

HEINL RADIO BUSINESS LETTER

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No. 1350

NATIONAL BROADCASTING COMPANY, INC.
GENERAL LIBRARY
30 ROCKEFELLER PLAZA, NEW YORK, N. Y.

July 29, 1941

WEAK NAB LEADERSHIP BLAMED FOR \$12,000,000 TAX

Caught off its guard - although there were at least three distinct warnings by the Allied Printing Trades believed to be responsible for the tax - the National Association of Broadcasters, weaker on Capitol Hill than at any time in its history, has begun the fight of its life upon the proposed \$12,500,000 tax on radio broadcasting net time sales. This unprecedented assessment was embodied in the House Ways and Means Committee's \$3,500,000,000 defense tax bill which is expected to be immediately taken up and debated in the House.

In addition to the broadcast advertising tax which was new and came out of a clear sky to the rank and file who were depending upon their national organization to keep the Washington front manned, the defense tax bill dealt radio another stunning blow by increasing the rate on receiving sets and parts from $5\frac{1}{2}$ to 10 percent. This is expected to yield an additional \$9,400,000, making the grand total which the radio industry may be assessed somewhere around \$22,000,000. In the same bracket are the kindred fields of phonographs and records to yield \$4,500,000 and musical instruments \$3,600,000.

Telephone, telegraph and cable messages, where the charge is 25 cents or more, tax of 5 cents for each 50 cents or more, \$26,600,000. Refrigerators and air-conditioning apparatus, rates increased from $5\frac{1}{2}$ percent to 10 percent to yield \$21,000,000.

The provision of the defense bill to tax broadcasting stations says "the right to operate a broadcasting station in particular areas carries with it a measure of monopolistic privilege and the opportunity for an extremely profitable investment".

Radio stations are divided into these classifications with resultant taxation rates:

1. Stations with net time sales between \$100,000 and \$500,000 - 5 percent.
2. Stations with net time sales between \$500,000 and one million dollars - 10 percent.
3. Stations with net time sales in excess of one million dollars - 15 percent.

The number of stations each with time sales within the amounts shown for the group: \$100,000 to \$150,000 - 49; \$150,000 to \$200,000 - 45; \$200,000 to \$250,000 - 25; \$250,000 to \$500,000 - 69; \$500,000 to \$1,000,000 - 42; \$1,000,000 or more - 8; Total 238.

The debate on the defense tax bill in the House is scheduled to last four days and its passage anticipated by the end of this week or the early part of next. The bill will then go to the Senate where it will be referred to the Senate Finance Committee where hearings will be held prior to the bill's consideration by the Senate. This may take several weeks during which time the radio industry will bring its heaviest artillery into action. It is believed that the interval will be too short to accomplish a great deal in the House, though hopes are held for a reduction, therefore the big plea will likely be registered in the Senate.

In the meantime no cheers were heard for the National Association of Broadcasters, which was charged with having been absolutely asleep at the switch in the tax matter. The opinion was expressed even had the Association been alive to the situation that under the present leadership of Neville Miller, it would not have been able to do anything about it.

Those credited with giving the broadcasters "the works" and giving it to them good and plenty, were John B. Haggerty, President of the Allied Printing Trades Association, and his right-hand man Mike Flynn. Mr. Flynn, one of the shrewdest public relations men in the business, told the writer almost a year ago, and repeated the prophecy thereafter (See Heintz Radio Business Letter, issues of September 20, 1940, March 18, and April 22, 1941) that the broadcasting industry would sooner or later be taxed "in the millions". It was the argument of the printers that radio with the spoken word was putting the printed word out of business and pointed to casualties among the newspapers as evidence. It was their contention that radio had thrown thousands of printers out of work.

To offset this, the Printing Trades advocated the present heavy tax and having a stronger organization than the broadcasters, and one which knew its way about on the Hill unquestionably brought the \$12,500,000 tax down upon the heads of the broadcasters. Whether or not it is too late for the broadcasters to do anything about it, their efforts during the forthcoming critical weeks will tell.

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Radio news services in Canada have been substantially expanded by entry into the field of Press News, Ltd., a major new project supplying bulletins for broadcast on a paid basis. The concern is already serving a number of radio stations in Ontario and Quebec with bulletins based on regular news reports of the Canadian Press, Associated Press and other allied agencies.

