

# HEINL RADIO BUSINESS LETTER

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No. 1394

January 13, 1942

## DCB RECOGNITION SEEN AS BIG GAIN FOR LABOR

As a result of the action recently taken by the Defense Communications Board, labor will have a place on the committees of that powerful organization handling questions of radio communications, telegraph and telephone, cable, aviation, domestic and international broadcasting.

James L. Fly, Chairman of the DCB, declared the plan would substantially enhance the position of labor as well as industry in the functioning of the Board and would assure its due participation in the over-all task of planning for the nation's communications systems under war conditions.

As a result of the new undertaking, the Defense Communications Board will invite representatives from labor to participate in the work of the expert communications committees. Labor thus will be in a position to aid more effectively in the formulation of basic plans affecting communications systems in the emergency. Furthermore, future joint meetings between the Industry and Labor Advisory Committees will be held as needed in order to assure complete industry solidarity in the tasks ahead. The extent of labor's participation and the recognized limitations on the Board's functions were set forth in the attached letter from Chairman Fly to the Labor Advisory Committee which was concurred in by the latter.

In making the announcement, Chairman Fly praised the cooperation of all parties concerned, and said:

"There has been full recognition on all sides both of the vital role which communications must play in our total war effort and of the necessity that this must be our sole concern at the moment. We are fully resolved to see that this nation's communications facilities are as adequate and secure as they can be made under the circumstances. In formulating plans to that end, the Board wants all the qualified help it can get, whether from management or labor. We do not recognize any special group interest in developing plans in the communications field for our total war effort."

Chairman Fly also praised the decision to hold future joint meetings between the Industry and Labor Advisory Committees, pointing out that such meetings hold great promise in assuring cooperation among management, labor, and government in communications.

At the same time the following statement was issued by the Labor Advisory Committee:

"The members of the Labor Advisory Committee welcome the action of the Defense Communications Board in convening a joint conference of the Industry and Labor Advisory Committees at our request to consider communications problems affecting the war effort. We believe the conference was a step in the direction of the full utilization of the resources, facilities, manpower, intelligence, and initiative of each component part of the communications industry in the total war effort. Both industry and labor recognize that all matters which are properly the subject of collective bargaining will not come within the purview of these discussions but will continue to be referred to the established appropriate government agencies.

"We hope in successive joint meetings to be able to evolve effective methods of working out jointly the many problems which affect our industry in this crisis.

"The action taken by the Defense Communications Board today in appointing labor representatives along with industry and government on the various special planning committees of the Board will, we feel, facilitate the work of these committees. The constructive and sympathetic approach to labor's proposals expressed by Chairman Fly for the Defense Communications Board will be a source of gratification to the workers in the communications industry."

The fact that potentially tremendous authority is lodged with the D.C.B. gives Chairman Fly's action special significance.

A call for Government operation of communications following a pattern set during the first World War might conceivably be issued by the labor representatives if present plans fail to achieve desired results.

Meanwhile indications grow that the A. F. of L. and the C.I.O. have established a "tacit" united front for the purpose of securing for labor a greater share of responsible defense posts.

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#### AMATEURS HOPE BAN MAY BE EASED

Arguing that if it hadn't been for the pioneering radio wouldn't be where it is today and that they have never been found wanting in any emergency yet - whether it was flood, conflagration or hurricane - and that they have been able to come through when even the Army and the Navy had not been able to do so, the radio amateurs are hoping they may be dealt with a little less drastically.

At the request of the Defense Communications Board, the Federal Communications Commission last Saturday ordered all amateur radio operation to cease immediately. It was explained that national defense considerations require such complete cessation.



A Commission order of December 8 suspended amateur activities save for those authorized by the Defense Communications Board upon recommendation of Federal, State, or local officials in connection with defense. Many such requests had been approved by the Commission at the instance of the Defense Communications Board.

However, in the light of subsequent events and military requirements, the Board and the Commission both have decided that all amateur radio operation shall be suspended. In consequence, all special authorizations granted since December 8 have now been cancelled.

In the December 8 order about 65,000 amateur operators were banned from the air, but the Defense Board subsequently gave special authorization to about 2,000 operators to resume and these are the ones affected in the latest order.

