

HEINL RADIO BUSINESS LETTER

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No. 1268


September 24, 1940

RADIO ACCUSED AS FRANKENSTEIN OF PRINTED PUBLICATIONS

Charging that radio stations obtain government monopoly licenses - for which they pay nothing to the government - and have realized profits of millions through transfer of these licenses, John B. Haggerty, President, International Allied Printing Trades' Association, bitterly attacked the broadcasting industry. Speaking at the Golden Anniversary Convention of the International Printing Pressmen in Tennessee, Mr. Haggerty further declared that the profits of one radio company, the Columbia Broadcasting System, in four depression years alone were \$17,000,000 on a cash investment of less than \$1,600,000. The inroads of radio advertising were depriving thousands of workers of their jobs, he further declared.

The speaker said that the Allied Printing Trades Association had created a Committee on Radio, consisting of George L. Berry, President, International Printing Pressmen, Edward J. Volz, President, Photo-Engravers International Union, and himself to act on this important question.

"With men and management realizing what they are confronted with through the widespread activities of the radio in the advertising field, the question prompts itself, quite naturally, what will they do with the possibility of television, which will take salesmen off the road by sending their pictures into the homes, presenting fashion shows, vacuum cleaning and other demonstrations, cooking lessons, etc., Mr. Haggerty, in closing, said. "So far, the radio with its medicine shows has given only the dialogue, but television will give you both the dialogue and motion pictures of actors and scenery in colors. This is certainly something to worry the printing trades industry more than the radio, because the air will always be cheaper than newsprint.

"I would recommend that every delegate to this convention, upon his return to his local Union, call the attention of his Union to this matter. I would further recommend that each Union appoint a Radio Committee, and, your committee, as well as the members of your local Union, should call the attention of your candidates for Congress to the fact that this unbridled and unfair competition on the part of radio broadcast stations, licensed by the Government, and, for which license they pay the government nothing, is depriving thousands of printing trades workers of their opportunities for jobs."

Immediately after this address, President Haggerty sent a letter to publishers of magazines, newspapers, and farm publications which read, in part, as follows:

"The continuance of a free press, in America, is dependent upon our newspapers, magazines and farm papers securing sufficient independent income through the printing of national advertising to meet expenses, pay necessary taxes and show some profit on the capital invested.

"Radio advertising, which, in 1929, received but 3 cents on the advertising dollar, in 1939 received directly some 19 cents of the advertising dollar. For 1939 newspapers received 16 per cent less, magazines received 17 per cent less and farm papers received 50 per cent less of the advertising dollar than they received in 1929.

"If we charge to radio advertising, as is proper, the millions spent for radio time plus the additional millions spent for authors, artists, music, telephone costs, etc., which expenditures were necessary to make radio advertising possible, we would most likely ascertain that radio advertising, in 1939, secured more than 30 cents of the total advertising dollars spent in newspapers, magazines, farm papers, out-door advertising and radio.

"Printing Trades workers are keenly interested in this matter for three reasons: first, to insure the retention of a free press; secondly, because of the already substantial loss and the threatened increased loss of job opportunities, and, third, because of the effect which the loss of advertising revenues will ultimately mean in retarding their efforts to secure better wages and working conditions.

"We will greatly appreciate your perusing the attached remarks and your assuring us, if you believe as we do, of your cooperation in seeking some constructive way in which to modify, at least, the unfair competition which is herein referred to."

Here are some of the highlights of Mr. Haggerty's speech to the pressmen:

"In its first stage, radio appeared to the press as a novelty with the result that the press gave it millions of dollars worth of space gratis as it always has for professional baseball. The press was gullible enough to give radio far more free space than radio could have ever hoped to purchase. Radio programs were featured much the same as a band concert and the press played up these radio artists in the theatres while the theatre managers played up these radio artists in the papers. This, of course, was fine for the owners of radio stations out selling time to national advertisers.

"It was not realized by the press that through such publicizing on the air it was building up for itself most severe competition. Little did the press appreciate that the radio would spell finish to all Sports Extras, and, as a result of all this, the daily newspapers soon heard radio's slogan: 'You get your news first by radio'. This is true, and the radio listener, and almost everyone

has a radio, now gets the news on the air as soon as the editor. The press must now realize that it has helped to create its own Frankenstein."

"During the last decade a new and already highly dangerous competitor has entered the field of advertising and has each year deprived additional thousands of our workers of their job opportunities."

