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BELL TELEPHONE BOOK TAKES FCC FOR A RIDE

Following a hearing at the Capitol where the Federal Communications Commission was on the grill for cracking down on the networks, a prominent Senator remarked to this writer that the Commission gave him "a pain in the neck". During the course of the conversation he passed from the radio situation to the A. T. & T. investigation.

"There isn't a telephone company in the world that gives finer service. I know because I use it frequently. I call my home state by telephone almost every night. A magnificent organization", the Senator said indignantly. "And yet that little bunch of pinheads down at the Communications Commission not being satisfied with continually harassing the telephone company have to spend a couple of million dollars investigating it."

About the time of this conversation, a high official, a former Commissioner, in fact, took occasion to express to me his opinion of some of his colleagues. Mentioning a certain FCC Commissioner who was very active in the A. T. & T. inquiry, he said:

"He is a dumb-bell. I thought when he first went on the Commission the man was smart, a crusader, who really had something on the ball, but he is just plain dumb."

This was all brought to mind by a book "The Bell Telephone System" written by Arthur W. Page, Vice-President of the American Telephone and Telegraph Company, just published by Harper & Brothers. Mr. Page never gets rough with the boys, but in a calm conservative manner, doesn't have the slightest hesitancy in saying exactly what he thinks about Government regulation. It is the only book we ever heard of, written by an officer of a large company, defending that company. The usual practice is to have some outsider do it, but Arthur Page takes off the false whiskers and does the job himself.

A former Vice-President of the famous old publishing house of Doubleday Page and Company, but who has been with the telephone company for the past fourteen years, Mr. Page is well qualified to write such a book as this. Furthermore, he is the son of former Ambassador to Great Britain Walter Hines Page and a brother of Frank C. Page of the International Telephone and Telegraph Company.

Of course Mr. Page discusses many other subjects for his book is virtually a history of the Bell Telephone System, but the chapters the broadcasting industry will turn to first, being in the same boat as the A. T. & T. insofar as government regulation is concerned, will be those on "Telling the Public", "Politics",

"The Investigation (A. T. & T.)", "State Regulation" and "Federal Regulation".

A Preface states "this book should serve a useful purpose in furnishing the critics of big business with the record of at least one tremendous organization in which a deep sense of obligation is shown to have been continuously manifested in its dealings with employees and the public".

Commenting upon the investigation that the FCC made of the A. T. & T., Mr. Page wrote:

"The chief counsel of the investigation started his hearings in a search for scandal, for he opened the investigation of a great national service with testimony on the use of telephone service by horse race bookies. At the end of this he suggested to Mr. Gifford that this was a skeleton in the closet.

"But the facts did not measure up to that stature.

"The newspaper reporters looked on the investigation as a search for scandal and, when scandal did not appear, rather neglected the hearings.

"The investigators produced thousands of pages of reports in which it is hard to find any comment indicating their belief that the Bell System ever did anything well or from a good motive. The Chairman of the Telephone Division of the Commission in asking Congress for more money to complete the investigation 'admitted' that the telephone company gave the finest service in the world - as if that were against his interest.

"The 'hearings' during the investigation were conducted without allowing the company to present its case on the matters brought up or to cross-examine the Commission's witnesses. The 'comments' on the investigators' reports and the 'Brief' on Commissioner Walker's Proposed Report which the company was later allowed to file with the Commission could not take the place of cross-examination and the presentation of company testimony at the hearings. The investigators could make any statements or deductions without challenge and their reports, although not officially adopted by the Commission, were printed at Government expense and sent by the Commission to state commissions all over the country. The investigating group, while of a caliber to discover financial juggling if it had been there, certainly had neither the engineering competence, management skill nor experience in telephone operations to give to a lay board like the Federal Communications Commission a balanced or judicious background for its policies. It is inconceivable that anyone would rely on the reports of the investigating group as an authority if he were going to risk his own money in large quantities.

"In its annual reports for 1936, 1937 and 1938, the American Telephone and Telegraph Company publicly registered its objections to the unfair methods of conducting the investigation, as it had also done to the Commission itself.

"This was a most unusual proceeding for a business that had long advocated and lived with regulation. But there were two compelling motives to register every possible objection to the methods of the investigation.