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#### FCC MUM ON MUTUAL SUIT

There was no comment at the Federal Communications Commission on the suit for \$10,275,000 filed against the National Broadcasting Company in Chicago last Saturday. The inference was "it speaks for itself". James L. Fly, of the FCC, credited with favoring Mutual in its recent moves, was away from his office Monday and did not hold the usual press conference but it was said in his behalf that since the matter was now pending in Court, he probably would not have had anything to say had he been there.

Niles Trammell, President of the NBC, made the following statement:

"This suit is the culmination of a series of attacks that have been instigated against NBC and the Blue Network by Mutual since NBC refused to sell to it important parts of the Blue Network.

"It should now be revealed that about two years ago the dominant interests in Mutual, R. H. Macy & Company and the Chicago Tribune sought to purchase parts of the Blue Network from us, which would have destroyed the Blue as a coast to coast network. By such elimination of the Blue these interests sought to diminish rather than to increase network competition. There would have been three nationwide networks instead of four as at present.

"We refused to dismember the Blue Network. Mutual began campaigns in Washington and elsewhere, urging the adoption by the FCC of new network regulations which would enable Mutual to achieve the end it sought. Meanwhile, Mutual also induced breaches of contract between our Blue Network and affiliated stations, a fact which we will prove in these court proceedings.



"While Mutual claims to be the 'Little fellow' of the network family, and shouts 'bigness' at others, it does not call attention to the real control and the vast accumulation of wealth and power represented by the small clique of seven Mutual stockholders headed by Chicago Tribune and R. H. Macy & Company, whose influence and domination extend beyond broadcasting to the department store and publishing businesses.

"These powerful and wealthy stockholders of Mutual represent an aggregation of assets, business and profits greatly exceeding those of NBC and RCA.

"The issues in this suit are the same as those in the two earlier suits now in litigation with the Government. The first of these suits, in which Mutual is a participant, will be held in New York, Monday, January 12.

"This new suit by Mutual provides an opportunity to expose the motives behind the campaign to break down the networks of the National Broadcasting Company.

"The Blue Network of the NBC was established fifteen years ago in response to a public demand when only one other network - the Red - existed, and when no competition in nation-wide programs was available. Eight years after the NBC was created to give the American public the first nation-wide programs ever provided, Station WOR owned by Macy and WGN owned by the Chicago Tribune, organized the Mutual Broadcasting System, and ever since have sought to reap where others have sown.

"Mutual has admitted that it carries on no research or development in the radio art. It has undertaken no substantial financial risks in pioneering the development of nation-wide broadcasting. It entered the field only after others risked their capital and demonstrated that broadcasting could be conducted as a sound business enterprise.

"The facts are that despite all the so-called restrictions in the competitive network field from which the Mutual claims to suffer, it has increased its revenue in 1941 over 1940 by 53%.

"The operations and public service rendered by the National Broadcasting Company are a matter of public record. We are utilizing every <sup>re</sup>source at our command in the vital war effort of the Nation. This harassing litigation and the unjustified demand for the absurd sum of \$10,000,000 with the motive of eliminating the Blue Network, which would decrease our vital communication facilities are not in key with the American war effort."

Amounts of actual damage the suit alleged were sustained were:

Mutual System, \$1,000,000; WGN of Chicago, \$850,000; WOR, of New York City, \$1,000,000; WOL, of Washington, D. C., \$275,000;

WGRC of New Albany, Ind., \$75,000; KWK, of St. Louis; \$165,000 and WHBF of Rock Island, Ill., \$60,000.

Counsel for the plaintiff in the suit said that the action invoked the provision of the Clayton Act, a supplementary law of the Sherman Anti-Trust Act, which makes it possible to request damages three times in excess of the amount actually alleged to have been sustained.

The complaint alleged "an unlawful combination and conspiracy to injure the plaintiff by hindering and restricting Mutual in its ability to freely and fairly compete in the transmission in interstate commerce or Nation-wide network programs".

It also accused the defendants of hindering the sale of national network time, attacked NBC long-term and exclusive contracts and optional-time clauses.

The suit alleged that NBC did not operate its Red and Blue networks competitively but jointly and asked that NBC be enjoined from carrying out the alleged conspiracy and from maintaining or entering into further contracts with affiliated stations.