"I refer to radio broadcasting, which, for the year 1939, has diverted from printed publications advertising income direct to the radio stations alone of some \$170,000,000. This sum of \$170,000,000 represents only the amount paid directly to the radio stations. In order to arrive at the true amount of advertising diverted from printed publications in 1939 alone, it would be necessary to add to this \$170,000,000 the estimated additional \$200,000,000 spent in 1939 for artists, actors, bands, and telephone costs which made the spending of this \$170,000,000 with the radio stations advisable."

"Contrast this \$370,000,000 spent in 1939 for radio advertising with the total advertising income of \$525,000,000 spent with all the newspapers, daily and Sunday; the \$150,000,000 spent in 1939 in all our magazines; and the \$17,000,000 spent for advertising in all our farm publications."

"In 1929, when newspapers had an advertising income of some \$800,000,000; when magazines had an advertising income of \$240,000,000; when farm publications had an advertising income of \$35,000,000, radio broadcasting stations had an advertising income of but \$40,000,000."

"If you add the \$170,000,000, which the radio broadcast stations received directly, and the estimated \$200,000,000 which was spent collaterally to make this radio advertising possible, you find that this new competitor, in 1939, received some 70 percent as much as the total amount received for advertising by all of the newspapers, and, almost twice as much as the total amount spent for advertising in all of the magazines."

"The radio broadcasters receive a license from the government, for which they pay nothing to the government, and also they hold a monopoly in the community in which they operate."

"In passing I might add that the recent report of the Monopoly Investigating Committee of the Federal Communications Commission concludes that even "our democracy is threatened" by this radio monopoly. I quote from their report as follows:

"To the extent that the ownership and control of radio broadcast stations falls into fewer and fewer hands, whether they be network organizations or other private interests, the free dissemination of ideas and information, upon which our democracy depends, is threatened."

"The profits of the radio broadcasting stations, the diversion of advertising from newspapers, magazines and farm papers has already resulted in newspaper publishers spending millions of dollars, taken from the profits of newspaper publishing in the past, in the purchase of radio broadcasting stations."

"It is understood that many newspaper publishers contend that the purchase of these competitors for advertising, radio stations, was necessary to protect their local advertising field.

"During the past few years printed publications, especially the newspapers, although the same could well apply to magazines, have found another radio worm diverting their advertising.

"An advertising agency or persons experienced in advertising solicitation secure a license to operate a radio station in one community and then secure additional licenses for booster radio stations in localities, say 25 or 30 miles away. In those localities, with an investment of a comparatively few thousands of dollars, they erect a radio transmitter, connected by telephone with the major radio station, and, immediately they divert many additional thousands of advertising dollars from struggling newspapers and farm publications and thus destroy the opportunities for jobs of printing trades workers employed in those publications."

"National advertising is handled, promoted and placed by national advertising agencies. When we find a governmental agency, after an exhaustive survey, reporting that 90 percent of all network commercial programs are builded by advertising agencies, we find one of the reasons for this unusual condition.

"Newspapers and magazines pay to the advertising agencies a commission of 15 percent. Likewise the radio broadcast stations and networks pay to the advertising agencies a commission of 15 percent. If an advertising agency is authorized to pay out \$1,000,000 for advertising in newspapers and magazines, they must necessarily contact several different publications and their net income is probably reduced to some 7 or 8 percent of this 15 percent commission. When the same agency has \$1,000,000 to spend on radio advertising they contact but one or two radio networks and their 15 percent commission is practically net. Add to this net income the amounts which the advertising agency receives in additional commission from artists, bands, etc., and you can readily see that the net cash income for the advertising agency is much greater, when they place their advertising with radio broadcasting stations, than when they place advertising with printed publications."

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NAB ADVISES ON POLITICAL BROADCASTS

To keep its members from getting out on a limb, those members having difficulty in determining the necessity of accepting political broadcasts are urged by the National Association of Broadcasters to communicate with the Association in Washington giving full particulars.

Just who in the Capital, if anybody, the NAB officials turn to in these matters deponents sayeth not.

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MC CORMICK TO MAKE WGN ONE OF GREATEST STATIONS

A tremendous expansion in program building, designed to make WGN outstanding among America's radio stations, was announced by Col. Robert R. McCormick, editor and publisher of the Chicago Tribune, and President of WGN. In its 1940-41 development, WGN will cooperate closely with the growing Mutual network which now numbers seven member stations and 150 affiliates.

"A year ago", said Colonel McCormick in outlining his plans, "WGN had to decide whether it would submit to the tendency of the times for monopoly in radio or develop the strength to stand on its own feet.

"If WGN were to succeed as an independent station, it would have to develop features it did not possess; would have to enter fields with which it was not acquainted. The decision was not easily taken, but it was never in doubt.

