

HEINL RADIO BUSINESS LETTER

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No. 1453

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NEW WARTIME FM AND ST STATION POLICY

Because war conditions have caused great shortages in materials, equipment and skilled personnel necessary to radio broadcasting, the Federal Communications Commission has announced that holders of construction permits for new frequency modulation (FM) radio stations may obtain licenses during the war to operate present existing facilities, provided construction has reached a point where the transmitter is presently capable of being operated to render a substantial public service. FM broadcasters securing licenses under this policy will have to show that additional construction is not possible at this time and must assure the Commission that construction will be completed according to Rules, Regulations and Standards of the FCC as soon as the required materials and engineering personnel have become available.

According to FCC records there are 5 licensed FM stations now in operation. Twenty-three stations are operating under special temporary authorization pending completion of construction in accordance with the construction permits. Upon appropriate application these would receive licenses to replace the special temporary authorizations. An additional 7 stations are now conducting program tests and have filed applications for operating licenses. The new policy under which the FCC will consider applications for operating licenses on the basis of partial construction probably will affect also 21 other holders of FM construction permits. Six permittees now building studio transmitter links (known as ST), which connect with station transmitters, would come under the policy. Applicants for new facilities however are barred, except under special circumstances, by an earlier "freeze" policy announced in the Memorandum Opinion of April 27, 1942, which recognized the necessity for conserving critical materials and banned new grants for FM as well as most other types of broadcast radio.

The Commission observes that the Communications Act does not contemplate extensions of time within which to complete construction unless it appears that construction can be completed within a reasonable length of time. Nor is it desirable to continue the issuance of special temporary authorizations upon a short term basis. However, it is desirable to encourage such service as it now possible to listeners having FM receivers. Accordingly, the Commission will give consideration to applications for licenses to cover partial construction of FM and ST stations where such construction has proceeded to the point where it is possible to provide a limited but satisfactory FM service. The Commission will also consider applications where construction has been completed and the permittee has been unable to secure equipment and technical personnel to make measurements, required as a prerequisite to issuance

of a license. Such licenses will be granted on the definite understanding that immediately the required materials and personnel are available, steps will be taken to comply fully with the original construction permit.

To secure a grant of such an application for license, it will be necessary for each applicant to show (1) diligence in proceeding with construction and the reasons for failure to complete construction; (2) the actual status of construction which the applicant believes sufficient to provide an acceptable FM service; (3) the materials and technical personnel needed to complete construction and make proof of performance (Section 6, Form 320); and (4) the applicant's determination to proceed to final completion in accordance with the Rules, Regulations and Standards of the Commission when materials for further construction and needed technical personnel become available.

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PRINTERS DEMAND SENATE RAISE RADIO TAX TO \$25,000,000

Double anything yet proposed, John B. Haggerty, President of the International Allied Printing Trades Association, advocated to the Senate Finance Committee an excise or franchise tax of \$25,000,000 in net time sales of radio networks and commercial broadcast stations.

Mr. Haggerty called attention to the "unusual" condition wherein last year the Treasury advocated \$10,000,000 excise tax on radio while this year they recommend a special tax of only \$1,500,000. He present figures purporting to show net yearly profits, after taxes, of from 100% to 680% on cash invested in many of these companies.

"It is possible, as we have been told by some members of the Ways and Means Committee, that the levying of excise taxes on the radio broadcasting industry, as recommended by the Treasury, of \$1,500,000 was too small to be bothered with", Mr. Haggerty states.

In addressing the Senate Finance Committee, President Haggerty, aggressively continuing his long-time fight because of the contention that radio had put so many printers out of business, challenged figures of the Treasury and called attention to the allowance radio stations made to secure business, which he said was from 63% to 80%.