Another allegation was that long-term NBC contracts in cities having less than four broadcasting stations with adequate facilities and exclusive and optional time clauses of such contracts were illegal and in restraint of interstate trade and commerce and that operation of two networks by the defendants was illegal.

The Washington Post had this to say about the suit:

"Now the Mutual Broadcasting System is demanding more than ten million dollars in damages from the Radio Corporation of America and NBC on the ground that the latter's restrictive contracts constitute unlawful restraint of fair competition.

"It must be admitted that this is not an ideal time to be pressing for basic adjustments in the broadcasting industry. Radio, like many other industries, has a special obligation to render high quality service during this war period. Care should certainly be taken to avoid any serious disruption of broadcasting facilities. For that reason it is unfortunate that this issue has been raised in three separate actions. Company officials may find their time absorbed by legal proceedings to the detriment of the vital public service they render. On the other hand, it would certainly not be in the public interest to abandon all effort to dissolve the existing concentration of power over the broadcasting industry.

"The FCC has made the unassailable point that we must have active competition in the broadcasting field or Government regulation of the few big companies now in control. There is no reason even to suspend that sound principle because the country is engaged in war. All that can reasonably be asked is that the networks be subjected to no unnecessary harassment and that the desirable adjustments be brought about without abruptness which might seriously impair the quality of broadcasting services now rendered."

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## CALL FCC ORDER SAME AS CENSORSHIP

In their day in the Federal Court in New York yesterday (Monday), the National Broadcasting Company and the Columbia Broadcasting System argued that the Federal Communications Commission in its recent monopoly ruling had not only exceeded its authority but had raised a threat of censorship. Attorneys for both of these networks declared that if the Commission has the power to make regulations covering the affiliation contracts and options, it can, in similar manner, exercise a censorship over the programs presented by the stations.

Arguing for NBC, John T. Cahill charged that the Commission was usurping functions of the Department of Justice and the courts in attempting to decide what is a monopoly. The Commission, he said, regards itself as "an efficiency expert" in business and is trying to dictate the business policies of broadcasting executives. It is without power to make the regulations in question, he added, citing Congressional debates that preceded adoption of the law giving the Commission its authority.

Charles Evans Hughes, Jr., representing CBS, said that the regulations instead of promoting competition would lessen it. They also would make it difficult, if not impossible, for networks to obtain advertising contracts by creating new and unnecessary uncertainties about the number and location of outlets involved, he contended.

"The whole business of a national radio network depends on its ability to sell the time of its stations to a national advertiser", he explained. "To negotiate successfully the network must be able to state concretely what it has to offer. It sometimes requires months of market study and research, program planning and negotiations before an advertiser can decide whether or not to use network broadcasting and if so what stations and program to utilize. Under the regulations the network would be in no position to make a firm offer of any definite program coverage during this period of negotiations."

The Court hearings were scheduled to resume Tuesday and probably run throughout the week.

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Representative Wallgren obtained permission to have printed in the Congressional Record, a CBS radio broadcast on December 31, 1941, on the subject Twelve Crowded Months, by Elmer Davis, Albert Warner, Linton Wells, Edward R. Murrow, Eric Sevareid, William L. Shirer, Maj. George Fielding Eliot, and John Daly.

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## SARNOFF GIVES DETAILS OF BLUE NETWORK SEPARATION

David Sarnoff, President of the Radio Corporation of America, in confirming the formation of Blue Network Company, Inc., a separate, wholly-owned subsidiary of RCA, states that incorporation papers for the new company were filed at Dover, Delaware, last Friday.

Mr. Sarnoff said that, with the permission of the Federal Communications Commission, the new company will operate the Blue Network and will own and manage Stations WJZ in New York, WENR in Chicago, and KGO in San Francisco. It will continue to furnish program service to more than one hundred independently owned, affiliated radio stations throughout the country.

Blue Network Company, Inc., will continue without interruption the programs and business heretofore carried by the Blue Network division of the National Broadcasting Company, Mr. Sarnoff said. It will be supervised by the same experienced personnel which, over a fifteen-year period, has made the Blue one of America's great networks.