"We decided that at all cost WGN must be a Chicago station, not the Chicago outlet of a New York network. We determined that a great radio station must be created in Chicago, the gateway city between east and west, through which pass the nation's artists."

Colonel McCormick said that free radio must assume the great attributes of the free press. It must be more than a system of communication.

"It has not been easy for radio to reach the clarity and verity in news and comment that the profession of journalism has attained in many generations", said Colonel McCormick. "WGN has achieved this by using such outstanding newspaper correspondents as Sigrid Schultz, Raymond Gram Swing, Fulton Lewis, Arthur Sears Henning and Captain Herne.

"Radio's economic function is to lend commerce and industry the indispensable services of advertising, essential to progress under our American system. Radio's civic duty is to stimulate patriotism, to inspire a devoted and discerning citizenship.

"During the past months the American radio audience has been hearing a new slogan: 'Watch WGN and Mutual.'

"The Mutual network began as an association of four independent stations as recently as October, 1934. It now includes seven member stations and 150 affiliate stations, all working together in their own communities and serving in the regional as well as national interest.

"It may be that to accomplish our ideals we shall have to make Chicago the radio center of America. In any event, by means of its electrical facilities, its studio equipment, its central loca-

tion for obtaining artists, and above all, by its independence, WGN will be the outstanding radio station of America."

Colonel McCormick spoke on the "In Chicago Tonight" program just after presentation of the poetic dramatization "Ode to Chicago" in which Charles Laughton, the great character actor, was starred. The production brought to life the "I Will" spirit of innovation and progress of the city in which WGN serves as the Voice of the People.

Musical attractions scheduled for the season reflect the energetic campaign in progress at WGN. The programs listed in the announcement are as follows:

The Chicago Symphony Orchestra, directed by Dr. Frederick Stock, will be heard every Thursday evening from Oct. 10 through April 17. World famous guest soloists will be on the air.

The WGN Symphony Orchestra, directed by Henry Weber, will be presented each Wednesday and Sunday evening.

Chicago Opera Company offerings will be broadcast every Monday throughout the season, from November 4 through December 9.

The Chicago Theater of the Air on October 5 will inaugurate a great series of streamlined operettas starring distinguished singers. The operettas will be heard every Saturday night.

All these programs will be broadcast over the Mutual Broadcasting System making Chicago the musical center of the nation on five evenings out of seven.

Colonel McCormick noted that among the special features scheduled for the near future is the World Series, again to be broadcast exclusively by WGN and the Mutual network. A banner lineup of football games, soon to be announced, will be another Autumn highlight.

The fashion show, which will climax the \$7,500 American Fashions contest sponsored by The Tribune also will be broadcast, on October 2. The 40 winning designs are to be dramatized in a unique musical production directed by William A. Bacher, WGN chief of programs.

In addition to these features the time tested variety programs, musical quarter hours and halfhours, weekday serials and sportscasts will be retained and others of similar appeal added to the schedule. Frequent and complete news broadcasts of happenings at home and abroad will remain one of the premier public service policies of WGN and Mutual.

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FALSE STATEMENTS CHARGED IN WILKES-BARRE CLOSING DOWN

On the ground that the applicant is not financially or otherwise qualified to continue station operation, and that misrepresentations were made, the Federal Communications Commission has moved to deny the application of John H. Stenger, Jr., for renewal of license of radio station WBAX, operating on 1210 kilocycles, at Wilkes-Barre, Pa.

After reviewing the case, the Commission concludes that the grant will not serve public interest, convenience, or necessity because:

1. The applicant is not financially qualified to continue the operation of the station.
2. In view of the facts recited with respect to false representations made to the Commission by the applicant in applications and other documents, it is apparent that his character is not such as to qualify him to hold the license of a radiobroadcast station.
3. Station licenses heretofore granted to the applicant for the operation of Station WBAX, the frequency authorized to be used therein, and the rights therein granted have been transferred to Glen D. Gillett, Marcy Eager, and Stenger Broadcasting Corporation without obtaining the consent of the Commission thereto in writing, in violation of the provisions of the Communications Act.
4. The radio transmitting apparatus described in licenses heretofore issued to the applicant for the operation of Station WBAX has been used and operated by Glen D. Gillett and Marcy Eager, directly and through agents, and by Stenger Broadcasting Corporation, through its officers and directors, particularly with respect to the control of physical operation and programs broadcast, in violation of the Communications Act.
5. The applicant has relinquished control of this station and his right to exercise same; and has failed to discharge properly the obligations made incumbent upon him in licenses which he has received from the Commission.