"Character is an asset of a business. Reputation affects the customers, the stockholders, and the employees. The method of the investigation, far from tending to improve service or economy, was calculated to create discord, destroy morale and frighten investors. The Bell System would have been derelict in its responsibilities had it not protested.

"In the second place, the people who make up the Bell System are citizens of the United States with standing in their various communities. They have children and friends like other people, and their reputations mean something to them. They have, therefore, every reason for deep seated personal resentment when an agency of the Government, which they help to support, sets out to attack their characters.

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"The members of the Commission who issued the final report, with the exception of the Chairman of the former Telephone Division of the Commission, had taken little part in the investigation. Some had been appointed after the investigation was really finished and had taken no part.

"Although the final report had to be built from the material of the investigators and could, therefore, hardly rise above its source and analyze the telephone problem from much of any point of view but the statistical, it did nevertheless have a very different tone from the conduct of the investigation. Some of the attitude of the investigators remained, as for instance putting in the word 'alleged' before the mention of services by the American Telephone and Telegraph Company, but on the whole the report isn't another chapter in the school for scandal."

Regarding the national advertising program of the Bell Telephone System on the radio, Mr. Page wrote:

"The investigators of the Federal Communications Commission, in commenting upon the advertising policies of the Bell System, quoted from a letter from an advertising agency to the American Telephone and Telegraph Company advising against radio advertising. The Federal Communications Commission's report to Congress recorded this in this way:

"The Bell System does comparatively little advertising by radio, despite the fact that it is one of the beneficiaries of radio broadcasting through the leasing of circuits for program transmission service. The reasons, as stated by one of its advertising agents, for the Bell System's failure to advertise more extensively over radio are twofold: first, such advertising would direct the public's attention to the amount of money being spent for advertising purposes, and second, the probable adverse effects upon the established goodwill of newspaper editors.

This is not of much importance except as a commentary on the methods of the investigation. The facts were that this letter was written in connection with a study of a possible radio program for the Bell System. The interest in radio continued after the receipt of the letter just as it had before and finally resulted

in a program recommended by the same agency that wrote the letter. If the investigator who ferreted out this isolated letter, which seemed to fit a thesis he had in his mind, had asked any one of several people, he could have found out in a few minutes that the letter did not represent the Company's view. We did not then have a general radio program for the simple reason that we hadn't found a program to suit us. The Bell System was trying to find such a program then and it kept on trying until it succeeded."

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THOMAS W. SYMONS, JR., NOTED WESTERN BROADCASTER DIES

Because he had so recently visited the Capital apparently in the best of health, news of the death of Thomas W. Symons, Jr., head of Stations KXL in Portland, Oregon, and KFPY, in Spokane, came as a shock in the East. Although thought by many to be a Westerner, Mr. Symons was born in Washington, D. C., April 22, 1889, the son of Col. T. W. Symons of the Army Engineers. Colonel Symons, as Chief of Engineers, had the distinction of laying out Potomac Park, now one of the Nation's beauty spots.

Mr. Symons, Jr. had attended the recent National Independent Broadcasters' Convention at Chicago. He later came to Washington, D. C., and then as fate would have it, went to Northampton, Mass. for a visit with his aged mother. Following this, he flew back to Portland. It was on last Wednesday while on his farm near Newberg, Ore., outside of Portland, that he suffered a stroke and died early Thursday morning.

Funeral services were held last Friday afternoon at the Newberg Chapel. He leaves his wife, Frances Rutter Symons; his daughter, Virginia Page Symons, and his son, Thomas W. Symons, 3d, now with the Royal Canadian Air Force in MacLeod, Alberta. He also is survived by his mother, Mrs. T. W. Symons, of Northampton, Mass.; a brother, Noel, attorney of Buffalo, and a sister, Mrs. Cortlandt Van Winkle, of Northampton.

A pioneer in both aviation and radio, Mr. Symons placed KFPY, Spokane, on the air in 1922. He established KGIR, Butte, in 1929, with E. B. Craney, and along with Mr. Craney purchased KXL, Portland, in 1937. His associate at KFPY is Arthur L. Bright, Vice President and General Manager.

During the first World War, Mr. Symons was a Flight Commander serving from 1917 to 1919 in the Air Service. He was a Captain in the 41st Division Air Service of the Washington National Guard at Spokane for several years, and headed the Symons-Russell Aviation Co., operating from Spokane in the early days of aviation.