As its first step in independent operation, the Blue Network applied for the consent of the Federal Communications Commission, for the transfer of licenses to operate Stations WJZ, WENR and KGO. The Board of Directors of the new company met last Friday and elected officers.

The President of the Blue Network Company, Inc., will be Mark Woods, heretofore Vice President and Treasurer of NBC. The Executive Vice President will be Edgar Kobak, previously NBC Vice President in Charge of Sales for the Blue Network.

Mr. Woods said:

"In 1938 first steps were taken toward the setting up of the Blue Network as an independently operated broadcasting unit. One by one during the three years which followed, separate departments have been established to supervise Blue Network operations.\* \*

"To maintain and enhance its program standards, the Blue Network will avail itself of the counsel of an advisory committee representing seven regions into which the United States has been divided for broadcast purposes.\* \* \*

"Members of the Committee are: Harry Wilder, Station WSYR, Syracuse; Allen Campbell, Station WXYZ, Detroit; Earl May, Station KMA, Shenandoah, Ia.; Henry P. Johnston, Station WSGN, Birmingham; Harold Hough, Station KGKO, Fort Worth; Tracy McCracken, Station KFBC, Cheyenne; Howard Lane, Station KFBK, Sacramento."

Niles Trammell, President of the National Broadcasting Company, who will continue in that capacity, was elected Chairman of the new company's Executive Committee which includes Mark Woods and Edgar Kobak as members.

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## STANDARDS BUREAU ADDS WARTIME PITCH

The radio frequency service broadcast continuously by the National Bureau of Standards, which includes the standard musical pitch and other features on which industrial, musical and other groups largely depend, now includes a second carrier frequency - 15 megacycles - thus insuring wider reception, according to the Department of Commerce. The single frequency heretofore used for these broadcasts is 5 megacycles.

This service is broadcast continuously day and night and widely used. Both frequencies and the standard musical pitch as transmitter by the Bureau station - WWV - are accurate to better than one part in 10,000,000.

The standard musical pitch - 440 cycles or vibrations per second - corresponds to A above middle C. It is used by manufacturers of musical instruments for standardizing tuning forks and other gadgets. Orchestra leaders in all parts of the country either take the pitch directly from the radio or use it as a check on their tuning devices. Some piano tuners also take the pitch directly from the radio.

It was first adopted in Germany in 1834, but not generally accepted internationally until after World War I. In fact, a French pitch, adopted in Paris in the 1850's, was well on the way to international acceptance when the first World War started.

During that great struggle Allied troops found among captured booty numerous German wind instruments of good quality, all of which were pitched on 440 vibrations per second. This is credited with having started a movement which has since resulted in the general acceptance of the German pitch. It has even been said that the Germans won the long battle for acceptance of their musical pitch even if they did lose World War I.

The 440-vibration pitch was adopted by the Bureau of Standards for use in its frequency service because it had received the endorsement of various official bodies.

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Representatives of 16 Government departments, including E. K. Jett, Chief Engineer of the Federal Communications Commission, were appointed to the Censorship Operating Board, formed by Censorship Director Byron Price to control the flow of information between the United States and other countries.

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## DON LEE AND RCA EXCHANGE TELEVISION PATENTS

A television patent interchange agreement between RCA and Don Lee Broadcasting System, Hollywood, was announced last week by Thomas S. Lee, President of the latter concern. Negotiations leading to the agreement were started in the Spring of 1939 when it became apparent that no one organization in the country held all patent rights for present-day television.

Don Lee Broadcasting System patents cover inventions of Harry R. Lubcke, television director of that firm. They are concerned with numerous phases of television, including synchronization, scanning, cathode-ray tubes, and telecasting of motion pictures as well as live subjects.

Patents cover methods and apparatus for both transmission and reception. Included are inventions as far back as 1930 when Lubcke started pioneering in television development for the late Don Lee.

Agreement calls for a non-exclusive, non-transferable license to RCA from Don Lee Broadcasting System in return for a similar license for certain equipment of the latter organization with a monetary consideration included. Don Lee concern retains ownership of patents and is free to license others in the television field.