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THIRTEEN TELEVISION STATIONS NOW BEING BUILT

There are now thirteen television stations being built in the U.S. with many more in prospect. Those at present licensed are:

Balaban & Katz Corporation, Chicago, Ill; The Crosley Corporation, Cincinnati, Ohio; Allen B. DuMont Laboratories, Inc., area of New York, New York; General Electric Company, Schenectady, N.Y.; National Broadcasting Co., Inc., Portable (Camden, New Jersey and New York, New York); National Broadcasting Co., Inc., are of New York, New York; National Broadcasting Co., Inc., to be determined, District of Columbia; National Broadcasting Co., Inc., to be determined, Philadelphia, Pennsylvania; Philco Radio and Television Corp., Philadelphia, Pa.; RCA Manufacturing Company, Inc., Camden, N.J.; Television Productions, Inc., Los Angeles, California; Zenith Radio Corporation, Chicago, Illinois; Bamberger Company, Newark, N. J. (WOR).

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GRINDING THEM OUT

The BMI Board of Directors, meeting in New York last week, made one important decision and that was that the BMI production, which is already at a record high, should be increased. M. E. Tompkins, Vice-President and General Manager, announces that the increased scale of production goes into effect immediately. Within two weeks Mr. Tompkins expects to have BMI on a schedule of fourteen new popular numbers a week, a 100 percent increase in this department, and thirty new BMI arrangements of standard material, which is a 20 percent increase over the present rate for this part of the catalogue. The production of the standard numbers will be further increased so that by the middle of October, thirty-five a week will be issued. Mr. Tompkins gives assurance that these increases will be made without any sacrifice in the high quality of its music "for which BMI has already become noted".

BMI has signed a contract under which it will obtain exclusive performing rights to the principal catalogues of Latin and Central American music. The transaction carries the rights, commencing January 1, 1941, to all the Latin-American works in the catalogues of Southern Music Publishing Company, Inc., Southern Music Internacional, Editorial PHAM, Mexican Association of Authors and Composers, Inc., and Editorial Argentina de Musica Internacional. The BMI broadcasters receive in excess of four thousand works, over three thousand of which are available on phonograph records.

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RMA MEMBERS TO MEET IN N. Y.

The Fall meeting of members of the Radio Manufacturers' Association will be held during two days next month, October 7 and 8, in New York City. The RMA membership will be tendered a luncheon on October 8 by James S. Knowlson, President, and the RMA Board of Directors, which will hold its customary Fall meeting after the membership luncheon.

Brief addresses at the RMA luncheon will be made by Mr. Knowlson and Dr. W. R. G. Baker, of the General Electric Company, Bridgeport, Conn., Chairman of the National Television Systems Committee.

Problems of National Defense and also industry promotion will be considered. At the meeting on Monday, October 7, the RMA will consider an Association parts warranty, for a period of years to be recommended for maintenance of replacement parts for consumers. On Tuesday morning, October 8, there will be a meeting of the entire Receiving Set Division, and also a meeting of the Tube Division.

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THREE UTAH STATIONS FORM NETWORK

Effective September 29, three Utah stations, KLO, Ogden-Salt Lake City; KOVO, Provo, and KEUB, Price, will group themselves into a full time regional network and simultaneously as a network become affiliated with the Mutual Broadcasting System.

Extension of Mutual service into Utah through The Intermountain Network will give the Mutual Broadcasting System concentrated coverage of the full intermountain market, including Utah, southeastern Idaho, western Wyoming and eastern Nevada. This intermountain market heretofore has been the only major market in the West not served by Mutual. KLO, key station for the newly formed Intermountain Network, is a 5000 watt full time outlet with studios in Ogden and Salt Lake City. KOVO, Provo, and KEUB, Price, both are 250 watt full time locals. Studios and business offices of the Intermountain Network are in the McIntyre Building, Salt Lake City.

In addition to Mutual program service, stations of the Intermountain Network will carry a substantial schedule of regional sustaining and commercial features originating in Salt Lake City, Ogden, Provo and Price.

Stations KOVO and KEUB will be programmed exclusively by Mutual. KLO will carry both Mutual and NBC Blue programs.

Officers of The Intermountain Network, Inc., are: Paul R. Heitmeyer, President and Manager, Jack Richards and Arch Madsen, Vice-Presidents; Clifton A. Tolboe, Treasurer, and A. L. Glasmann, Secretary.

Socs N. Vratiss will be national advertising manager and George F. Hollingbery Company will be the national sales representative.