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PRINCETON DISCONTINUES LISTENING CENTER

With the Government now in the field, Princeton University Listening Center has discontinued its work. A pioneer undertaking to ascertain the character of foreign propaganda broadcast in this country, it is closing down with the following announcement:

"The Federal Communications Commission has established a number of Listening Posts throughout the country and will maintain a comprehensive coverage of short wave radio transmissions directed to the United States by other countries.

"Our recording and transcribing of broadcasts, therefore, are being discontinued and the publication of our reports will end with the issuance of Report No. 20.

"John B. Shitton, Director."

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TO SEE IF THEY ALL LOOK ALIKE

The naming of Mark Ethridge, General Manager of WHAS, Louisville, by President Roosevelt, Chairman of a committee to investigate complaints of discrimination against Negroes seeking work in the defense industries, has occasioned considerable comment in the radio world, especially since it so closely follows what friends of Ethridge declared to be the "double-crossing" of the Kentuckian when the President appointed him to investigate the radio situation which resulted in the Ethridge-Fly-NAB explosion at St. Louis recently.

Equally puzzling was the inclusion of David Sarnoff, President of the Radio Corporation of America, on the Negro discrimination committee. Just what qualifications for this particular task these two outstanding radio leaders had, Administration critics declared they failed to see.

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The Associated Press will soon have its own radio "listening post" to facilitate access to broadcast war communiques, it was announced this week in the AP house organ, Inter-Office. A site has been picked in Westchester County, about 20 miles from New York, whence the AP's reception station will feed its reports by land line to the cable desk.

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MORE TORRID NEWSPAPER SESSIONS AHEAD

With the heat in Washington sufficient to fry an egg on Pennsylvania Avenue, and the temperature of the newspaper publishers about the same, the Federal Communications Commission will resume its hearings tomorrow (Wednesday) on the question of newspaper ownership of radio stations. Up to now anyone who has had the temerity to question the right of the Commission to pass upon whether or not a newspaper is qualified to operate a broadcasting station has gotten the axe. Chairman J. L. Fly seems to take such an assumption as a personal insult and has been acting accordingly. It has brought about a renewal of the charge of one prominent broadcaster that the Chairman is acting as "complaining witness, prosecutor, judge, jury and hangman, all in one".

This resulted in an editorial of warning in the Washington Post, owned by Eugene Meyer, an independent publisher. The Post does not own a broadcasting station, is not affiliated with any station, and has been generally friendly to Mr. Fly. The editorial follows:

"It is not surprising that the Federal Communications Commission's hearings on the question of newspaper ownership of radio stations took on a controversial tone at the very beginning. The issue which the Commission has set out to investigate is a vital question of public policy. Indeed, it is far too important an issue to be decided by the FCC, even though extensive hearings may be held.

"Chairman James L. Fly explained that, because of the large number of newspaper applications for frequency modulation stations, the FCC has launched a general inquiry instead of trying to decide each case separately. Apparently the Commission hopes to work out a general policy to guide its future action in granting F.M. licenses to newspapers. Such procedure is constructive when it relates to issues that may be properly decided by the FCC. In this instance, however, the Commission is dealing with a broad question of public policy which no small group of appointed officials can properly decide.

"The FCC has the duty of licensing broadcasters on the basis of the public service they are equipped to render. That is a complicated and delicate task, and the Commission must have some leeway in shaping regulations to accomplish it. But it does not appear that Congress intended to authorize discrimination by the FCC against the category of broadcasters. Thomas D. Thatcher, counsel for the Newspaper-Radio Committee, flatly asserts that the FCC has no power under the law to make such arbitrary distinctions between applications. Certainly it is reasonable to suppose that Congress would have given specific instructions as to the denial of licenses to newspapers or other institutions if any such policy had been contemplated.

"Regardless of what the findings of the FCC may be, therefore, it would be inadvisable for that agency to adopt a policy of discrimination against the press in granting frequency modulation licenses. The chief effect of such a course would be greatly to strengthen the demand for a general review of the Federal Communications Act by Congress."

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NEW RADIO ALERT TO REVOLUTIONIZE AIR RAID WARNINGS

The new RCA Radio Alert Receiver for air raid warnings demonstrated for the first time in New York City on Monday received the instant endorsement of Mayor LaGuardia, National Director of Civilian Defense, and at the same time aroused great interest in the Federal Communications Commission, the Army and Navy and other defense circles in Washington. The new set turns on automatically when it receives a special inaudible signal from a broadcasting station, rings a bell to summon listeners, and then shuts off when an all-clear signal is flashed.

