

HEINL RADIO BUSINESS LETTER

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NAVY EXPERT ASKS SEPARATE RADIO MERGER

The statement of Rear Admiral S. C. Hooper before the Senate Interstate Commerce Committee on the Telegraph Merger Bill (S. 2445) aroused considerable interest because of the Admiral's intimate connection with radio since its infancy.

All the previous witnesses had endorsed the general principles of the bill, which would permit two mergers of record communications companies (i.e. radio telegraph and wire telegraph), one in the domestic field and one in the foreign field. While they suggested changes in the details, they seemed in agreement on the principles.

Admiral Hooper, however, recommended something entirely different, namely a merger of all the wire companies including the cables, and another merger of all the radio companies. He pointed out that this would most effectively preserve competition between wire or cable on the one hand and radio on the other. He predicted that a merger in the international field which included both cable and radio companies would almost certainly lead to domination of radio by the older cable interests, just as has happened in the case of Cable and Wireless Ltd. in England.

Practically all of the previous witnesses except W. A. Winterbottom, of R.C.A. Communications, Inc., had been representatives of the wire or cable interests or interests closely allied with them. Mr. Winterbottom in his testimony did not stress the points so clearly made by Admiral Hooper. Mr. Winterbottom said his company neither advocated nor opposed the mergers as proposed in the bill, but approved separate mergers in the domestic and international fields.

Admiral Hooper's conclusions are as follows:

"(a) The merger of all U. S. telegraph (wire and cable) properties. In addition, the record telegraph services of the telephone companies (such as teletype) should ultimately be in the hands of the merged telegraph company where the two are now in competition - this not to be accomplished until after the war.

Note: the word "services" as used above does not necessarily include telephone plant or personnel. It is probable that the merged telegraph company would have to lease plant facilities from the telephone companies.

"(b) The merger of all U. S. domestic and international radio telegraph properties.

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"(c) The leasing of physical facilities between competing companies.

"The revision suggested should be accomplished in such a manner that:

"(a) Competition between (1) telegraph (wire and cable), (2) radiotelegraph, (3) telephone, and (4) airmail will be assured.

"(b) U. S. citizen ownership of all the communication properties within the U. S. and its possessions will be assured.

"(c) The employees of the companies will be looked out for, bearing in mind the necessity for the financial stability of the companies.

"(d) The closing of circuits due to amalgamation will be permitted step by step, each subject to non-interference with the efficiency of the war effort (subject to the approval of the President).

"(e) The Federal Communications Commission will have authority to require, if needed, the merged telegraph company to establish offices and hours of operation where telegraph service is lacking, and to require pick-up and delivery services between companies at reasonable rates."

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SAN FRANCISCO ONE OF BIGGEST RADIO CITIES, SAYS WOODS

With the city now regarded as one of the country's major sources of radio programs, opening ceremonies were held last week of the \$1,000,000 KGO-Blue Network Building in San Francisco.

As leading Western executives inspected the newest West Coast broadcast plant, Mark Woods, President of the Blue Network, who went from New York City especially for the occasion stressed the changed status of San Francisco in the radio world largely due to that city's growing importance as a Pacific war news source.

"Today, San Francisco, gateway to the Pacific war zone is recognized on the Blue Network radio beams as one of the three chief 'dateline' cities, ranking with Washington and New York City in regional news gathering importance", Mr. Woods declared.

Giving impetus to the increased importance of West Coast radio is the concentration of war industry in the Bay area, Mr. Woods said. National advertisers, viewing this expanding market as a promising source of post-war business, now consider San Francisco a likely point of origin for nationally released broadcasts, he added.

Conferring with Mr. Woods with regard to wartime operation of the new plant were William B. Ryan, General Manager of KGO, and Don E. Gilman, Vice-President in charge of the Western Division of the Blue Network.

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MULLEN PULLS NEW ONE BY ILLUSTRATING CONGRESSIONAL TALK

Breaking the monotony during the House Interstate Commerce Committee's hearings on the Sanders bill which would reorganize the Federal Communications Commission and thus getting their undivided attention, Frank E. Mullen, Vice-President and General Manager of the National Broadcasting Company gave the Congressmen the novel experience of sitting in a darkened room and looking at colored lantern slides illustrating his testimony.

Mr. Mullen in his talk and by the picture exhibits showed that power of radio stations alone does not give a true picture of the area a station can cover. He showed that a theoretical 250 watt station in North Dakota would cover a 99 mile radius while a theoretical 50,000 watt station in eastern Massachusetts would cover but a 41-mile radius, due to varying soil conditions and wave-length of the station. But he showed that while the station in North Dakota might reach but 839,000 people, the eastern Massachusetts one would reach 3,204,000 people.

