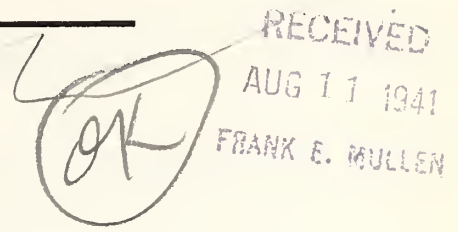


# HEINL RADIO BUSINESS LETTER

2400 CALIFORNIA STREET

WASHINGTON, D. C.



## INDEX TO ISSUE OF AUGUST 8, 1941.

Radio Prepares For Titanic Tax Battle.....	2
Station Ownership Limitation Proposal Hearing Oct. 6.....	4
OPM Allocates Nickel For PM Speakers.....	5
Don Lee Opens West Coast's First Commercial FM Station.....	6
Network Conferences Reported Near Favorable Ending.....	6
A Second Bill Introduced To Revamp FCC.....	7
House Also Seeks To Investigate War Propaganda.....	8
DCB Plans Air Raid And Emergency Broadcasting.....	9
FCC Action.....	10
Trade Notes.....	11
Sees ASCAP Badly Worsted In Music Deal.....	12
Million Offered To Settle RCA Damage Suit.....	12

No. 1353

## RADIO PREPARES FOR TITANIC TAX BATTLE

No argument is being overlooked in the preparation of the arguments against the proposed \$12,500,000 tax on broadcasting time when the public hearings on the Defense Revenue Bill begin before the Senate Finance Committee, of which Senator George, of Georgia, is Chairman, next Monday (Aug. 11). In the meantime, a heavy barrage is being laid in advance of the hearings by certain members of Congress, who themselves oppose the tax, and by high broadcasting and advertising officials.

An unexpected development is the fact that if the broadcast tax is not eliminated, or even if it is substantially reduced, it may result in a similar proposal to tax newspaper advertising.

In a warning directed to Representative Doughton, Chairman of the Ways and Means Committee, John Benson, of New York, President of the American Association of Advertising Agencies, said:

"When you tax advertising or any medium of advertising, whether outdoor, radio, or printed space, you slow down the movement of goods upon which wages and profits depend and from which taxes can be derived. It is so much more economic to tax wealth and net income than the means of producing them. To do the latter is like consuming seed corn instead of planting it and producing abundant crops for consumption."

"If the manufacturer's selling depends upon creating goodwill or a conviction about his product in the minds of millions of consumers", Mr. Benson continued, "he will find it cheaper to put an advertisement costing several thousand dollars in a publication, on billboards or over the air, reaching several million consumers, than to hire an army of salesmen to call on these consumers and tell them his story personally, or even write them a letter about it."

"When you increase the cost of distribution by burdening it with taxes, you at the same time do one or more of the four following things injurious to national defense and to public welfare:

"1. You slow down civilian production and non-defense employment - a bad thing for labor. Printing labor is not benefited by a discriminatory tax like this one.

"2. Or, you deprive business of volume and reduce net profit on which taxes are paid at an upward moving rate.

"3. Or, you reduce the margin between selling price and cost of distributing goods which might or could be used in increasing wages to labor, or improving the product.



"4. Or, when you raise the cost of selling, you add to the upward spiral of prices with its dangerous trend toward inflation and public discontent."

Also protesting to Congress was Charles E. Murphy, General Counsel of the Advertising Federation of America.

"Business uses advertising to maintain and increase its outlets for goods", Mr. Murphy states. "Unless such outlets are maintained and increased during the coming years, the expanded income on which taxes are based will not be forthcoming. Nothing should be done, therefore, to cripple the merchandising machine that produces income, and a tax on advertising will bring that very result. Income must be taxed, but to tax the process which creates income is an economic fallacy."

Calling attention to the fact that no newspaper advertising tax had been proposed, Representative Thomas F. Ford (D.), of Los Angeles, Calif., said:

"The idea of taxing radio and billboard advertising and exempting magazines and newspapers, both of which already enjoy a substantial subsidy amounting to some \$129,000,000 per year in the way of postage, rates, seems to me unjust.