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## JUDGE RUTHERFORD'S DEATH RECALLS OLDTIME THREAT

The passing of Joseph F. Rutherford, world leader of Jehovah's Witnesses, who died in San Diego, Calif., last Thursday but whose death was not made known until the following Sunday, recalls an early clash he had with the old Federal Radio Commission. Jehovah's Witnesses even then owned a couple of broadcasting stations and were buying time on many more. Judge Rutherford became enraged when the Commission decided against him, calling down the wrath of God in a death threat upon the Commissioners. Following that whenever one Commissioner would meet another, the salutation would be, "Well, I see you are still alive!"

Another time, Judge Rutherford complained to the Commission that the NBC had discriminated against him. M. H. Aylesworth, then NBC President, denied the charge and then and there offered Judge Rutherford an Hour's free time any Sunday he would suggest. The Judge took him up on the spot. This proved a terrible headache for Mr. Aylesworth as complaints were received from all over the country and as far as this writer knows, that was the last free time Jehovah's Witnesses ever received from NBC. They, however, continued to use hundreds of stations by transcription and otherwise.

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 ::: TRADE NOTES :::  
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The total number of Mutual network outlets is now 194 stations. This figure has been reached with the recent affiliation of KILO, Grand Forks, North Dakota.

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Recent advances in radio will be described by Dr. Arthur Van Dyck, new President of the Institute of Radio Engineers, as guest speaker Saturday, January 17, on "Adventures in Science". (WABC-CBS, 1:30 P.M., EST).

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In the one hundred corporations or independent companies listed as holding the greatest amount of War and Navy Department supply contracts awarded June 1940 through September 1941, in millions of dollars, the Radio Corporation of American is shown to have contracts to the value of 22.7.

Bethlehem Steel and Curtiss-Wright Corporation lead with values of 961.5 and 886.3 respectively.

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Thomas Patrick, Inc., St. Louis, Mo., (Station KWK), has applied to the Federal Communications in an amended application for 25 KW night and 50 KW day power and make changes in directional antenna (680 kc.)

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Jose Salinas, General Motors export executive, and Carlos Garcia, Chrysler assembly line mechanic, were featured on the first broadcast, January 5, of "Noticias del Norte", CBS daily program (9 P.M., EST) of spot and feature news for Latin America.

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Station WSFA, Montgomery Broadcasting Co., Inc., Montgomery, Ala., has been granted a construction permit by the Federal Communications Commission to increase power from 500 watts night, 1 KW LS to 5 KW, install a new transmitter and directional antenna for night use, and move transmitter locally, subject to installing permanent monitoring facilities.

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Roberto I. Unanue, CBS Latin American news editor, has been sent to Rio de Janeiro to cover the Conference of Foreign Ministers for WCRC and WCBX, CBS short wave stations.

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## U.S.-PHILIPPINES CIRCUIT AGAIN OPEN

Direct commercial radiotelegraph communication between the United States and the Philippines, broken since the U.S. Army demolished all radio and cable installations at Manila on December 31, was re-established last Friday by R.C.A. Communications, Inc., with the opening of a circuit between San Francisco and the city of Cebu on the island of the same name. Cebu lies about half way between Manila and Davao, in Mindanao.

Message traffic moved between the two points during the day. There is a strong probability, according to word received by RCAC from its representatives in Cebu, that messages to and from two other islands in the Philippines --- Visayas and Mindanao -- may be handled through the Cebu facilities. The Philippines Bureau of Posts operates an inter-island cable system, and it is believed that the links between Cebu and the other two islands still may be open.

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## RATIONING OF RADIOS FORECAST BY UNIONIST

Rationing of radios in the near future was foreseen by Russ Nixon, Washington representative of the United Electrical, Radio and Machine Workers Union of the C.I.O. Nixon and about 50 other delegates of the union opened a two-day meeting in Chicago to discuss problems arising out of the conversion of the radio industry to military purposes providing sets for the armed forces.

"We can't tell yet what the Government will order us to do", he said, "but we can get a good idea from what has happened to the automobile industry. We can expect a 50 per cent production cut for the first three months and then a reduction to about 10 per cent. Instead of building one million sets a month for the public, we would build only 100,000 under such a schedule."

Nixon said that another reason for cutting down the supply of radios for the public would be to save copper, aluminum, nickel and steel.

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