Mr. Symons was graduated from Yale and Oxford Universities. He later studied law at George Washington University in Washington. Mr. Symons also had been a Director of the National Association of Broadcasters.

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FCC POWER TO BAR MULTIPLE OWNERSHIP CHALLENGED

It became very apparent at the hearing last Monday on the adoption of a proposed rule by the Federal Communications Commission prohibiting ownership of more than one broadcasting station serving the same area, that there was not so much objection to the regulation itself as there was that no proviso had been made that each case should be taken up separately and on its own merits. The Commission, in fact, was warned that it would overstep its authority in making such a rule. Moving along at a speed not in keeping with the temperature in Washington, which climbed into the nineties, the hearings were concluded in a single day. Whether or not the sharp comeback the stations made sealed the doom of the new regulation, could not be told definitely, but it did seem that counsel opposing it scored heavily all along the line.

"What is the reason in the mind of the Commission for the enactment of such a regulation?" John C. Kendall, of Portland, Ore., representing the Louis Wasmer stations, KHQ and KGA, argued. "What are the abuses that now exist requiring the adoption of such a rule? While the Commission up to the present time has not declared, in so many words, that prevention of monopoly is the fundamental reason, we submit that there could be no other logical basis or reason that might be assigned."

Stating that KHQ is the Spokane outlet for the Red Network, and KGA for the Blue, that KGA is likewise the outlet for the Mutual-Don Lee Network and that KFPY carries CBS programs, Mr. Kendall declared that no changes of monopoly had ever been made against either KHQ or KGA and that no monopoly could result as a climax of their operation. Mr. Kendall stated that the proposed rule attempting to prevent monopolistic control is an unlawful exercise of the power delegated to the Commission by Congress. He further asserted that the Act creating the Commission does not authorize or permit it to determine what constitutes a monopoly. Mr. Kendall said the actual investment in KGA exceeds \$240,000.

Representing the Buffalo Broadcasting Corporation, Former Representative Frank D. Scott denounced the rule as unnecessary and undesirable and said that the Commission already had the power to deny applications not in the public interest so why make another regulation unnecessarily.

"I don't think it is right for this Commission to correct the mistakes which it thinks Congress made when it drafted the Communications Act", Mr. Scott declared. "All the present multiple ownership stations in this country were made by the Commission or its predecessor. I don't know whether multiple owned stations are operating in the public interest, and I don't believe the Commission does. The Commission has these people to go ahead and invest their money and now they are going to try to rule them out of business."

No argument was made by Mabel Walker Willebrandt, former Assistant Attorney General, representing the stations of Ralph L. Atlass, WJJD and WIND, in Chicago, respecting the wisdom of the rule in cases where dual ownership results in monopoly. Mrs. Willebrandt pointed out, however, with all the stations in the Chicago area that WJJD and WIND did less than 10% of the business. If the Commission reaches conclusion that dual ownership rule should be adopted the rule should be so worded as not to prevent the dual ownership where actually there is no monopolistic result.

"WJJD and WIND together are but 2 of 18 stations serving the Chicago area", Mrs. Willebrandt told the Commission. "The other 16 stations are owned and operated by 13 separate and competitive groups. Thus there are 18 stations and 14 different owners. Each of five of the competing stations are 50 KW network stations covering a larger area and doing a great percentage of the business than WJJD and WIND combined. A sixth station has superior facilities. Two more stations have comparable facilities to WJJD, and an additional two have only slightly less desirable facilities.

"The rates of WJJD and WIND are less than, or comparable to those of other stations with like facilities in other markets, and are substantially the same or higher than those of competitive stations with like facilities in the same market. Entirely separate sales staffs are employed for each station, and the stations are as competitive with each other as are other stations in the market. Any economies effected through dual operation have been used in furthering program service. This in turn has enabled a larger volume of business, and of service to the public.

"Operations for the current year indicate that more than \$700,000 will be spent in the operation of WJJD and WIND during 1941. This is, we believe, a larger amount than is spent by any two comparable stations, operated by separate owners in a similar market. This aggressive and competitive operation has enabled us to become the chief source of competition to the network stations in Chicago."

The rule was opposed by the National Broadcasting Company, through its counsel, Duke M. Patrick, on the grounds that it would be against the public interest and beyond the authority of the Commission.

