936 to write a report critical of the Radio Corporation of America so that his employer might make a connection with the company.

He was hired, he said by Patrick Powers, Westport, Conn., retired motion picture executive, who wanted him "to make a report which would embarrass RCA" the report, which he said was prepared from data furnished by Powers, criticized RCA's administrative and financial structure.

After the report was drafted, Smith said that Powers obtained employment for him from RCA which paid him \$20,000 to \$25,000 in the next four years. Smith said that he then learned that the report "was not based on sufficient investigation." He did not say whether Powers made a "connection."

Senator Tobey interrupted Smith to say:

"By your own admission you were employed to write an adverse, hostile and critical report and draw every conclusion you could that would be injurious to the corporation."

"I say the fellow responsible should be put where he can't make such reports," the Senator declared. "This is a damnable situation, based on partial evidence--a frame-up, you can call it."

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SAN FRANCISCO SCHOOLS WOULD TRY FM

First use of FM (frequency modulation) broadcast in the non-commercial educational field is proposed by the Board of Education of the San Francisco Unified School District as a result of being granted a construction permit by the Federal Communications Commission for a new station at 22nd and Bartlett Streets, that city, to operate on 42,100 kilocycles with 1 kilowatt power, unlimited time.

It intends to use radio for instructional, administrative, supervisory, and other functions in the local schools. Thirteen studios are planned for high schools and colleges in that area. They will be connected with the broadcast station by means of leased wires. In this manner it is expected that a greater number of teachers and pupils will be enabled to participate with less effort and expense of transportation.

The broadcast programs will cover nearly all of San Francisco as well as the East Bay area which includes the cities of Alameda, Oakland, Berkeley, El Cerrito and Richmond. The Board of Education, which is the governing body of the San Francisco Unified School District, has allocated \$9,000 for the station, and an additional amount of \$42,000 has been made available.

Three other institutions were previously licensed to use AM (amplitude modulation) on the channels set aside for non-commercial educational purposes. They are the New York City Board of Education, the Cleveland Board of Education, and, more recently, the University of Kentucky.

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CONTROL REGULATIONS FOR BRITISH RADIO TUBES

The Office of the American Commercial Attache in London reports the present position regarding control regulations for radio tubes in the United Kingdom is that the importation of tubes, as well as other radio parts, is entirely prohibited. There is, as in all British import prohibitions, a qualification relating to goods for export or for Government contracts, but so far as it has been possible to ascertain, any exception allowed from the import prohibition is not limited to any particular type of tube.

In April the importation of valves and parts continued to be allowed on the basis of 25 percent of imports in the period immediately preceding the beginning of the war. Subsequently this concession was also withdrawn although no formal Order was required or issued. The Import Licensing Department did, however, notify importers informally, under date of June 13, that licenses would no longer be issued for the importation of wireless parts or valves from countries other than France "with the possible exception of parts for apparatus for export or for Government contracts". Later, of course, the exception for imports from France was withdrawn.

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SALVADOR TERMINAL AMENDMENT SUSPENDED

The Commission FCC took the following action:

Pending inquiry, suspended for 90 days amendments to tariffs of certain companies proposing to increase rates applicable to all classes of radiotelegraph messages, save ordinary press messages, to Salvador to meet an additional one cent terminal charge per word applied by the government of that country. The companies concerned are All America Cable and Radio, Inc., Commercial Pacific Cable Co., RCA Communications, Inc., Tropical Radio Telegraph Co., and Western Union Telegraph Co.

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 :::TRADE NOTES:::
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Dr. W. D. Coolidge, director of the General Electric Research Laboratory, has been named to the newly organized National Inventors' Council, a body created by the Secretary of Commerce to encourage civilian inventions as part of the national defense program.

Station WOV, Greater New York Broadcasting Corporation New York City, has been granted a construction permit to change frequency from 1180 Kc to 1100 Kc to power to 5 kilowatts night and 10 kilowatts daytime, unlimited hours of operation and permission to install a new transmitter and directional antenna.