"The Treasury reported to Ways and Means Committee last year that industry had yearly net income of \$33,296,708 on an investment of \$40,055,000", Mr. Haggerty stated in his appearance before the Senate. "The Treasury also reported: 'The desirability of a special tax on radio broadcasting, distance from a tax on advertising, is indicated by several considerations. The principal

operators in commercial broadcasting earn high rates of return on relatively small investments. They possess unusual taxpaying ability which, in view of Government's present revenue requirements can properly be subject to special taxation.'"

"The need for increased taxes is so great that your Committee, we understand, as well as the House of Representatives have voted to levy substantial and burdensome taxes on the incomes of workers who try to maintain a wife and a home on a meagre income of even less than \$30 per week, and, on single workers with weekly incomes of even less than \$15 per week.

"There has been no protest on the part of the workers against the levying of these taxes they are called upon to pay despite the evident sacrifices the payment of these taxes will entail on the part of those least able to pay.

"We do protest, however, the imposition of such taxes if those with proven ability to pay, and, especially those who obtain unusual and enormous yearly net profits through governmental grants are to be privileged to escape paying their fair share of the tax burden."

"It is our understanding that taxes, in view of the unusual demands of the War expenditures, on radio networks and broadcast stations and everyone else this year are to be increased. If that is true then we challenge the accuracy of the figures presented by the Treasury Department and the Federal Communications Commission. The Columbia Broadcasting System in one of the trade publications boldly publicized the fact that after paying the proposed 40 percent normal tax and other taxes and the proposed 94 percent excess profits tax, this company would still have yearly net profits of some 680 percent on their invested capital, other than on the stock issued as stock dividends.

"The National Broadcasting Company, the Columbia Broadcasting System, and Stations WOR and WHN alone, which radio stations and networks secure less than 50 percent of the net yearly income of the radio broadcasting industry, paid into the Treasury last year some \$7,800,000 in taxes, or some 20 percent more than reportedly is to be paid by the whole radio broadcasting industry this year in corporation taxes voted by the House of Representatives, if the figures of the Treasury are correct.

"These companies, after the payment of all taxes last year, were able to pay dividends in the case of the National Broadcasting Company of some four and one-half millions of dollars; the Columbia Broadcasting System of some three and one-half millions of dollars; in the case of radio station WOR, we understand, that this station had a net income of more than half a million dollars, and in the case of Station WHN, we understand that this station had a net income of more than six hundred thousand dollars.

"We have cited these figures simply as illustrative of the fact that the radio broadcasting industry has the ability to

pay, as the Treasury Department in its brief of last year and in its presentation this year states 'The desirability of a special tax on radio broadcasting (distinct from a tax on advertising) - one medium of which is radio - is indicated by several considerations. The principal operators in commercial broadcasting earn high rates of return on relatively small investments. They possess unusual taxpaying ability which, in view of the Government's present revenue requirements, can properly be subjected to special taxation.' "

"It is our understanding that Station WHN, with a capital and paid in surplus of \$11,000, had a net income for the two years 1940 and 1941, after ample allowance for depreciation and the payment of all taxes, in excess of \$400,000; that the Columbia Broadcasting System, with a capital, other than that represented by stock dividends, of less than \$500,000, had a net income after allowing some \$1,400,000 for depreciation, and after the payment of all taxes, of some \$10,000,000; that Station WOR, with a capital of \$275,000, and property used for broadcasting purposes valued at some \$250,000, after ample allowance for depreciation, and the payment of all taxes, had a net income for the same period of more than \$1,000,000. "

"Stress is always laid upon the alleged injury, which the levying of such taxes would inflict on the small radio station owners. It will interest your Committee to know that the radio stations located in cities of less than 30,000 population receive some eighteen (18½%) and one-half percent; those stations located in cities of less than 75,000 population secure thirty percent (30%) and those stations located in the larger cities secure only thirty-seven percent (37%) of the advertising dollar which is paid to broadcast over these stations. "

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EMERGENCY DEFENSE UNIT ENLISTS HAMS

An emergency radio service for Civilian Defense in which radio "hams" will be enlisted for communications duties, has been established in Prince Georges County, Maryland, near Washington, D. C.

