

HEINL RADIO BUSINESS LETTER

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No. 1352

August 5, 1941

CONGRESSMEN THEMSELVES LAMBAST RADIO TAX

A heartening thing to the industry is the alacrity with which members of Congress have begun to attack the \$12,000,000 tax on broadcasting time in the Defense Revenue Bill. It is predicted that this is only a beginning and that many Senators will back the broadcasters when the bill reaches the upper House.

"Let me raise a warning finger", declared Representative Luther Patrick, (D.), of Birmingham, Ala. "The United States of America has no child who is more loyal, who is more cooperative than her radio industry. She has not one who renders such magnificent service; no, not one. The sale of defense bonds and the search for skilled mechanics in the defense industry was aided very materially by free time given through her agencies, her radio stations.

"The Civil Service Commission has credited the efforts of the radio chains with producing 500,000 skilled workers in the year ending July, 1941.

"This part of the tax levy is expected to produce only about \$5,000,000 revenue if sustained. This means that many men will be thrown out of employment, because the radio stations must do something tremendous to equalize themselves with this tax and still compete with the untaxed newspapers if they are not going to be put out of business. . . . If this tax is maintained, the newspapers ought also to have to meet it.

"The radio broadcasting companies report to me they would suffer in many instances a reduction of 50 percent or more in their net income, even after allowing for savings and excess-profits taxes. . . . Here is a business kept short of breath by us, because we only license a station a year at the time. This ties them down to short contracts. It just cannot be worth the candle.

"There is not in the United States an organization or a band of people who has come forward with more full-hearted support of the Nation and who have given more time than the radio stations. Radio is a fine art that as a matter of public good should be encouraged and supported. If you wish to sell bonds, or if any need arises in the land, the radio stations respond not only willingly but valiantly, because they are the one great voice that can be heard in the far corners of the earth when a cry is heard in the land. They cheerfully and gloriously give of their time. It is an exceedingly patriotic group, these radio people, providing an effective medium for inter-association and all-out service communication among the people of this great country. Whenever a thing

like this comes up, they should be given consideration, because they are part of the pulse and responsive chords of the Nation today."

Another vigorous protest was voiced on the floor of the House by Representative Charles H. Leavy, (D.), of Spokane, who said:

"This, apparently, is the first time that this type of tax has ever been written into a tax bill. You will find that the two groups whose business and property is being vitally affected had little, if any, opportunity to present their side of the case.... The Tax provisions seem extremely discriminatory...The fact remains that billboards and radio, when used as advertising media, are being subjected to a burden not placed on other business.

"There are three great mediums of advertising, the newspapers, magazines and kindred publications, the billboard and the radio. The tax is levied here on the last two named, and the first. The printed page, is entirely omitted. I am not here to say that it is wise to tax any of the three, but if you do tax any one, they ought all to be taxed, otherwise the power to tax, whether intentionally or unintentionally, has become the power to destroy."

Also packing a punch for the radio industry was Representative Bertram W. Gearhart (R.), of Fresno, Calif., who declared the special penalty on radio advertising will unquestionably drive many advertisers from radio to other competing media. The resultant loss of revenue would undoubtedly impair the ability of radio stations to serve the public.

Mr. Gearhart pointed to the fact in connection with the proposed advertising campaign in behalf of the Navy Department that the broadcasters offered their facilities at no cost.

"In the light of the broadcasters' generous offer, it is also interesting to recall that the Navy Department advertising campaign is a test campaign using only newspapers, which will be paid \$1,000,000 for their defense efforts in this connection", Representative Gearhart said. "This serves only to heighten the discrimination against radio inherent in the proposed tax."

Representative Overton Brooks, (D.), of Shreveport, La., told the House that he had been deluged with telegrams.

"The burden of these protests is that they have not been heard and, in fairness to these people, I think they should have an opportunity to present their views, their facts, and their arguments in support of the proposition that they should not be included in the tax bill", Mr. Brooks insisted.

One of the telegrams was from P. K. Ewing, General Manager of Station WDSU, New Orleans, which read:

"Sincerely hope that you will do all you possibly can to either kill discriminatory tax on radio advertising or have newspapers included. Remember that when Huey wanted to tax newspaper

advertising in Louisiana they yelled 'bloody murder'. They said it was discriminatory. Now the shoe is on the other foot and we are perfectly willing to pay any tax the Governments wants to impose on radio stations for defense purposes provided it not only applies to radio and billboard but to newspaper advertising as well. To omit newspaper and magazine advertising seems a little out of reason, and we do not see how they could object to being taxed same as other advertising media. Please understand that we here at WDSU are not complaining about paying our just share of defense taxes but we don't think it fair to let the alleged free press get by with only a laugh."