Mr. Patrick pointed out that NBC assumed ownership or operation of two stations in each of four cities only after it had secured the full consent of the radio commission, and that it invested several millions of dollars after obtaining such approval.

Further, Mr. Patrick argued, NBC always has operated these stations upon the highest standards, a fact attested to by the license renewals which have been given to each station by the present Commission and its predecessor at regular and frequent intervals. Each such renewal, it was pointed out, was predicated upon finding by the Commission that such re-licensing would be in the public interest, convenience, or necessity.

In the present instance, he asserted, there is no complaint or charge that these stations are not now being operated in the public interest, and any change such as envisaged in the FCC's proposed rules would inevitably result in damage to the service the listening public now receives, as well as to the company which acquired them and has operated them in good faith.

Mr. Patrick also argued that the Federal Communications Act of 1934 does not give the FCC power to issue such a rule.

He read a statement by Senator Dill, co-sponsor of the original Radio Act in 1927, that "The bill does not attempt to make the Commission the judge as to whether or not certain conditions constitute a monopoly - it leaves that to the Court."

"If the Commission is of the opinion that multiple ownership is a matter which should be dealt with, the way is open. It is to Congress that it should address its recommendation for additional authority", argued George O. Sutton, for WRAW and WEEU, Reading, Pa., WILM and WDEL, Wilmington, and WJAS and KQV, Pittsburgh.

"It must be concluded that the Commission's projected action is without the authority and, in fact, violates the mandate of Congress; and proposes to dispense with due process of the Act. Such action becomes even more oppressive when considered in light of the fact that the Commission has by its own action approved the very conditions, now existant. The assurances given by the creator at the time the progeny came into being should be no less now."

The assertion was made by Ben S. Fisher appearing in behalf of KOMO and KJR, Seattle, that these stations became prosperous and successful because of dual ownership.

"Are the stations making any money?" Chairman Fly inquired.

"No", Mr. Fisher replied. "KJR never made any money."

"How much is it losing?"

"About \$50,000 a year."

Whereupon Mr. Fisher remarked that when stations were not successful there was no clamour about dual ownership.

"Do you think we ought to hear from every case of dual ownership before arriving at a rule?" Commissioner Tam Craven inquired.

"Yes", Mr. Fisher replied.

Expressing the opinion that there was grave danger that the Commission had gone too far, Louis G. Caldwell, representing the Earle C. Anthony stations of Los Angeles KFI and KECA, said that if the Commission did not have a hearing for each case, it would lose its opportunity to do justice. He suggested there might be an excess of power exercised by the Commission.

Mr. Caldwell said the Earle C. Anthony stations had lost over \$900,000 in previous years and only started to make money recently. Only two years ago, he said, Mr. Anthony, who himself was present at the hearing, had spent \$400,000 to improve station facilities and \$50,000 more to improve the capital investment. Proof of lack of monopoly, Mr. Caldwell said, was the fact that there were 18 or 19 stations operating in the Los Angeles area, more than in New York or Chicago - cities several times its size. Mr. Caldwell said it would be impossible for Mr. Anthony to sell a station for anywhere near what he paid for it.

Each multiple owned station represents a different problem, Henry B. Walker said, in behalf of WGBF and WEOA, of Evansville, Indiana, and would object to being thrown in the basket with the others.

"There cannot be any standard laid down by which the Commission can equalize this situation", Mr. Walker continued. "The newspapers in Evansville are under one ownership. They will not print our programs so we print one of our own devoted to radio - 20,000 to 30,000 copies."

Mr. Walker expressed the opinion that FM stations will eventually drive the standard stations out of business.

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WOULD GRANT NEWSPAPERS LICENSES ON MERIT RECOMMENDED

The weary grind of the inquiry of the Federal Communications Commission into the question as to whether newspapers should own newspaper stations will be resumed Thursday morning, October 9th.

Two Harvard professors were the last witnesses heard. Zachariah Chaffee, Jr., Professor of Law at Harvard, told the Commission he did not advocate excluding newspapers from operating stations, but he suggested instead that each application be judged on its merits, with certain rules for the Commission's guidance.