Amateur radio enthusiasts were urged to volunteer for emergency communication work in the event of a breakdown of regular telephone channels. Used radio parts will be collected for the assembly of transmitters and receivers.

The Federal Communications Commission has assigned a channel to be used exclusively for civilian defense work.

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FTC QUERIES CIGARETTE BROADCAST ADVERTISING CLAIMS

The Federal Trade Commission has issued complaints charging Philip Morris & Co., Ltd., Inc., and R. J. Reynolds Tobacco Co., manufacturers and distributors of cigarettes and smoking tobacco, with misrepresentation and false advertising. Philip Morris cigarettes, Dunhill cigarettes and Revelation smoking tobacco are named in the complaint against the Philip Morris company as the products misrepresented, and Camel cigarettes and Prince Albert smoking tobacco are involved in the complaint against the Reynolds Company. Both complaints allege that in newspaper advertising, radio broadcasts and through other media, the respondents have made false and misleading representations concerning the merits of their products.

The complaints against the two companies cover three and a half typewritten pages, single space. The complaint against the Philip Morris Company alleges that the respondent has falsely represented and advertised, among other things, that Philip Morris cigarettes cause no throat or nose irritation, and that when smokers have changed to Philip Morris cigarettes every case of irritation of the nose and throat due to smoking has cleared completely or has definitely improved.

The Commission charges that the R. J. Reynolds Company has falsely represented, among other things that the smoking of Camel cigarettes is good for and aids digestion, that science so proves, and that this fact is backed by millions of smokers; that it is an aid to digestion no matter where, what or when one eats, at odd hours and in all sorts of places, and enables one to eat his favorite dishes any time he pleases; that good health follows or is fortified or sustained by indulgence in Camel cigarettes.

The complaint also charges that the respondent has represented in its radio broadcasts that certain voices used in them are those of persons named by it and by its representatives when in fact such voices were not those of the persons so represented by it and such persons were not present at the broadcasts.

Brown & Williamson Tobacco Corp., Louisville, Ky., stipulated with the Federal Trade Commission to cease certain representations in the sale of "Kool" mentholated cigarettes.

By radio or other means the respondent corporation agrees to cease advertising that during the cold months the smoking of its cigarettes will keep the head clear or give extra protection, or that they are an excellent safe-guard; and that these cigarettes constitute a remedy for colds or that by changing to this brand a person having a cold may expect healing or curative results.

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NEWS, RADIO'S MOST IMPORTANT WAR USE, STUDENTS TOLD

Outlining the important ways that American radio is contributing to the war effort, William B. Lewis, Chief of the Radio Bureau, Office of War Information, told a radio workshop session at Northwestern University that broadcasters have it in their power to aid tremendously in the creation of a better post-war world.

Mr. Lewis outlined in detail the progress of radio co-ordination as it has enlisted the help of American broadcasters to further the progress of the nation's war effort. One of the greatest problems, he declared, has been not to disrupt the general pattern of broadcasting while doing so, but rather to "superimpose" the war and necessities of wartime life upon it.

"News", he said, "is the most important commodity that wartime radio handles. The public has increasingly demanded it." Mr. Lewis called also for radio to tell the truth, simply and often, so that the major issues of this war become clear to every listener. He stressed also the importance of broadcasting as a builder of public morale, so that the people know why they fight, what they're fighting against, and the things they must do to insure victory. "good morale", he told his listeners, "means that we have a people who know - beyond any inner, unexpressed doubts - that they'll win not only the war, but the better world we'll have to build after attaining victory."

The OWI Radio Bureau head described the chaos prevalent immediately after the war started, when dozens of Government agencies all attempted to secure radio's aid at the same time. Last January, however, the Office of Facts and Figures - of which Mr. Lewis was Assistant Director - was designated to coordinate Government radio activities.