Congressional interest in the press-radio fight was revealed when at the end of Mr. Mullen's testimony, Representative Sanders asked what, if any, limitations should be placed on station ownership, with particular reference to newspapers and networks.

Mr. Mullen replied that the service a station renders, rather than the business of its owner, ought to be the criterion. Any discriminatory limitations, he added, indicated a dangerous trend whose end could not be foreseen. Mr. Mullen paid tribute to newspapers that own stations, saying that generally they have done a magnificent job. And he discounted any danger to the public from common ownership of newspapers and radio stations.

As to the licensing of networks, Mr. Mullen said that he saw no necessity for such a step. He added, however, that he did not oppose licensing if the purpose for it was not objectionable. He pointed out that a question of censorship might be involved, if the licensing power included any control of program content.

In response to questions from Representative Wolverton, Mr. Mullen said that radio does not exercise any censorship of its own on speeches beyond the necessity of guarding against libel and violations of the Communications Act.

"The concept of a free radio must be adhered to if we are to emerge into postwar days as a strong and vigorous agency for the work of reconstruction", the NBC official declared.

"Only networks plus national advertisers can assemble for local station audiences the world's leading entertainment", Mr. Mullen continued.

"It is obvious that if a network broadcast is to be of value to the advertiser, it must make it possible for him to reach

all of his markets with his program simultaneously. If the network is unable to deliver even one or two principal markets, the entire program may be called off.

"A national network can offer advertisers this opportunity of simultaneous coverage of all markets only if it can be assured uniform clearance of time on its affiliated stations.

"The United States has 425 radio sets per thousand population, seven times the 62 radios per thousand of the Axis nations.

"A free radio supported by private enterprise, free from government subsidy or ownership, is one of our democratic bulwarks", he said.

In the United States, 526 radio stations are affiliated with networks, and 398 are non-network stations. Network companies, Mr. Mullen said, own but 30 stations, and of these National Broadcasting Company owns six stations.

Mr. Mullen was introduced by Edward Hidalgo, who made a brief statement opening the NBC presentation before the House Committee.

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GREAT LAKES COMMANDANT GETS LAST ZENITH CLIPPER

There was quite a ceremony last week when Hugh Robertson, Executive Vice President, representing Commander E. F. McDonald, Jr., accompanied by Edgar G. Herrmann, Sales Manager, went up to the U. S. Naval Training Station at Great Lakes, Illinois, on the shores of Lake Michigan and presented the last Zenith short wave Clipper Portable to come off their lines for the duration of the war to Admiral John F. Downes, Commandant of the Naval Station there. With the Admiral at the presentation was Captain T. DeWitt Carr, the Executive Officer of the station.

At the same time, Messrs. Robertson and Herrmann presented the Naval Station with two fine FM sets - one for each of the recreation rooms at the station. These two instruments will be used for the amusement and entertainment of thousands of Bluejackets at the station and will, incidentally, also entertain their wives, sisters, parents, cousins and sweethearts.

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Beverly R. Myles, attorney for the Commercial Cables Staff Association, appearing at the hearing before the Senate Interstate Commerce Subcommittee considering merger of cable and radio communications systems, recommended that the Government take over all domestic and international telegraph facilities, according to an Associated Press dispatch.

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SENATE STANDS BY DR. GOODWIN WATSON ALLEGED FCC RED

Although it was the day the news was received in Washington that Corregidor had fallen and no Senator saw fit to rise in tribute to that gallant fight, nevertheless Senator Barkley and other Administration Senators took more than an hour to defend Dr. Goodwin Watson, Chief of the Foreign Broadcast Monitoring Section of the Federal Communications Commission. Mr. Barkley finally succeeded in deleting from the two billion dollar Independent Offices Appropriation Bill a provision which would bar the use of any of the bill's appropriation to pay Dr. Watson's salary.

Senator Barkley declared this provision, which the House wrote into the bill following charges that Dr. Watson was a Communist constituted a "bill of attainder" such as is barred by the Constitution. Evidently the "bill of attainder" idea was thought up by Dr. Watson himself, who mentioned it in a letter he wrote to Senator Barkley, which began:

"Would you be willing to oppose on the Senate floor, a measure, smacking of a bill of attainder, which, if enacted, might be ruinous to the reputation of a 100-percent loyal American citizen, might dishearten liberals, and shake faith in our Congress?"

Dr. Watson, who was Professor of Education at Columbia University, after declaring that he had never been a Communist or fellow traveller, concluded:

"I am told, and you can judge the truth of this better than I, that the continuing attack is aimed less at me than at Chairman James L. Fly, for quite other reasons. Surely you will want to oppose an action which would stoop to unwarranted attacks on any person for ulterior political advantage. Please don't let this go by default."