"If I may, I would like to ask the Committee if a tax on newspapers and magazines was proposed; on what ground it was eliminated; and just what argument was presented to justify the exemption?

"This was partially answered by one member of the committee, who stated that newspapers and magazines, as a source of revenue, had not been reached."

Another echo of this came from Representative Milton H. West (D.), of Brownsville, Texas:

"The radio broadcasters did not receive such reasonable consideration. The Committee proposes and recommends what in effect is a gross sales tax on this industry. If the proposal becomes a law, a broadcaster may operate at a heavy loss and yet be compelled to pay an enormous tax. Not only that, while we seek to collect this unfair and discriminatory tax from broadcasters, some of their competitors are not taxed, and are in fact subsidized by the Government in the amount of nearly \$80,000,000 per year."

Pointing a finger at the Allied Printing Trades Representative Bertrand W. Gearhart (R.), of Fresno, Calif., said:

"The first to agitate for a special, punitive tax on radio broadcasting was the International Allied Printing Trades Council, allegedly seeking to promote more jobs for the printing trades by means of penalizing radio advertising. It has been noised about that this tax has the support of the American Federation of Labor. In contradiction of this let me point out that just last week William Green, President of the A. F. of L., wrote the Chairman of the Ways

8/8/41

and Means Committee stating that the A. F. of L. had taken no position on the measure.

"To show that all labor unions do not share the ideas of the printers, it is only fair to point out that three large A. F. of L. unions, the International Brotherhood of Electrical Workers, the American Federation of Musicians, and the American Federation of Radio Artists, have registered their opposition to this discriminatory tax."

X X X X X X X X

#### STATION OWNERSHIP LIMITATION PROPOSAL HEARING OCT. 6

Ban on more than one standard broadcast station under the same ownership serving a substantial portion of the same area is proposed by the Federal Communications Commission, which has drafted a proposed rule to that effect and has scheduled oral argument on it for Monday, October 6 next.

In an order issued this week, which was drafted upon instructions of the Commission en banc at its previous meeting, the Commission expresses the opinion that public interest, convenience and necessity may be served by prohibiting such multiple operation. Accordingly, it proposes a new section (Section 3.35) to the Rules Governing Standard Broadcast Stations to become effective immediately upon adoption. However, with respect to existing stations the effective date would be six months from the date on which the rule might be adopted, with provision for extension of time where orderly disposition of properties may be necessary.

The ban would apply to persons under common control, as well as to individuals. The word "control" in this connection would not be limited to majority stock ownership but would include "actual working control in whatever manner exercised".

The contemplated rule has a basis in certain restrictions now applicable to multiple operation of FM (frequency modulation) and television stations. However, it differs in that it imposes no limitation on the total number of standard broadcast stations which may be owned or controlled by the same person so long as they serve different areas.

All interested persons are afforded opportunity to file briefs and to appear before the Commission en banc on the October date and argue orally for or against adoption of the proposed rule. The briefs may be filed up to within two weeks of the oral argument.

X X X X X X X X X



## OPM ALLOCATES NICKEL FOR PM SPEAKERS

Beginning with a July quota, the OPM Priorities Division is making special allocations of nickel, extending through December, for permanent magnet speakers to match the previous OPM aluminum allocations for magnets.

Special nickel allocations for alnico magnet material were announced on Thursday by Nickel Administrator David A. Uebelacker and, like the aluminum allocations for the radio industry, result from the past several months of effort by the Radio Manufacturers' Association's Priorities Committee of which Paul V. Galvin, of Chicago is Chairman. RMA negotiations for additional nickel, largely needed for tubes and also volume controls, are proceeding, and an industry nickel conference with OPM is scheduled in about a fortnight.

For July OPM allocated 18,340 pounds of nickel, including 25 percent prime nickel and 75 percent secondary scrap, for permanent magnets. This is about 50 percent of the monthly average of permanent magnet manufacturers during 1940. The August nickel allocations are 16,822 pounds, and the tentative program proposes gradual allocation decreases until December, when the December allocation would be one-half of the July quota. However, there is a possibility of increases in each future monthly allotment if more nickel becomes available.