Mayor LaGuardia became so enthusiastic over the device that in a two-way talk to England Monday night with Major F. W. Jackson of the London Fire Brigade and W. B. Breet, Chief of Operations Office of the London Civil Defense, he said he believed the new "Alert Receiver" might eventually replace all other air radio warnings. The Britishers showed the greatest interest in the new invention and asked many questions, one of them being whether or not the "Alert" transmissions might be used as directional beams by raiding planes.

David Sarnoff, President of the RCA, answered that they were giving much thought to this but didn't believe it would prove a handicap as the signals only had to be transmitted by one station. Finally the British asked if they could actually hear how the thing worked. "Say when", LaGuardia replied, "and I'll push the button." The British said "when" and they were instantly given a thrilling and noisy demonstration, first with the siren and "all the works", as Mayor LaGuardia put it, and later the milder signal just the bell.

There was a prior test Monday for the benefit of New York City listeners, participated in by Mr. LaGuardia and Mr. Sarnoff at LaGuardia Field. It is the plan to have the "Alert Radios" located throughout the country. "We will notify the entire population through this means", LaGuardia declared.

As explained by Mr. Sarnoff, the Alert Receiver, which he called the modern "Paul Revere" is a simple instrument, about the size of a portable radio set, and can be carried just as conveniently. So successful is its application that radio engineers believe the day will come when radio sets throughout the country

will be provided with the simple Alert attachment, to summon listeners when an important message, news item or television event is about to be broadcast. Present radios are not designed to hear the inaudible signal. In no way, however, does it interfere with the broadcast program on the air over the same station simultaneously.

Widespread application of the instrument is possible in the interest of Civilian Defense, since manufacturing rights have already been made available to all RCA licensees.

The Alert Receiver was developed by Arthur F. Van Dyck, Stuart W. Seeley and Harmon B. Deal, engineers of RCA Laboratories. They describe it as a small, three-tube receiver requiring negligible power for operation and, therefore, it can be operated twenty-four hours a day over a long period of time at low cost.

The receiver can be fixed-tuned to any one broadcasting station. It is then receptive to the inaudible signal from that transmitter. The RCA Alert has a loudspeaker of its own, which normally is silent until the special electric flash is received. When the signal arrives, it energizes an electric relay which clocks the loudspeaker into the circuit to reproduce the program from the broadcasting station. Simultaneously, the bell rings. If the Alert signal is flashed in the night, the bell, acting as an alarm clock, will awaken the listener. The bell, if desired, may be located away from the Alert Receiver so that the listener, although in another part of the house, will not miss the call.

At the transmitting station, the apparatus is even simpler than that at the receiver. It consists merely of a vacuum tube oscillator which generates the two sub-audible frequencies - one to turn on the Alert Receiver, while the other will turn it off. The signal generating unit is connected to the broadcast transmitter like a microphone. In fact, the control room operator plugs the oscillator device and electric button into the microphone circuit. When the button is pressed it released the "On" sub-audible signal, which turns on all receivers equipped to be actuated by it.

Application of the Alert to Civilian Defense communication obviously is valuable, since it provides a local, regional or nation-wide instantaneous radio call system without expensive new equipment.

The Alert does not require even one additional frequency allocation for its full use. The instrument is so designed that it can be installed at a broadcasting station without disturbing a single wire used for normal broadcasting service.

In New York City there will be nearly 200,000 Air-raid and Fire Wardens and others trained for civilian defense. They will be directed by hundreds of zone and district chiefs. The problem is to reach them all simultaneously and instantaneously.

This, of course, would require considerable time by telephone, telegraph or by radio broadcasting since, up to now, there has been no way of suddenly calling all to listen. The Alert Receiver is designed to solve that problem.

In a similar way, should the President desire to deliver an unscheduled "fireside chat" to the Nation, he might summon a record-breaking audience by means of a signal flashed from the White House through broadcasting stations everywhere. As a result, the bells on Alert Radios throughout the country would ring.

Similarly, in television, the Alert can be made to notify set owners of an unscheduled event. Also, vast public service can be performed by the Alert Receiver in time of earthquakes, fires, floods and storms. In the police field, wide application of the Alert Radio idea is envisaged. In wartime, the Alert might be built, according to the engineers, to sound a series of one-ring to signify the approach of enemy bombers, while a series of two-rings would give the signal to evacuate schools. Three rings might be the warning for all in a certain area to seek air-raid shelters. It is even possible for the Alert signal to be keyed as three dots and a dash, forming the Morse code letter "V" for Victory.