Mr. Fly had warmly defended Dr. Watson. And the fact that Senator Barkley didn't allow the case of Watson "to go by default" is attested by the debate which covered seven pages of the Congressional Record. The Kentucky Senator said:

"I am wondering whether our institutions are in such great danger of being undermined and toppled over that 130,000,000 men are afraid of one little man in the Communications Commission; are afraid that if he is permitted to go ahead and work and draw his salary the foundations of our Republic will be undermined and corroded. It seems to me to be unthinkable that the Congress of the United States would be so afraid of one man in a Government department because of something he wrote, in which he largely quoted other people, that we would be willing to retain a provision such as this in the pending bill."

Addressing Mr. Barkley, Senator Taft, of Ohio, inquired:

"Has the Senator read Mr. Watson's writings as quoted in the hearings? It is perfectly clear, if one reads them, that he believes the Russian system to be superior to the American system. There is no question about that. I, personally, do not think any man should be legislated out of office, but as to this man's Communist sympathies, as to his complete opposition to our system of government, I do not think there can be the slightest question."

Senator McKellar took occasion to pay tribute to Chairman Fly, saying:

"I am sorry Mr. Watson makes that suggestion about Mr. Fly. I think Mr. Fly is one of the finest men I know. He is one of my very dear friends, one whose friendship I cherish, and I honor and respect him as a man."

"That remark in the letter was not directed at the Senate Committee", said Mr. Barkley. "I think it was directed at the sponsors of the provision in the other body."

"It is a matter of no importance, but I am an old-fashioned kind of man, and after an employer stands by an employee as Mr. Fly stood by this man, and gave him a splendid recommendation, it does not seem to me that if I had been in Mr. Watson's position, I would have reflected upon my employer, who had stood by me so nobly", Mr. McKellar replied.

"Mr. President, so far as I am concerned, if anyone wants to have an investigation of Mr. Fly and the Communications Commission, I should be very much in favor of it, and I should be glad to vote for it", said Senator Clark, of Missouri. "I think the Communications Commission has been guilty of very flagrant favoritism, both as to applications for licenses and as to certain favored attorneys, some of whom were formerly connected with the Communications Commission. I think such an investigation would be entirely proper, with a view to working on Mr. Fly. But it does seem to me that Congress should go about it by way of an investigation, and not attack Mr. Fly through a man who happens to be working under him."

"I received from Mr. Watson a letter identical with that received by the Senator from Kentucky. I had already read in the public press that the attack on Dr. Watson in the House was really an attack on Mr. Fly. It seems to me that if anyone desires to attack Mr. Fly, the thing to do is to attack him and not beat about the bush and attack this college professor, who is working under the Commission in a minor job."

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A. B. Chamberlain, Chief Engineer of the Columbia Broadcasting System, has been called to Washington to active duty in the Navy. He has held a reserve commission as a Lieutenant Commander since 1935.

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WPB OFFICIAL RMA CONVENTION SPEAKER

William L. Batt, Director of the Materials Division of the War Production Board and a chief aide to Chairman Donald M. Nelson, will address the membership luncheon meeting of the Radio Manufacturers' Association convention at Chicago Tuesday, June 9. Mr. Batt's acceptance of the invitation and making a special trip to Chicago at this time is regarded as a recognition of the radio manufacturing industry's importance in the war program and of its cooperation toward 100 percent war production.

RMA members at the "strictly business" one-day war program convention, will vote on a proposal, recommended by the Executive Committee and Board of Directors, to expand the Association's war services and activities by organizing a new Transmitter Division, and also another proposed amendment to change the name of the Amplifier and Sound Equipment Division to the "Speaker" Division.

Although the annual National Parts Trade Show was cancelled because of the industry's total war production program, tentative plans are being made for a meeting of the National Radio Parts Distributors' Association by its President, George D. Barbey, of Reading, Pennsylvania, coincident with the convention. This assembly of parts distributors, to discuss immediate replacement parts problems, is being planned for June 7 or 8.

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CLEVELAND MAN ASSISTANT IN RADIO CENSORSHIP SECTION

Eugene Carr, Assistant Manager of Station WGAR, Cleveland, has been appointed an assistant in the Radio Section of the Office of Censorship, and will report to J. Harold Ryan, head of the Office's Radio Section.

In 1928, Mr. Carr left a post as instructor in voice at the University of Oregon to accept the program directorship for the Cleveland Division of the National Broadcasting Company. Later he joined WGAR as Program Director. He has been Assistant Manager of the station since 1935 and in charge of sales since 1937.