Meade Brunet has been appointed by the RCA Manufacturing Company, Inc., Camden, N.J., as manager of the engineering products division, in addition to his position as manager of the company's Washington office.

Mutual System, Inc., and Subsidiaries--Six months to June 30: Net income, \$27,838, equal to 15 cents each on 184,279 shares of common stock, compared with \$20,859, or 11 cents each on 171,774 shares of common stock for the corresponding six months of 1939.

Under a new NBC setup Donald G. Stratton, will concentrate on spot sales in an area which will include the Cleveland, Detroit and Pittsburgh territories. Elmer Kettell, who has just joined the NBC sales organization, will be the spot sales representative for New England. J. S. De Russey, operating from the New York office, will cover Newark and Philadelphia.

In a reorganization of the NBC Pacific Coast sales division, Sydney Dixon was named Sales Manager of the Coast Red Network and Tracy Moore was appointed Sales Manager of the Coast Blue Network, it was announced in Hollywood by Don.E. Gilman, vice president in charge of the Western Division.

John M. Cooper, News Editor of WBZ and WBZA in Boston for the past six months, has been named Director of Publicity for Station KDKA by John A. Holman, General Manager of the Westinghouse Station in Pittsburgh. Mr. Cooper joined the WBZ and WBZA staff last February from the Boston Transcript, where he had edited and broadcast the Transcript news over those stations. After the election was over in 1938, Mr. Cooper having been Publicity Director for the Main Democratic State Committee, he joined the staff of Station WCSH in Portland as News Editor, resigning in 1939 to go to Boston.

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NEW FREQUENCY MONITORS APPROVED

The Chief Engineer of the Federal Communications Commission acting under and by virtue of the authority conferred upon him by Section 2(h) of Administrative Order No. 2 has approved the following frequency monitors for use by standard broadcast stations as complying with the requirements of Section 3.60 of the Rules and Regulations and the provisions of Section 15 of the Standards of Good Engineering Practice:

<u>Manufacturer's Name</u>	<u>Type</u>	<u>Approval Number</u>
General Radio Company	Type 25A (Formerly Oscillator, Type 475-C, Deviation Meter, Type 681-B, Quarts Plate Type 376-L)	1461
General Radio Company	Type 25-AB (Oscillator Type 475-B and Deviation Meter 681-A <u>modified</u>)	1463
RCA Manufacturing Co.	Type 311-A	1462
Western Electric Co.	Type I-C (Type I-A <u>modified</u>)	1464

The above monitors are the only frequency monitors approved at the present time as complying with Section 3.60 of the Rules and Regulations, effective August 1, 1940. These are the only monitors which may be employed by new stations (original construction permit granted on or after August 1, 1939). However, several other manufacturers have submitted, or have advised that they propose to submit data showing that with certain modifications, monitors that were formerly approved under Section 21 of the Standards of Good Engineering Practice are capable of compliance with Section 3.60 of the Rules and Regulations and Section 15 of the Standards of Good Engineering Practice.

If and when these modified monitors are approved, they will be assigned approval numbers and will be listed with the above units as approved frequency monitors under Section 21 of the Standards of Good Engineering Practice.

In the event existing stations (original construction permit granted prior to Aug. 1, 1939) do not choose to have the present monitors modified after the modifications in the monitor are approved by the Commission or have other than approved modifications made, they may continue to use the formerly approved monitors. However, no explanation of a frequency deviation in excess of that permitted by Section 3.59 can be accepted where it is evident or claimed that the deviation was due to the failure or inaccuracy of the monitor.

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NAB PREZ UPPED TO PROBABLY \$40,000

That the National Association of Broadcasters is satisfied with its experiment of having a paid President is indicated by the \$10,000 raise and extension of the contract of Neville Miller at San Francisco. Mr. Miller is said to be receiving at present \$30,000 a year with allowances which, with the salary increase voted, would put him in the \$40,000 class.

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