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PHILIPS CO. STILL POWERFUL IN RADIO TRADE

The Philips company of Eindhoven, Holland, said to have been the largest radio exporting company in the world, has been able to maintain a considerable part of its world operations despite the Nazi occupation of The Netherlands, according to Chicago radio manufacturers.

"Before the Nazi invasion of the Low Countries, the Philips organization did an export business equal to 75 percent of the export volume of all American radio manufacturers", the Chicago Tribune states. "It dominated the European markets, with the exception of Great Britain, Germany, and Italy, and, according to radio men, was able to eliminate American competition in Europe through aggressive use of patent controls.

"When the Germans seized the Netherlands, Philips officials fled to England and later came to the United States. They formed the Philips Export corporation, with headquarters in New York City, and obtained the release of capital transferred to this country which had been frozen with other Dutch assets to prevent them from falling into Nazi hands.

"The new corporation entered into agreements with several American companies for the manufacture of parts and equipment to be shipped to the Philips' company's branch in Buenos Aires,

Argentina. The parts made in America, together with some made in Argentina, are being assembled in two factories in Buenos Aires owned by Philips for sale throughout Argentina and the other South American countries.

"American radio manufacturing companies are said to have long dominated the Latin American markets. Now, according to Chicago manufacturers, the Philips company is able to compete with American companies largely as a result of its being able to obtain parts and equipment in this country.

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 ::: TRADE NOTES :::
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Station W2XBB, Bamberger Broadcasting Service, of New York has been granted a modification of its construction permit as modified for a new television broadcast station, for extension of commencement and completion dates from January 22, 1941, and July 22, 1941, to August 22, 1941 and January 22, 1942, respectively.

Hygrade Sylvania Corporation - Six months to June 30:
 Net profit, \$530,693, equal, after preferred dividends, to \$2.19 a share on 207,184 common shares, against \$416,378, or \$1.68 a share last year; net sales, \$8,992,878, against \$6,313,756.

Six WOR engineers are now working all night shifts to install the new 10,000-watt Frequency Modulation transmitter which the station recently purchased for W71NY, its FM station.

The 10-kilowatt transmitter, which incorporates several innovations in FM design and engineering features, is being set up at 444 Madison Avenue, New York City.

Immediate creation of a Pan American Broadcasters' Union was suggested last week by John F. Royal, Vice-President of the National Broadcasting Company in Rio de Janeiro during his acceptance speech as an honorary member of the Brazilian Broadcasters' Association.

Mr. Royal envisages the creation of a Pan-American Broadcasters' Union modeled along the same lines as the International Broadcasters' Union, with headquarters in Geneva, Switzerland, which was successful until the outbreak of the present European conflict.

The Crosley Radio Corp. showed a net profit of \$798,634 for the first six months of 1941 after setting aside \$300,000 for Federal income taxes, R. C. Cosgrove, Vice President and General Manager, announced. The figure compares with a net profit of \$96,660 for the first six months of 1940, based on sales of \$8,596,613 after providing \$85,774 for Federal income taxes.

Profit for the first half of this year was based on sales of \$12,868,956, and the \$300,000 set aside for taxes allows for possible increased rates and changes in present laws.

The Zenith Radio Corp., Chicago, has applied for a construction permit for a new commercial television broadcast station (formerly W9XZV) to be operated on Channel #1, 50000-56000 kilocycles, A5 and special emission for frequency modulation, unlimited time.

A thirty day extension of the original thirty day program test period that started July 1st has been requested of the Federal Communications Commission by the Columbia Broadcasting System for its television station, WCBW.

Paul Forman Godley, Newark, N.J., a pioneer broadcaster, has applied for a construction permit for a new broadcast station to be operated on 1230 kc., 250 watts, unlimited time.

Audience mail received by the National Broadcasting Co., during the first six months of this year reached an all-time high. From January to June the total mail was - Sponsored 4,027,261; Sustaining - 835,420.

This compares with January through June, 1940 - Sponsored 2,094,136; Sustaining 837,872.

Station WLAP of Lexington, Ky., seeks to increase its power from 250 watts to 1 kilowatt, using directional antenna night, install new transmitter and directional antenna, and to change its frequency from 1450 to 610 kilocycles.

Judge A. L. Ashby, Vice President and General Counsel for the National Broadcasting Company, was appointed Chairman of the Committee on Communications of the New York County Lawyers Association. Among the others chosen by former Justice Robert McC. Marsh, President of the Association, to serve on Judge Ashby's Committee were: Manton Davis, of RCA, and Bethuel M. Webster, formerly of the Federal Radio Commission.