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U.P. CLAIMS HAD LISTENING POST 12 YEARS

The United Press revealed last week that for the past eight years it has maintained a wireless receiving station and short wave listening post in Valhalla, Westchester County, N. Y.

The post, according to the Editor & Publisher is manned 24 hours daily, seven days weekly, by 12 operators and monitors. It is equipped with nine specially selective radio receivers and various types of recording equipment. The station has been built up gradually, starting with one operator, one receiving set and one small aerial in 1933.

The post, located in a farm house, receives scores of special U.P. broadcasts daily from six European capitals. In addition, the operators monitor dozens of short-wave voice and code propaganda broadcasts. A high speed printer circuit connects the post with New York headquarters of U.P.

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PALEY ONLY RADIO EXEC IN \$200,000 BRACKET

William S. Paley, President of the Columbia Broadcasting System, was the single radio head listed in the \$200,000 a year salary class in the list given out by Secretary of the Treasury Morgenthau. Mr. Paley's annual compensation was \$204,270, and Edward Klauber, Vice-President, \$94,484.

Other salaries of those in the radio industry, or in some way identified with it, released by the Government were:

American Telephone and Telegraph Company: C. P. Cooper, \$102,199; W. S. Gifford, \$209,550; General Electric Company: Gerard Swope, \$164,987; Charles E. Wilson, \$97,484; Owen D. Young, \$164,987; Radio Corporation of America: David Sarnoff, \$100,240; W. E. Macfarlane, President, Mutual Broadcasting System, \$111,419.

Also, Philadelphia Storage Battery Company: James T. Buckley, \$75,432; Westinghouse Electric & Manufacturing Company: George H. Bucher, \$97,771; A. W. Robertson, \$137,431.

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HAMS' HEARING ON GIVING UP BAND TO DEFENSE

A hearing has been called for Monday, August 18th, to determine whether the Federal Communications Commission shall temporarily restrict amateur radio operation on the frequencies from 3650 to 3590 kc. for use in the Army's pilot-training program.

There is under way a vast plan for the training of many thousands of additional military aircraft pilots at a large number of new air fields located throughout the United States. An essential part of their training involves a large-scale use of radio communication. Amateurs are well aware of the congestion existing throughout the frequency spectrum and those who are students of the problems of frequency allocation know that in the medium-high frequencies the congestion has been acute for years. It is the desire of the Federal Communications Commission to cause the least inconvenience to existing services and to divert for any defense requirements the minimum number of channels possible. The Commission is also aware that the amateurs maintain some of their most important services in the band 3500-4000 kilocycles, but the new pilot training program is a vital component of the defense plans of the country, and from the considerations of the equipment available for it and the number of frequencies required, no other portion of the spectrum is capable of accommodating this need.

Dr. Lawrence J. Dunn, a dental surgeon of Brooklyn, has been appointed Chief Civilian Representative of Maj. Gen. J. O. Mauborgne, head of the U. S. Signal Corps. As such, Dr. Dunn will supervise the entire Army Amateur Radio System composed of 2,400 amateur operators.

After graduation from Pennsylvania University in 1916, he joined the Army Dental Corps. Upon resigning, and radio being his hobby, he became a Reserve Captain in the Signal Corps. He later became head of the Army Amateur Radio System, and attained the rank of Major.

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A station asks whether its customary use of the Morse Code "V" before and after news broadcasts is complicated by the fact that this symbol has become a victory signal by Great Britain in her war efforts. The Commission replies it has no reason to believe that continued use of this symbol by the station in question violates any law or is contrary to the public interest.

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FCC COOL TO WHITE BILL

The bill introduced by Senator Wallace White, of Maine, overhauling the Federal Communications Commission, wasn't greeted with any enthusiasm at the Commission. Apparently Chairman James L. Fly hadn't even read the bill. At least that was what he said at his press conference last Monday morning, though he added that he had a rough notion as to its scope.

When an inquirer expressed the view that the new White Bill followed Committee on Administrative Procedure recommendations, the Chairman replied that he didn't really know.