The mechanics of radio co-ordination occupied the greater part of his hour-long address. These include the OWI "Allocation Plan" for the scientific placement of Government messages on network radio programs, and the "Radio War Guide" which is issued periodically to advise local, non-network stations on the relative importance of various official campaigns, appeals and other activities. Mr. Lewis also discussed in detail many other OWI Radio Bureau projects, including the preparation of background material on war issues for radio writers and producers; methods used to determine the results of radio co-ordination on public thinking; special programs of a nationwide nature planned and presented by, or with the help of, the OWI; and extensive plans which the OWI has for the future.

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In a paragraph directed to the Federal Communications Commission, Leonard Lyons writes:

"During Friday night's blackout in New York, the city station WNYC, stayed on the air 22 minutes past its scheduled closing hour. WNYC - which has been petitioning for a license to broadcast at later hours - now can prove that there'll be no conflict with other station."

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PETRILLO PROSECUTION GOES OVER TO SEPT. 16 AT U.S. REQUEST

The Government seeking and securing a postponement of the injunction suit against James C. Petrillo in Chicago until Wednesday, September 16, and the fact that Thurman Arnold, Assistant U. S. Attorney General, will personally argue the case is seen in certain quarters as further evidence that the Justice Department feels that it is on rather shaky ground in applying the Sherman Act to this particular case. Certainly quite a legal battle is ahead and one which will unquestionably reach the Supreme Court.

In the meantime, Mr. Petrillo has made the concession to George S. McMillan, Secretary of the Association of National Advertisers that he would permit his members to make transcriptions for commercial broadcasts provided the recordings are played only once over a station and then destroyed.

Stanley E. Hubbard of KSTP, St. Paul, following his union labor difficulties with Petrillo, which Mr. Hubbard is reported to have settled by an expenditure of \$24,000 annually, proposed to take the lead in organizing a new Broadcasters' Association with "a Willkie" to head it.

"Just as complacency has been the democracies' besetting sin, so is a smug 'every-man-for himself' attitude among the broadcasters going to bring them to the point, at some not too distant date, where they, too, are going to have to arm themselves and fight for their very existence against the legion of would-be dictators who are attempting a divide and conquer technique on us", Mr. Hubbard was quoted as saying.

"The answer is a militant, aggressive, powerful affiliation of broadcasters - a trade association to which all segments of the industry can belong. Without one, the broadcasting industry is vulnerable, indeed - subject to the whims of any Petrillo, any pressure group, any force that arises, seeking to destroy us.

"But here again we are weak. Such an affiliation needs strong, respected, dynamic leadership, and, frankly, where today within the broadcasting industry are we to find that leader. . . . What we want is a \$50,000 executive actually worth twice that amount - a Willkie."

Mr. Hubbard also scoffed at the claim of Petrillo that such a large number of musicians were unemployed.

Strongly sympathizing with the broadcasters but expressing the belief that the legal odds were against them, the New York Times said:

"In prosecuting Mr. Petrillo under the Sherman anti-trust act, the Department of Justice starts with two strikes against it. Almost the whole previous strength of the executive, legislative and judicial arms of the Federal Government has been on the side of

Mr. Petrillo. The Supreme Court has decided that labor unions enjoy sweeping immunities from the anti-trust acts and from the Federal Anti-Racketeering Act. It has validated previous conspiracies in restraint of trade when committed by unions. Congress has lacked the courage to change the law, and the Administration has stood in the way even of such changes as the House wished to make.

"Indignation against Mr. Petrillo will be stupid or hypocritical unless it recognizes the need for changing the state of law that makes possible the kind of irresponsible private dictatorship that he represents. The special immunity of labor unions from the anti-trust laws and the anti-racketeering laws must be removed. Labor unions which receive compulsory recognition under the Wagner Act must be forced to conduct their affairs democratically and responsibly. They must be prohibited from making arbitrary exclusions from membership, or from charging excessive initiation fees and dues. They must have regular and unintimidated elections of officers. They must make their finances public and be subject to audit. They must not be permitted to force the 'employment' of men, such as 'stand-by' orchestras, who are not needed and who do not work.