1940 sales, respectively, of the permanent magnet manufacturers and also of the loud speaker manufacturers and their proportionate delivery of PM speakers to set manufacturers, are the basis of the nickel distribution ordered by OPM. Magnet manufacturers will receive their quotas on the basis of their respective sales last year, and from them the loud speaker manufacturers will receive their respective and proportionate quotas of magnets on a comparative basis of their 1940 magnet purchases in pounds. They, in turn, will take care of their set manufacturer customers on the same respective 1940 quota PM speaker purchasing basis. Monthly reports of all magnet distributions are required from the magnet manufacturers to OPM, and they must use all of the special nickel allocations only for radio speaker magnets.

Details of the special nickel allocation for magnets were made at a Washington conference on July 31, following previous months' negotiations by Chairman Galvin and the RMA Priorities Committee with Nickel Administrator Uebelacker and his staff. At the Washington conference, presided over by Mr. H. Leroy Whitney, Chief of the OPM Iron and Steel Section, and with Administrator Uebelacker and Deputy Aluminum Administrator Gordon W. Reed attending, the radio manufacturers were represented by Chairman James P. Quam of the Speaker Division and Bond Geddes, Executive Vice President, together with all magnet manufacturers.

That the special nickel allocations were not a definite guarantee but the most available under present conditions was stated by Mr. Uebelacker. He said the six months' program, from July to

December, was "the best we can see at this time". He personally instructed the magnet manufacturers that they would be required to distribute their magnets to their customers on the basis of their 1940 respective magnet sales, and that the distribution should be worked out directly by the manufacturers without further mandatory control of OPM.

X X X X X X X X

#### DON LEE OPENS WEST COAST'S FIRST COMMERCIAL FM STATION

The first commercial FM station on the Pacific Coast will begin regular operation next Monday (August 11) when K45LA of the Don Lee Broadcasting System goes on the air.

Located on the 1700-foot summit of Mount Lee, overlooking Hollywood, California, the newest and 13th FM station in the country on a commercial basis will be heard 12 hours daily, from 10 A.M. to 10 P.M.

K45LA, licensed by the Federal Communications Commission to serve an area of 7,000 square miles surrounding the Los Angeles district, will begin operation with a 1000-watt transmitter, prior to installation of a 50,000-watt plant expected to be ready for service later in the year.

Three other FM stations for Los Angeles have also been authorized by the FCC, to be constructed by Metro-Goldwyn-Mayer studios, the Columbia Broadcasting System and the Standard Broadcasting Company. The CBS transmitter, atop Mount Wilson, will have a coverage area of 38,000 square miles.

X X X X X X X X

#### NETWORK CONFERENCES REPORTED NEAR FAVORABLE ENDING

The network regulations conferences participated in by chain representatives and Chairman James L. Fly and officials of the Federal Communications Commission, are said to be progressing so favorably that the sessions may soon end with a definite announcement as to progress made. Whether this will be sufficient to make further hearings by the Senate Interstate Commerce Committee, which has been investigating the matter, unnecessary is not known. Nevertheless an optimistic tone prevails on the part of the FCC and good results are therefore expected when the exact work of the conference is made known.

It was said that option time had taken up most of the discussion but that this was now pretty well ironed out.

X X X X X X X X X X



## A SECOND BILL INTRODUCED TO REVAMP FCC

Despite the fact that Capitol Hill is paying little attention to anything else but defense matters, a second bill was introduced within a week in Congress which would provide for a complete reorganization of the Federal Communications Commission. The latest proposal (H.R. 5497) was sponsored by Representative Jared Y. Sanders, Jr., (D.), of Louisiana, and referred to the House Committee on Interstate and Foreign Commerce, of which Mr. Sanders is himself a member, for further consideration.

Representative Sanders' bill is somewhat similar to the measure introduced last week by Senator White, (R.), of Maine. However, the Sanders bill does not contain any amendments to the present Communications Act, but would leave such changes for recommendation by the reorganized Commission after the latter has made an inquiry into the following proposals.