In considering future applications for station licenses, Prof. Chaffee said, the Commission might find that in one community it would be better, from an economic point, to have a newspaper and radio station combined, rather than invite ruinous competition, while in another community the regulatory body might well require separation of the two means of public communication.

From the viewpoint of general welfare, he added, a flexible rule, allowing the Commission wide discretion, might be indicated. On the other hand, objections to such a plan could be raised, he explained.

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"It might be said", Prof. Chaffee added, "That newspapers opposing the administration would be in bad favor, and a communications commission could whip them into line with a flexible rule by refusing licenses."

C. J. Friedrich, Professor of Government at Harvard, warned against "monopoly in opinion", which he saw as a drift toward totalitarianism. He added:

"The average man in the street, in whom I have great confidence, will be best able to exercise his civic functions if he gets information from as many sources as possible."

But Professor Friedrich, who has made special research in the field of communications and conducts a seminar on the subject at the Harvard Graduate School, explained:

"I am no believer in the application of abstract social theories to facts."

Some towns, he said, he realized will support only one newspaper each and to try to force another paper on such a town would mean no newspapers at all.

While he did not express categorical opposition to all newspaper-owned radio stations, Professor Friedrich said the presumption should favor diversity of ownership and the Commission should put the burden on a newspaper applicant to prove he should own a radio station.

Newspapers, he added, have become "increasingly a production enterprise", and the man who starts a newspaper today must have capital, must be a businessman, in contradistinction to the early days of the republic when an editor started a paper to advocate certain political principles.

Radio, he said, has barred the crusading editor on the ground that households do not want their firesides invaded by violently controversial issues.

Presentation of news, he pointed out, is a matter of selection, since it is impossible to print or broadcast everything, and the more diversity there is in compiling this news, the better for the public.

"The public does not get what it wants", he insisted, "either from the press or the radio."

He blamed chain newspapers to an extent for the collapse of democracy in Europe.

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Seven new affiliates have been added to the network of the Mutual Broadcasting System, bringing the total number of outlets to 182. The stations are: WGBF, Evansville, Indiana; WEIM, Fitchburg, Mass.; WTRI, Sioux City, Ia.; KVFD, Fort Dodge, Ia.; WJMS, Ironwood, Mich.; WATW, Ashland, Wis.; and WBBB, Burlington, N. C.

The first Italian to leave Fascist Italy for fear of imprisonment because he listened to U.S. short-wave broadcasts, arrived in New York Sunday. Until two months ago the young man was one of the regular listeners to Natalia Danesi, Chief of the Italian Section of NBC's International Division. Although illegal, this practice of listening is still quite general throughout Italy, he stated.

One day friends suddenly burst in to tell him that he was to be arrested because he had been denounced to Italy's secret police as a "listener". Fortunately for him, he had made careful plans for escape long before, even including a visa for the U.S.

WOR's continuing Study of Radio Audiences in Greater New York, notable for its discarding of the telephone check system and its penetration into lower income groups, uncovered two new facts about radio listening this week, it was said.

1) News commentators and news programs are popular with all income groups; 2) 4% of typical New York families are "available to listen" between the hours of 2 A.M. and 6 A.M.

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DESPRES APPOINTED OPA RADIO AND BATTERY CHIEF

Appointed Chief of the Radio and Battery Division of the Durable Goods unit of the Office of Price Administration under Leon Henderson is Maurice S. Despres, President of the Dale Radio Company, Inc., of New York. He will start his administrative duties in Washington, D. C. immediately, having resigned last week on a leave of absence from his business interests which include Dale Radio Co., Inc., and the Despres, Dorfman Company, Eastern Division Manufacturers' representative of the Continental Radio and Television Company.

Mr. Despres is a veteran in the radio and battery industry which did an estimated consumer dollar volume in 1940 of \$400,000,000 according to Radio Today magazine. In 1922 he operated in a country-wide capacity as a radio parts and set manufacturing agent until 1929 and for the past 12 years has been at the helm of the Dale Radio Company, Inc., which serves metropolitan New York, Long Island, and part of New England in the distribution of Sylvania radio tubes, Admiral radio sets and phonographs, and related radio items.

Active in many radio industry organizations, Mr. Despres served the industry and the country in 1934 when he was a member of the Radio Wholesalers Code Authority under N.R.A. He is also a member of the New York Sales Executive Club and the American Business Congress.

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