"Only when such changes have been made in the law will the Government be able to restrain union bosses of the Petrillo type. If the Administration is powerless to stop Mr. Petrillo it is only because it has made itself powerless."

The Washington Star stated:

"The principal obstacle that stands in the way of the Government suit is the Hutcheson case decision in which the Supreme Court interpreted the Clayton and Norris-LaGuardia Acts so broadly as virtually to foreclose any chance of successful anti-trust action against labor unions. The Justice Department now contends, however, that the offenses alleged in the present proceeding are outside the scope of the Hutcheson decision, as the actions complained of have no bearing on 'terms or conditions of employment', and therefore are not entitled to the protection intended for labor by the Clayton and Norris-LaGuardia Acts."

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The Metropolitan Television, Inc., New York City, has been granted an application for the modification of its construction permit for experimental television station for extension of commencement and completion dates, subject to submitting to the Chief Engineer of the Federal Communications Commission within 30 days a satisfactory report as to plans, personnel, and program of research and experimentation.

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OHIO AND MICHIGAN ALSO HAVE OVER A MILLION RADIOS

States with over a million radios in the homes are becoming numerous. The latest reported by the Census Bureau are Ohio and Michigan.

OCCUPIED DWELLING UNITS WITH RADIO FOR STATE AND LARGER CITIES OF 25,000 OR MORE: 1940

(A dwelling unit was enumerated as "with radio" if it contained a usable radio set or one only temporarily out of repair)

AREA - MICHIGAN	Total	With Radio	No Radio	Not Reporting on Radio
Total dwelling units (including urban)	1,396,014	1,271,499	89,522	34,993
Rural-nonfarm dwelling units	252,211	224,307	22,325	5,579
Rural-farm dwelling units	218,890	178,353	34,798	5,739
Battle Creek	12,874	11,929	543	402
Dearborn	16,061	15,509	274	278
Detroit	425,547	401,543	12,454	11,550
Flint	40,567	38,318	1,441	808
Grand Rapids	47,523	44,158	1,913	1,452
Jackson	14,416	13,624	565	227
Lansing	22,481	21,219	681	581
Pontiac	17,252	16,229	585	438
Saginaw	22,386	20,804	993	589

The following released for use of afternoon papers on August 8.

OHIO				
Total dwelling units (including urban)	1,897,796	1,697,672	154,646	45,478
Rural-nonfarm dwelling units	338,164	290,910	40,340	6,914
Rural-farm dwelling units	268,384	210,038	51,995	6,351
Akron	66,501	62,337	2,373	1,741
Canton	29,466	27,202	1,403	861
Cincinnati	135,809	123,783	9,012	3,014
Cleveland	242,267	227,519	11,116	3,632
Columbus	83,597	76,513	3,771	3,313
Dayton	59,740	55,291	2,773	1,676
East Cleveland	12,131	11,904	97	130
Hamilton	14,165	12,814	981	370
Lakewood	20,842	20,191	301	350
Springfield	20,093	18,345	1,247	501
Toledo	79,341	74,535	2,740	2,066
Youngstown	41,197	37,448	2,559	1,190
Zanesville	10,962	9,851	795	316

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Claude A. Mahoney, news commentator, who is doing such a good job in place of Earl Godwin on the Blue each morning at 7:45 A.M. (EWT), sounds like the reincarnation of Gen. Hugh Johnson. Not quite so emphatic but voices very much the same.

Mr. Godwin, who likewise is doing splendidly on the Ford Hour is now devoting his full time to preparing for this important 8 P.M. broadcast. It is also on the Blue Network.