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RMA SECURES ALUMINUM FOR "ESSENTIAL" RADIO SERVICES

Special allocation of aluminum for radio, announced today (July 29) by Director Stettinius of OPM Priorities Division, results from months of effort by RMA, through its Priorities Committee of which Paul V. Galvin of Chicago is Chairman. It is based on recognition by OPM officials and also OPACS that the present radio service is "essential" for many important Government and public service functions.

The order is designed (1) to provide repair parts and also a limited amount of new radio sets to maintain existing radio use by the public; and (2) also for the industry and its employees on a reduced production basis until national defense work is more available.

The extent of the reduced production of new radio sets, as stated by OPM, cannot be approximated, but the tentative aluminum program for radio, reduced gradually, is generally expected to carry along the industry during the approaching season and until radio defense contracts are available more extensively.

The July aluminum allocations were divided as follows: 60,000 pounds of scrap for manufacturers of variable condensers; 40,000 pounds of new metal for electrolytic and fixed paper condensers, divided about equally; 10,000 pounds of scrap for PM speakers, and up to 150 pounds of new metal monthly for tube "getters", all comprising the radio components requiring aluminum.

The metal allocated will be distributed by OPM among the respective parts manufacturers on an equitable basis, according to the ratio of their 1940 sales and, through them, on the same basis, to set manufacturers, parts jobbers, dealers and service men. These customers of the parts manufacturers will secure their quotas through their regular parts resources, not OPM.

Priority for supply of maintenance and repair parts in the allocation for electrolytic capacitors and fixed paper condensers, the principal replacement parts using aluminum, was stipulated by OPM. These condensers will be supplied by the manufacturers in the amount needed on a general basis of 25 percent of 1940 condenser sales for such repair and maintenance purposes. The balance of aluminum allocated for electrolytic and fixed condensers may then be used for production of new sets and so distributed to the set manufacturers.

The special aluminum allocation provides for participation, on an equal basis, by non-members, as well as members of RMA. The July aluminum allocation will be gradually "tapered down" each month through December to about 50 percent of the July quotas, under the tentative OPM program for the industry, depending on aluminum defense demands.

Use of aluminum for many purposes - coil cans, chassis, etc. - was voluntarily discontinued by the industry several months ago, and there already has been wide resort to substitutes, such as scrap, instead of the scarce virgin metal, for variable condensers and PM speakers. Further substitution and also conservation of metal is now being actively pressed by the RMA Materiel Bureau so that, in every way possible, the industry will be using less and less critical national defense materials.

Following the RMA procedure in connection with aluminum, which was in direct charge of OPM Aluminum Administrator Frank B. Cliffe and his staff, conferences are proceeding with OPM and also OPACS on nickel needed by tube and also PM speaker manufacturers.

The RMA Priorities Committee, acting for the industry and headed by Chairman Galvin, comprises the following: Paul V. Galvin, of Chicago, Chairman; Fred D. Williams of Philadelphia, Vice Chairman; H. C. Bonfig, of Camden, N.J.; James E. Quan, of Chicago, Ill.; A. Bloom, of Elizabeth, N.J.; John R. Howland, of Chicago, Ill.; Ray F. Sparrow, of Indianapolis, Ind.

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RCA REPORTS ON DEFENSE MATERIAL SAVING

How industry and the Government can work together to save on materials needed for National Defense was shown when the RCA Manufacturing Company made known that, on one item alone, there has been more than 66,000 pounds of aluminum conserved by the substitution of steel in the manufacture of radio receiving set cases for the Army.

The suggestion that the use of steel be extended where aluminum previously had been used, was made some time ago by the Signal Corps Laboratory, at Fort Monmouth, N.J.

Immediately an elaborate series of tests were begun at RCA's Camden plant to determine: if steel were to become the temporary standard for use in Army radio cases; how it ought to be treated to insure the cases against all harmful influences to which aluminum presents a natural barrier.

After several months' work a sample case was produced, submitted and approved by Army officials.

In the treatment of steel used in the new receiving set cases, the base plate first is cleaned of all substances having a tendency to encourage rust. Later it is coated with enamel before the finishing touches are applied. The parts of the case are copper-plated before being assembled. After assembling they are copper-plated a second time to secure to the over-lapping parts protection from rust encouragements that may have developed as a result of welding or riveting. A zinc chromate is applied as a primer before the completed case receives its regulation Signal Corps finish.

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