"1. Whether and upon what terms and conditions Congress shall by statute confer upon the Commission the power to regulate the contractual or other relations between the licensees of radio broadcast stations and networks or other organizations which supply program material to such licensees.

"2. Whether and upon what terms and conditions the Congress shall provide by statute for the licensing of networks.

"3. Whether and in what terms the Congress shall by statute redefine and fix the qualifications of the licensee of any radio station which is intended to and does communicate with the public.

"4. Whether and upon what terms and conditions the Congress shall by statute limit the number of services which may be conducted by any network organization and the number of stations of any class which may be licensed to any network organization."

The bill would authorize the reorganized body to make the study and to report to Congress by next January 1.

Mr. Sanders said the whole question of communication regulation and radio legislation should be looked into by Congress. Where Senator White's bill provides for a three-man Commission, Mr. Sanders would retain seven Commissioners as at present.

The members of the Commission other than the Chairman would, by the Sanders bill, be organized into two divisions of three members each, said divisions to be known and designated as the Division of Public Communications and the Division of Private Communications and no member designated or appointed to serve on one division shall have or exercise any duty or authority with respect to the work or functions of the other division, except as herein-after provided.

The Division of Public Communications would have jurisdiction over all cases and controversies arising under the provisions of this Act and the rules and regulations of the Commission enacted pursuant to this Act relating to wire and radio communications intended to be received by the public directly.

The Division of Private Communications would have jurisdiction over all cases and controversies arising under the provisions of this Act relating to wire and radio communications by a common carrier or carriers, or which are intended to be received by a designated addressee or addressees.

The whole Commission would have jurisdiction over the adoption and promulgation of all rules and regulations of general application, including procedural rules and regulations for the Commission and the divisions thereof; over the assignment of bands of frequencies to the various radio services, over the qualification and licensing of all radio operators; over the selection and appointment of all officers and other employees of the Commission and the divisions thereof.

X X X X X X X X X X

#### HOUSE ALSO SEEKS TO INVESTIGATE WAR PROPAGANDA

Closely following the adoption of a similar resolution in the Senate, Representative William B. Barry (D.), of St. Albans, N. Y., introduced a resolution in the House authorizing an investigation "of propaganda disseminated by the motion picture and radio industries, tending to influence participation of the United States in the present European war".

The Senate investigation was asked by Senators Nye, (R.), of North Dakota, and Clark (D.), of Missouri.

Senator Clark (D.), of Idaho, appointed Chairman of the Subcommittee of the Interstate Commerce Committee by Senator Burton K. Wheeler, said the group would hold public hearings "to get at the bottom of these complaints about war propaganda in the movies and radio".

Others, also mostly isolationists, named to the Subcommittee were Senators Bone (D.), of Washington; MacFarland (D.), of Arizona; Tobey (Re.), of New Hampshire, and Brooks (R.), of Illinois.

X X X X X X X X X X

A certain West Coast amateur sent the Federal Communications Commission a routine application for modification of license to permit change of address. The amateur became impatient that he did not receive instant action and sent a follow-up "letter" transcribed on a phonograph record. After playing it to see what it was all about, the Commission attached the disk to the "ham's" application papers.

X X X X X X X X X X



## DCB PLANS AIR RAID AND EMERGENCY BROADCASTING

Nation-wide plans to use standard broadcasting stations for air raid warnings and other announcements in the event of emergency were outlined by the Defense Communications Board today through James Lawrence Fly, Chairman.

The Chairman emphasized that broadcasting would remain in private hands and that all utilization of broadcast facilities will be on a cooperative basis except for possible areas of actual combat. The DCB finds the broadcasting structure well adapted to air raid warnings.

Plans now under consideration by the DCB and the Office of Civilian Defense, are concerned with ways of linking of broadcast stations to local civilian defense centers for instantaneous receipt of local and regional warnings. A potential nation-wide supernetwork is available for messages of national scope.