Mr. Mahoney, like Elmer Davis and Edwin C. Hill, is from Indiana. He covers the Navy Department for the Washington Star and formerly did the White House for the Wall Street Journal.

Reports of a critical shortage of spare equipment for transmitters including vacuum tubes come from Rio where it is feared many stations may be forced off the air. A similar situation is reported from Latin-America where it is feared about half the stations may have to close down within the next twelve months unless the United States comes to the rescue.

Columbia Broadcasting System, Inc. and subsidiaries reported a profit of \$1,647,738 for the 26 weeks ended July 4, equal to 96 cents a share, against \$2,435,197 or \$1.42 a share in the 26 weeks ended June 28, 1941.

Farnsworth Radio and Television Company has scheduled thirteen pages in a list of six weeklies and one monthly in a campaign to maintain a ready market for its products after the war, through N. W. Ayer & Son, Inc.

In connection with the census of radios in the homes, Washington correspondents received the following notice:

"If the Census Bureau, in its 152 years of browsing around, has picked up any little item of information that you need, you can get it now by telephoning to Suitland, Maryland. Phone Trinidad 3000, Branch 201, 202, or 203. It is a local call.

"In case personal contact with any Census Division is required, the route is across the Anacostia River, on Pennsylvania Avenue to 38th Street and right to Suitland Road. Turn left on Suitland Road. The new Census Building is 5½ miles from the Capitol. This is a shorter route than by Cape of Good Hope and Suez."

Control of the Columbia Broadcasting System's San Francisco listening post has now been formerly taken over by the Defense Communications Board. The CBS station, which has recorded hundreds of enemy news and propaganda broadcasts since Pearl Harbor has been working in close cooperation with the Office of War Information and is now fitting into the wide operations of the FCC's Foreign Broadcast Intelligence Service.

8/7/42

Admiral Luke McNamee, President of Mackay Radio and Telegraph Company, announces that arrangements have been completed for establishing direct radio-telegraph service between the United States and Bermuda. It is expected that the service will be opened next Monday (August 10). This will be not only the first radio-telegraph service between the United States and Bermuda, Mackay Radio states, but the first direct telegraph service of any kind between this country and Bermuda since all messages now go by land telegraph to Canada and then to Bermuda by cable. The announcement states that all classes of commercial telegraph messages will be included in the new service. In Bermuda the new radio link will be operated by Cable and Wireless, Ltd., the British communication system.

International station KWID, The Associated Broadcasters, Inc., has been granted modification of construction permit to add the frequency 7230 kilocycles with unlimited time of operation, and extend completion date to 180 days after grant. (KWID is located in San Francisco, Cal.)

The Sonotone Corporation reported net profit for the six months ended June 30 was \$128,951, equal to 16 cents a common share, compared with \$188,748, or 24 cents share, for the like period of 1941 sales for the period were shown 17.4 percent above the 1941 first half.

Radio products and lighting equipment for direct war work and lighting equipment for war plants accounted for the largest portion of the \$14,540,010 which Hygrade Sylvania Corporation reports as net sales for the first six months of 1942. According to figures issued this week (unaudited and subject to year end adjustment) the above figure is 61 percent greater than the net sales of \$8,992,878 which the company did in the first six months of 1941. While net income before tax provision was \$1,724,112 as compared to \$1,061,385 in 1941, earnings available for dividends after tax provisions were made amounted to \$483,062 for the first six months of 1942, as compared to \$530,693 in the first half of 1941.

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UNITED NATIONS AND SALVAGE NEW OWI RADIO THEMES

Explaining two more of the major issues important to America's war effort, the Radio Bureau of Office of War Information next Monday will issue brochures of radio background material on the United Nations theme, and Salvage. Both have been prepared for the use of radio writers and producers throughout the nation.

These are the latest releases in the new OWI series, designed to cover all major issues of the nation's war effort and to provide program people with a source of accurate factual data they may use to put across Government war messages more effectively.

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