Senator White expressed the hope that there might soon be hearings on the bill (S. 1806). Considerable doubt, however, was expressed as to its chances for passage at the present session of Congress, which is so badly clogged up with defense matters. Nevertheless, Senator White has made a thorough and scholarly job of it and the bill is conceded to be an important step in the effort to curb the FCC in the alleged abuse of its powers. Also there was an indication that further legislation was contemplated by Senator White, who said when he introduced his present bill:

"I should like to say that this bill does not attempt to deal in any respect with the question of chain broadcasting, or the regulations of the Federal Communications Commission recently issued on that subject, which have been a matter of a hearing before the Committee on Interstate Commerce of the Senate. I thought, that subject matter already being under consideration by the committee, I might with appropriateness await the conclusions of the committee before attempting to deal with it in the proposed legislation."

The bill of Senator White, who is the outstanding radio authority in Congress and co-author of the present Radio Act, would:

Set up a separate three-man, fully autonomous division within the FCC, having its own Chairman, as a Division of Public Communications to handle all broadcast, television, FM and related matters.

Create a parallel statutory division of Private Communications to handle public-utility common carrier pursuits.

Make the Chairman the executive officer and coordinator, but with no regular functions on either division, except as a pinch-hitter for a sick commissioner or in case of a vacancy.

Clearly define broadcasting as not subject to common carrier concepts, and prevent the Commission from usurping authority over business aspects, programs, rates, or other fields upon which it recently has impinged.

Block repetition of the current newspaper-divorcement proceedings by preventing the Commission from throwing any class of

applicant into the suspense files, as it has done with new newspaper applications.

Clearly delineate the Commission's functions as to hearings, transfers of licensees and appellate procedure by eliminating loopholes and making mandatory full hearings.

Broaden provisions on use of facilities by candidates for public office, and require identification of speakers on controversial issues, with equal time for all sides.

Authorize the issuance of stay orders against Commission decisions by the courts, and allow reviews on the facts, as well as the law, with additional time in which to seek rehearings or appeal.

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HUGE RADIO TAX REMAINS IN HOUSE BILL

As had been expected, the \$12,500,000 tax on broadcasting time and the \$9,400,000 tax on receiving sets, remained intact when the House passed the 3-billion dollar defense tax bill by a 369 to 40 vote yesterday (Monday). Although individual members protested, no attempt was made to amend those clauses having to do with radio, or anything else, in fact, except the mandatory joint return provision which was knocked out.

President and Mrs. Roosevelt were among the married couples benefitting from the House refusal to approve joint returns on husbands and wives.

Current estimates, according to the Washington Post, were that the House saved the White House couple between \$15,000 and \$16,000 in income taxes by striking out the proposal.

Combined income of Mr. and Mrs. Roosevelt was variously estimated at between \$250,000 and \$275,000, a year at a recent executive meeting of the Ways and Means Committee", the Post stated.

"Possible effects of joint returns on Mr. and Mrs. Roosevelt were fully aired at the Committee meeting, which followed receipt of the President's letter asking modification of the tax.

"No member of the Committee alleged personal interest.

"During last Saturday's Committee tete-a-tete, it was mentioned that Mrs. Roosevelt, through radio broadcasts, columns and lectures, must be earning about \$200,000 against her husband's \$75,000."

The big effort of the radio industry to be heard is now being concentrated upon the Senate, where the Defense Revenue Bill went immediately after its passage by the House. Public hearings will be conducted by the Senate Finance Committee but the time of these hearings had not been set at this writing.

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STOHLMAN ORDERED TO APPEAR AUG. 11

An order has been issued by Federal Judge James W. Morris, of the U. S. District Court for the District of Columbia, for James G. Stohlman, publisher of the Nashville Banner, and former President of the Newspaper Publishers' Association, to appear before the Court Monday, August 11th, to show cause why an order should not be issued requiring him to appear before the Federal Communications Commission to testify as to the newspaper ownership of radio stations.

Chairman Fly appealed to the District Court after Elisha Hanson, counsel for the American Newspaper Publishers' Association had told the Commission for the second time that it was conducting an unlawful and illegal inquiry into newspaper affairs, and that the Commission did not have the power to issue such a summons, and accordingly had advised Mr. Stohlman to ignore it. Mr. Hanson reiterated that he didn't believe the Commission had the authority to investigate the newspaper business.

Whether the Commission had the right to make an inquiry into the newspaper business seemed to be an open question but those talked with at the Commission seemed to feel there was not doubt that it had the power to subpoena such a witness as Mr. Stohlman, hence the appeal of Chairman Fly to the District Court.