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PRESIDENT'S PHILADELPHIA SPEECH SEEN POLITICAL

Criticizing President Roosevelt for the use of free radio time, David Lawrence writes in the Washington Star:

"Although the three major broadcasting companies decided to give free time to President Roosevelt's radio address at the University of Pennsylvania, it was as transparently a political address as if it had been made by Senator Guffey who, together with other prominent New Deal Democrats, toured Philadelphia with the President in a manifest piece of political campaigning.

"Mr. Roosevelt used his University of Pennsylvania speech to answer recent attacks by Wendell Willkie, Republican nominee. He had every right to do this, and nobody can object to a President campaigning for himself. What is causing public criticism is the apparent effort to make a political speech under supposedly non-political auspices and to gain the use of free radio time and thus save the Democratic campaign funds for other purposes."

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 ::: TRADE NOTES :::
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The Federal Communications Commission has "hamstrung television for its own good" Alva Johnson will say in an article, "Trouble in Television", to appear in the Saturday Evening Post of this week (September 28).

Figures covering 705 broadcasting stations (excluding networks) show that average weekly pay check was \$41.94. Network employees received \$63.03.

The full schedule of home football games of the University of Pennsylvania beginning Oct. 5, will be televised this Fall by the Philco Radio & Television Corporation, in cooperation with the University, the Atlantic Refining Company and N. W. Ayer & Son, Inc.

The Sky Club of Indianapolis is operating a new itinerant aircraft station on 3105 kilocycles.

Libby, McNeill & Libby, of Chicago, will have a new coastal station frequency 3190 kc. to communicate with its fishing ships in Alaskan waters.

Gerald D. Coleman, Chief Engineer at the WPIT transmitter at Saxonburg, has resigned to become Chief Engineer of WKPA, a new broadcasting station now under construction at New Kensington, Pa.

The Mackay Radio & Telegraph Company has been granted permission to establish regulations applicable to "Birthday Greeting" messages between the U.S., Guam, Honolulu, Midway and Manila.

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C O R R E C T I O N

In our issue of September 13, we said "A nice little joy-ride is ahead of the Federal Communications Commission when it holds its hearing at Memphis, Tenn. to look into the needs of radio-telephone communications on the Mississippi River."

This was incorrect. The Commission itself is not going to Memphis and never intended to. Only an engineer and an examiner, and possibly a lawyer, will go to conduct a hearing at the request of and for the convenience of parties in that part of the country who could not afford the expense of a trip to New York. We regret the error.

R. D. H.

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NOW ASCAP HURLS THE MONOPOLY CHARGE AT NBC

The American Society of Composers characterized the ruling of Niles Trammell, President of the National Broadcasting Company, that each orchestra appearing on a sustaining program, beginning October 1 must use at least three compositions not in the Society's catalogue as "another move to establish monopolistic control in the radio industry".

In his letter to the orchestras Mr. Trammell explained that early in August all orchestra leaders had been asked to play at least one composition which NBC clearly will be able to use after Dec. 31, and that this requirement was being stepped up in order to increase the use of music which will be available to NBC after the ASCAP contract expires, Dec. 31.

"ASCAP has not relaxed its exorbitant demands upon us," Mr. Trammell stated in his letter. "December 31, 1940, is approaching rapidly and it is essential that we continue to increase the use on NBC sustaining shows of the music which will be available to us after that time. Therefore, commencing October 1st, NBC will require that all orchestras broadcasting on NBC sustaining shows, whether they are studio or remote control programs, must schedule and play during each of their NBC broadcast periods, at least three compositions which NBC clearly will be able to use after December 31, 1940."

In reply, an ASCAP representative declared:

"I wish the Trammell ruling called for six rather than three non-ASCAP numbers on each sustaining program", the representative said. "In that way the public's reaction would be gained that more rapidly."

He also charged NBC with taking advantage of its present contract with the Society. By inserting three non-ASCAP selections into each sustaining program in an effort to wean the public away from the Society's music before the agreement expires, NBC will be using the composer group's songs to "make the dose palatable", he pointed out.

Inquiry at Broadcast Music, Inc., formed by the radio men to combat the fees of the Society for the right to use its music on the air, disclosed that the Columbia and Mutual Systems soon would follow NBC's lead with similar rulings.

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R.C.A. Communications, Inc., Rocky Point, N. Y., and New Brunswick, N. J., have been granted special temporary authority to point to point radiotelegraph stations in the Fixed Public Service at Rocky Point and New Brunswick, using their regularly licensed equipment, frequencies, power and emission, to communicate with radio station EAX-2 at Barcelona, Spain, operated by Transradio Espanola SA, for a period not to exceed one month.

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