Of approximately 880 standard broadcast stations in operation, nearly 500 are already connected to the potential supernetwork carried on telephone lines. An additional 132 have studios in cities now served by the supernetwork, so that only local links need be secured; and 240 are located along the lines of the supernetwork and so can be tapped in. Only 12 stations in the country are located away from the regular program lines; and these can be hooked in for emergency, by means of telephone. Thus substantially every broadcasting station in the country can be promptly utilized for military broadcasts. The program transmission network is also available for instantaneous warnings to a particular station that it is in danger of becoming a beacon for enemy aircraft.

Even with every station in the country tied in for emergency broadcasts, certain rural areas would be without reliable reception, especially during daylight hours and during Summer months in the Southern States. Various plans for providing reliable broadcast service to such areas are now under consideration.

Successful use of broadcasting for military or civilian defense under private ownership and operation, the DCB notes, depends upon the reliability of transmission and its freedom from accidental or deliberate interruptions. Preliminary reports that a high degree of freedom from program interruptions can be attained. Thus 20 selected stations were found to be losing an average of less than a minute and a half per week from program interruptions of all kinds. Reliability of these stations was calculated at 99.982%.

Electric power failure, it was found, is the most frequent cause of interruptions, accounting for about 50% of all program breaks. At present 10% of all broadcast stations are equipped with emergency generators which will enable them to continue operations under any conditions except actual demolition of the transmitters.

Reports indicate that the 45,000 miles of program transmission circuits provide alternate routes to all but two of the 310 cities now served. If all network stations were mobilized for a nation-wide broadcast, any particular circuit interruption could be compensated by rerouting over alternative transmission lines. Alternative power supplies for these program transmissions are provided by storage battery reserves in 4,000 relay centers, by two or more independent public power supplies in 800 centers, and by stationary engine-driven generators at 50 centers now, with 350 more on order. To provide for emergencies, 200 small and 25 large portable engine-driven generators are available at key points throughout the country.

X X X X X X X X X X

#### FCC ACTION

Greensboro Broadcasting Co., Inc., Greensboro, N.C., granted construction permit for a new station to operate on 980 kilocycles, 1 kilowatt, daytime only; Findlay Radio Company, Findlay, Ohio, granted construction permit for a new station to operate on 1330 kilocycles, 1 kilowatt, daytime only; Frank T. Nied & Perry H. Stevens, Warren, Ohio, granted construction permit for new station to operate on 1400 kilocycles, 250 watts, unlimited time.

WMC, Memphis Publishing Company, Memphis, Tenn., granted construction permit to increase night power from 1 to 5 kilowatt, and install a new directional antenna for night use; 790 kilocycles, 5 kilowatts day, unlimited time; WWVA, West Virginia Broadcasting Corp., Wheeling, W. Va., granted construction permit to increase power from 5 to 50 kilowatts night and day; increase hours to unlimited; install new transmitter and directional antenna for day and night use, 1170 kilocycles; KVOO, Southwestern Sales Corp., Tulsa, Okla., granted construction permit to increase power from 25 to 50 kilowatts day and night; increase hours of operation to unlimited; install new equipment and new directional antenna for night use, 1170 kilocycles.

The FCC granted the application of the Broadcasting Corporation of America, of Riverside, Calif., for a new station on 1440 kc., 1 kilowatt, unlimited time, but denied the petition for a new station by the Riverside Broadcasting Co., also of Riverside Calif.

Earle C. Anthony, Inc., of Los Angeles has asked to have construction permit for a new high frequency station to be operated on 44900 kc., recently applied for amended to change frequency to 43,500 kc.

The application for a construction permit for Hugh McClung of Fresno, Calif., has been designated for a hearing. This is for a new broadcast station to operate on 1590 kc., 5 kilowatts, unlimited time.

X X X X X X X X X



:::  
 ::: TRADE NOTES :::  
 :::

June collections of \$534,872.56 of radio excise taxes brought the total for the fiscal year ended June 30 to \$6,935,182.03. This was a percentage increase over the 1939-40 fiscal year of 14.1 percent, the Radio Manufacturers' Association explains, but during the last fiscal year a tax rate of 5-1/2 percent was in effect, while in 1939-40, the old rate was 5 percent.