In connection with the Stohlman case, Mr. Fly said that the Court action would go ahead without impeding the press-radio hearing which last week was adjourned to Wednesday, September 17th.

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INDUSTRY SLUMBERS AS FCC APPOINTMENT LAGS

With the President away from Washington for an indefinite period, the impression prevails that the Federal Communications Commission may wag along for wometime without a seventh member to take the place of Frederick I. Thompson, whose term expired a month or so ago.

As usual, a half a dozen names are being mentioned as possibilities for the new commissionership, and as usual, the National Association of Broadcasters, whose members are so vitally concerned, is either indifferent to the situation or feels that it is too weak at the White House to do anything about it.

Can you imagine the American Federation of Labor, or the CIO, similarly standing idly by where an important Government labor appointment is involved? Though they might not always get away with it, it would be a good deal easier to imagine them telling the President exactly who to appoint and why.

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As a result of the NAB's present weak leadership, when, as recently, the FCC cracked down upon it with its regulations or when Congress smacked a \$12,500,000 tax on it, the leaders of the industry themselves were required to rush down to Washington to help close the barn doors after the horse had been completely stolen.

In the present commissionership vacancy, there is still time to work on but when the President finally makes the appointment, the prediction is made here that unless the industry performs a miracle, the appointee, as usual, will likely be some politically deserving gentleman the industry has never heard of.

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ASCAP AND NBC PACT BRINGS MUSIC PEACE NEARER

It was believed that with the National Broadcasting Company and the American Society of Composers having come to terms, that the Columbia Broadcasting System would soon secure a similar settlement bringing the seven months' music war to a speedy ending. NBC is now seeking approval of its station affiliates of the deal made with ASCAP.

The principal terms agreed upon, Niles Trammell, President of NBC, said, were:

1. NBC will pay ASCAP at the source $2\frac{3}{4}$ percent on network commercial business, while NBC's managed and operated stations will pay $2\frac{1}{4}$ percent on local and national spot business.
2. NBC will pay at the source \$200 a year for each managed, operated or affiliated station on its networks for ASCAP music on all network sustaining and public service programs.
3. NBC's managed and operated stations will pay ASCAP these fees on local sustaining programs: If net receipts from local business exceed \$150,000, 12 times the station's half-hour rate; if between \$500,000 and \$150,000, 12 times the quarter-hour rate; a nominal sustaining license fee of \$12 a year to stations earning less than \$50,000.
4. NBC's new frequency modulation and international short-wave broadcasting will pay on the same basis.

Originally ASCAP demanded that networks pay a flat fee of $7\frac{1}{2}$ percent. The contract which expired provided for 5 percent, but was collected from individual stations.

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 ::: TRADE NOTES :::
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Harry R. Booth, Chief of the Telephone Rate Section of the Law Department of the Federal Communications Commission, has resigned to join the legal staff of the Office of Price Administration and Civilian Supply.

During his connection with the Commission, Mr. Booth prepared the legal framework for the Commission's proceeding involving long lines telephone rates. He was formerly counsel of the Illinois Commerce Commission and Assistant Attorney General of that State.

Mutual will enter Florida through Stations WJHP, Jacksonville, and WSTP, St. Petersburg-Tampa, this week. The move will establish the network's first outlets in the southern States.

"Radio's Listening Groups", a book dealing with a survey of educational radio experiments of the United States and Great Britain, has just been published by the Columbia University Press.

More than 340,300 copies of William L. Shirer's book, "Berlin Diary", are now in print. It is largely the story of Shirer's experiences inside Nazi Germany while Berlin correspondent for the Columbia Broadcasting System.

The National Broadcasting Company last week added its fifth sponsored television program when a contract was signed with the Frank H. Lee Co., 358 Fifth Avenue, for "Sports Interviews and the Lee Hat Parade".

Amateur Stations W7GNE, W7HSC, W7GVH, and W7CRJ, all of Seattle, Washington, were granted permission to communicate with Station WTED on board the EXPLORER of the U.S. Coast and Geodetic Survey and with Station KVD, an associated shore station.

The National Broadcasting Co. last week asked the Federal Communications Commission to extend the completion date of its proposed television broadcast station in Washington, D. C. to March 1, 1942. Its original application called for completion of the station on July 28th, 1941.

Stewart-Warner Corporation and Subsidiaries - Six months to June 30: Surplus net profit was \$770,272, after provision of \$2,112,607 for present and contemplated Federal and other income taxes, equal to 61 cents a share on 1,273,063 common shares. This compares with net of \$612,245 in the first half of 1940.