During the past year, Mr. Carr has served as Chairman of the Sales Managers Committee of the National Association of Broadcasters. Recently he was elected Vice President of the Ohio Association of Broadcasters.

Mr. Carr, who is 39 years old, was born in Shelbyville, Illinois. He was graduated from Westminster College in 1925; is married, has one daughter.

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WHACKING FCC MEDDLING, PALEY FEARS INCREASING CONTROL

William S. Paley, President of the Columbia Broadcasting System, testifying at the Sanders Bill hearings, declared that the Federal Communications Commission should be limited strictly to the traffic regulation made necessary to prevent broadcasts on different channels from interfering with each other. By inference he indicated that the Commission would do well not to concern itself with matters outside of that.

Preceding Mr. Paley, John T. Cahill, counsel for the National Broadcasting Company, asked Congress to reaffirm that it did not intend to regulate business relationships. John J. Burns, counsel for the Columbia Broadcasting System, who followed later, told the Committee that the FCC could not bar newspaper ownership of stations without seeking Congressional approval. Frank B. Stanton, CBS Director of Research, and Elmer Davis, CBS News Analyst, also testified.

To accommodate those who desired to attend the National Association of Broadcasters' Convention at Cleveland, the House hearings have been adjourned until Tuesday, May 19th.

In urging that the allocation of wave lengths and other forms of purely technical supervision should be the sole function of the Federal Communications Commission in connection with broadcasting, Mr. Paley insisted that radio could not be half slave and half free.

Testifying before the House Committee on Interstate and Foreign Commerce, which is conducting hearings on the Sanders bill to amend the radio law, Mr. Paley said that if the FCC ever received from Congress, or was able to seize through its own interpretation of the law, control of programs, or indirect control of the networks through regulating the business relationships between the networks and the stations, the Commission would become so powerful that no broadcaster would dare defy its wishes. This was true, the CBS President continued, whether such program censorship was in advance of broadcasting or whether the Commission could exert it in connection with proceedings for the renewal or transfer of licenses by deciding whether a station had been operating in the public interest. If the last-mentioned kind of decision could be made by the Commission, he said, its judgment as to what was good broadcasting would inevitably control what was done by every broadcaster in the land and thus the Government inevitably would be in the saddle.

Likening freedom of the air to freedom of the press, Mr. Paley said it was not accidental in democracies that the press had been left free, despite the fact that there are always people who find fault with some elements of it. Similarly in radio, Mr. Paley argues, it was better to trust to public opinion for improvement in broadcasting which, he declared, had always been rapid, than to allow any group of Government officials to impose their ideas of culture on the American people.

Mr. Paley said that should the rationing of newsprint become necessary because of the war and should some Commission be authorized to do this rationing in accordance with its own judgment as to the fairness of individual newspapers, the press would become subservient over night if it wanted to survive at all. A commission allocating wave lengths, Mr. Paley said, was not unlike this hypothetical commission rationing newsprint. Were it allowed to pass on fairness, its own ideas of what should be broadcast and what should not be broadcast would quickly be the controlling factor in what went out over all the wave lengths in the land.

Reaffirming CBS' publicly announced conviction that because radio, unlike the press, is a limited medium and, therefore, must never seek to exert an editorial function but must be fair and factual, Mr. Paley said he was alarmed at the danger involved in allowing any governmental authority to pass on such fairness and had become so convinced that such authority in the hands of government would destroy the very thing which it was designed to preserve, that he had finally concluded that even in this realm of fairness there should be no legislation.

Pointing out that his statement was based largely on that portion of the present statute which requires broadcasters to operate in the "public interest, convenience or necessity", Mr. Paley warned that that phrase coupled with the Federal Communications Commission's right to revoke a license or fail to renew one can be "asserted to mean programs deemed desirable by the Commission, or its Chairman if he is strong enough, or by the party in political power.

"I say to you now that a resourceful Commission so-minded might well devise ways to seize control of every phase of radio broadcasting regardless of the prohibitions and the silences in the present statute on which we have relied so heavily in the past. This is a danger and a very real one.

"Great danger exists whether the Commission can censor programs in advance or whether it is in position to revoke a license or hand over a wave length to someone else by an ex post facto judgment that programs have not been in the public interest. Let the Commission once be able to say 'We do not like the advertising', or 'There was too much jazz music', or 'We disapprove of the quality of dramatic programs', or 'We think the news should be handled differently', or 'Broadcast Station A should have taken programs from Network B', and the broadcaster is bound hand and foot, subject to subservient compliance or the death penalty. One victory for the Commission in any such judgment after the fact, and from then on its whispered wishes will be amplified over all the kilocycles in the land. So, in effect, power of censorship after publication in the hands of a licensing authority in reality can always be power of censorship before publication which is contrary to the whole theory of freedom of speech and of publication in America."