Chairman James L. Fly will be the principal speaker at the Chicago Convention of the National Independent Broadcasters, September 22nd.

A country-wide network of weather-reporting telegraph stations is being extended under authorization of the Federal Communications Commission and will be used by the Civil Aeronautics Administration. The network now being installed, will be used to relay weather information to printer connections at 175 airfield stations throughout the country. Denver and Louisville, Ky., will serve as clearing houses.

The Radiobroadcasting Research Project has published the third of a series of six small volumes each of which is a study in the control of radio. The third book is devoted to "An Analysis of the Radiobroadcasting Activities of the Federal Agencies" and its price is 50¢. The publication of the book is sponsored by the Rockefeller Foundation.

R.C.A. Communications, Inc. - Six months to June 30: Net income, after charges, \$788,382, compared with \$780,103 in the first half of 1940.

The practice of clients switching from one NBC network to another, or from one group of stations to another in the same coverage area and to do this at any time, irrespective of cancellation dates, "will not be countenanced hereafter", according to orders issued by Roy C. Witmer and Edgar Kobak, Vice Presidents in charge of sales for the Red and Blue Networks respectively.

Harry T. Burleigh, noted Negro composer, has been nominated for the Board of Directors of the American Society of Composers, Authors and Publishers. Mr. Burleigh is one of eight candidates named for three vacancies on the ASCAP board to be filled by Standard composers. Others nominated are Deems Taylor and Oley Speaks, present Board members, and Clara Edwards, Horace Johnson, Geoffrey O'Hara, John Tasker Howard and Harvey Enders.

Mrs. Stanford C. Hooper, wife of Admiral Hooper, Navy radio expert, has been designated sponsor for the submarine U.S.S. Grunion. The Grunion is scheduled to be launched at the plant of the Electric Boat Co., Groton, Conn., in December.

X X X X X X X X X X X

## SEES ASCAP BADLY WORSTED IN MUSIC DEAL

ASCAP publisher affiliates make no bones about admitting that they have emerged from the row with radio in a "badly dented condition", according to Variety, which continues:

"Not only will they be collecting less from radio but it will take many of them from six to nine months to recover the losses suffered in their business since the first of the year. It is estimated that some of the large firms have been hit for as much as \$40,000 a month, while not a few small ones, with no standard catalogs to fall back on, had reached the point where they had exhausted their reserves and were going along on borrowed money. Some pubs estimate that actual losses plus potential profits during this period might easily total \$2,000,000 for the industry.

"Decision of the ASCAP Board to take less than the Mutual deal from NBC, which also meant from CBS, resulted from a gruelling fight put on by Bernstein and a combination of disturbing circumstances which had developed on the West Coast.

"Hollywood writers were getting restive over ASCAP's failure to make a deal with NBC and Columbia, and that unless ASCAP acted soon the disaffection from this quarter might become serious and strengthen the position of the two older networks."

X X X X X X X X

## MILLION OFFERED TO SETTLE RCA DAMAGE SUIT

An offer by the General Electric Company and the Westinghouse Electric and Manufacturing Company to pay \$1,000,000 in cash to the Radio Corporation of America, in full settlement of all claims involved in several pending suits by RCA stockholders, was presented to Supreme Court Justice Aaron J. Levy in New York last week in connection with the trial of one of the actions, instituted in Supreme Court by Rose Druckerman and eleven other RCA stockholders.

The two companies made the offer "with the distinct understanding that no liability is admitted". They explained that final adjudication could only come after long and expensive litigation that would seriously interrupt the work of executives and other personnel and would impede the production of equipment vital to the national defense program.

The Druckerman suit originally charged waste of RCA assets in transactions involving \$500,000,000, beginning in the period before 1932 when General Electric and Westinghouse were large RCA stockholders. Justice Bernard L. Shientag dismissed last year causes of action involving losses of more than \$262,000,000.

X X X X X X X X