Two National Broadcasting Company network stations are now operating with increased power. KDYL, Salt Lake City, Utah, on 5000 watts Sunday, and WAPO, Chattanooga, Tenn., now operates with 5000 watts days and 1000 watts nights.

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ARGENTINE SURVEY SHOWS U.S. PROGRAM PREFERENCE

Short-wave radio programs from the United States are more popular in Argentina than those of any other country, according to a listener survey financed by the Columbia Broadcasting System, Crosley, General Electric, National Broadcasting Company, Westinghouse, and World Wide Radio Foundation. A total of 1518 persons of selected ages and incomes were interviewed in forty areas of the South American republic in April and May of this year.

Of the owners of short-wave sets interviewed, 23.3 percent said that they listened oftenest to the stations of the United States. Germany was next with 19.5 percent and Great Britain third with 17.4 percent of the audience. Italy had 11.3 percent. Spain and others were favored by still fewer listeners.

The survey also revealed signal strength of U.S. shortwave stations as stronger than that of European stations during April and May, autumn months in Argentina. Fifty percent of the listeners reported U.S. signals "very good", 36.8 percent listed them as "good", and 13.2 percent said they were "ordinary". There were no "bad" reports.

German signals were listed as "very good" in strength by 46.1 percent, and "good" by 34.8 percent, "ordinary" by 16.5 percent and "bad" by 2.6 percent of the listeners.

British stations were reported "very good" by 37.3 percent, "good" by 36.3 percent, "ordinary" by 24.5 percent, and "bad" by 1.9 percent.

The average set of persons interviewed was found to be two to three years old, 47.7 percent were equipped to receive shortwave programs, and 16.72 percent said they were short-wave listeners.

News programs were the most popular with both short- and long-wave listeners. Next in order in the short-wave choice came dance music, classical music, light music, sports, comedy and variety.

Next to news on the long waves, Argentine listeners preferred tango and "caracteristica" programs. The latter is the Argentine equivalent of "hill-billy" music in the United States.

Listeners said that short-wave reception from the United States was best from 9 P.M. to midnight and most preferred to listen at that period especially during the 10 to 11 P.M. hour.

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RCA INCREASES HALF YEAR INCOME

The consolidated statement of income of the Radio Corporation of America and subsidiaries for the second quarter of 1941 and the first six months of the year shows, for the first half of the current year, a consolidated net profit of \$5,306,494. This result was after taxes and all other charges, and compares with \$3,185,222 net profit in the six months to June 30, last year, or an increase of \$2,121,272.

The profit for the first six months of 1941 is after providing \$4,740,000 for Federal income and excess profits taxes, compared with \$1,579,900 for the corresponding period in 1940.

Total gross income from all sources amounted to \$72,583,659 in the first half of 1941, compared with \$56,854,182 in the same period in 1940, an increase of \$15,729,477.

After payment of Preferred dividends, earnings applicable to the Common stock were equivalent to 26.6 cents per share, compared with 11.3 cents per share in the first half of 1940.

Quarterly dividends of 87½ cents per share on the Radio Corporation of America First Preferred stock, and \$1.25 per share on the "B" Preferred stock, were declared by the Board of Directors. These dividends are for the period of July 1, 1941, to September 30, 1941, and will be paid October 1, 1941, to stockholders of record at the close of business September 5, 1941.

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FIRST INDEPENDENT COMMERCIAL FM STATION HAS 36 SPONSORS

W47A, claimed by General Electric Company to be the first independent commercial FM station in the United States, went on the air for the first time on July 17, with 36 sponsored programs weekly, not including station-break commercials. Most of the equipment for W47A, which is located in the Helderberg mountains, 12 miles outside of Schenectady, N.Y., was manufactured by G.E. The station is owned and operated by the Capitol Broadcasting Co.

The outstanding item of the new station's equipment is the high-fidelity one-kilowatt G-E FM broadcast transmitter of the latest design. The 250-watt exciter - the basic unit - and the 1000-watt radio-frequency power amplifier form a single streamlined cabinet. The low noise level of this transmitter permits a wide dynamic range of volume, the lowest and highest volume passages being carried equally well. The maximum audio distortion of the unit is about one-half of one percent; the transmitter covers the full audible range of from 30 to 16,000 cycles, and has an extremely low phase-shift. The transmitter circuit operates by the G-E simplified method of frequency modulation and frequency control.

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