Mr. Paley declared: "It is my sober judgment that regulation by the FCC should stop at physical requirements. There are laws on the books covering the conduct of broadcasters as well as of other business men, and there are governmental departments charged with bringing to the courts for punishment or correction violations of those laws.

"You have, as I have pointed out, public opinion, the measured judgment of the audience, spoken and written criticism, and nearly everywhere in the country the competitive factor to correct evil and to bring about good.

"There is one other potent weapon to keep any number of broadcasters from going too far wrong. I well know that if enough broadcasters were to defy public opinion, overlook their opportunities to serve the nation in war and in peace, grow greedy or grow callous, the Congress at some time might well feel that the evil was so great that it must step in even at the cost I have tried to picture to you. Even though an amendment to the Constitution were involved, we might bring upon ourselves such a gross and dismal change if we were stupid enough to do it. I believe our record so far justifies a conclusion that we have not done it yet, that we are not likely to do it, and that the history of legislating only against known and otherwise uncureable evils may well be followed when you come to deal with a revision or a new enactment of the radio law", he said.

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SAFETY OF NATION COMES FIRST, SARNOFF DECLARES

The safety of a company can never rise higher than its source, which is the safety of the nation, David Sarnoff, President of the Radio Corporation of America, said addressing the annual meeting of RCA stockholders.

"Therefore, until we win the war, no individual, no business, no investment is secure", Mr. Sarnoff continued. "Today, the worth of a business must be measured in service, not in dollars."

Touching later on the patent situation at considerable length, Mr. Sarnoff declared:

"Everything that the RCA organization knows on the subject of radio is instantly available to the Government. Any supplier of radio equipment to the Government, if not already licensed, can easily obtain a license to use RCA's patent rights.

"Whatever radio can do to help win the war is being done and will continue to be done."

The speaker said the new RCA Laboratories now nearing completion in New Jersey will be devoted primarily to research directed to help win the war.

"When peace comes, the radio swords which are not being forged on the anvil of science will be beaten into useful ploughshares", Mr. Sarnoff went on to say. "We shall enter a new era in the radio transmission of sound and sight, and in the industrial use of radio and electronic devices.

"The new products and services growing out of radio's war-time efforts will be of great public benefit in themselves. More than that, they should help provide new employment for men, money and machines, and thereby contribute to stabilization of the post-war economy."

"Now, to turn to the months that have passed since the beginning of the present year. The consolidated gross business of RCA during the first quarter - that is, the months of January, February and March, 1942 - amounted to \$44,541,395, compared with \$32,576,073 in the first quarter of last year, an increase of \$11,965,322, or 37%. Due to the increase in volume of business, and in anticipation of higher tax rates, the provision for Federal taxes for the first quarter this year was $2\frac{1}{2}$ times as great as first-quarter taxes last year.

"For the first quarter a year ago Federal taxes were \$2,307,000. For the first quarter of this year the provision for Federal taxes amounts to \$5,853,700. This represents an increase in our Federal tax provision for the first quarter of this year of \$3,546,700 or 154%.

"Net profit after taxes for the first quarter of 1942 amounted to \$2,030,988, compared with \$1,922,174 for the same period last year, an increase of \$108,814, or 6%.

Discussing other phases of the past year's work, Mr. Sarnoff said:

"When the Radio Corporation of America was formed in 1919, one of its main purposes was to establish a world-wide American radiotelegraph system. How well this assignment was carried out is evidenced by the fact that today R.C.A. Communications, Inc., provides the most comprehensive and efficient radiotelegraph system on the globe. The United States has become the communication center of the world.

"Since we entered the war, RCA has inaugurated new radiotelegraph circuits of strategic importance, so that, for the first time, radio now connects the United States directly with: Australia, New Zealand, New Caledonia, Chungking, China, Kunming, China, and Iran (Persia)."

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C O R R E C T I O N

In our issue of May 1 in the lead story "Big Shakeup In WPB Radio Section", no mention was made of the fact that the new Radio Section Chief of the War Production Board, Frank H. McIntosh has currently been employed as Chief Technician of the Fort Industry Company of Toledo. The services of Mr. McIntosh were relinquished by George B. Storer, President of the company, thus enabling Mr. McIntosh to serve the Government in an important capacity at this time. Mr. McIntosh has been given an indefinite leave of absence by the Fort Industry Company.

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