

# HEINL RADIO BUSINESS LETTER

2400 CALIFORNIA STREET

WASHINGTON, D. C.

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NATIONAL BROADCASTING COMPANY, INC.  
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No. 1488

December 15, 1942.

## FCC HEAD WARNS THAT WARTIME STATION RULES WILL STAND

There was a warning from James L. Fly, Chairman of the Federal Communications Commission that the war regulations concerning the broadcasting industry would be strictly enforced.

"I have been somewhat concerned over the tendency on the part of certain applicants and broadcast stations and their backers to assume that the war time rules may be broken down", Mr. Fly said. "Now those rules are designed to prevent the use, that is the consumption, of materials and to preserve those new materials for war purposes. That there is extreme demand for radio materials for essential war purposes is something that is well known, and certainly this should be thoroughly understood throughout the industry. The industry knows that certain equipment has been taken by agreement of the owners out of the hands of some of our broadcasters. Such is indicative of the general situation. No doubt additional materials which are available will be called for. I think we have got to make it clear here that as long as these rules are in effect we have all got to live under them as best we can.

"I am inclined to think that some questions have arisen because of the mistaken assumption as to the nature of the WJW grant which provides for the moving of the antenna and transmitter from one location somewhat near Akron to a point a few miles closer to Cleveland. You all know and the industry knows, the long-felt need for complete radio service in the city of Cleveland. It is the sixth market in the country. National network service is not complete without it. It is the largest city in the country which is without adequate network service. All concerned have looked forward to some measure of alleviation in this situation. This the proposed move will do - proposed move of WJW. Now the rules provide against the use of critical materials for construction purposes. It should be borne in mind that the materials to be used are materials that are already committed to the use of broadcasting - already in the physical establishment pursuant to a grant made before any question of the use of those materials arose. The upshot of the whole matter is that there will be no use of new materials and no use of materials not already committed to the broadcasting business. It is possible that maybe \$75 worth of materials will be needed but much more than that will be turned back. I think it ought to be clearly understood that while we have long looked forward to meeting this grave need of the Cleveland area, still even that grave need has been met in a manner wholly consistent with the rules. As long as the military forces require the available new broadcasting equipment in this country wherever it may be, the BWC and the Commission will not be in a position to approve grants running counter to that paramount need.

"I think we are making some progress of the manpower situation. Our staffs have been in conference with the staff of the Manpower Commission during the past few days and particularly over the weekend, and we feel assured that the Manpower Commission will review the entire list of requirements of the industry, and when I speak of the requirements I do not think that we ought to be unduly concerned over some reports that only news and information service and those devoted to that particular service will be deemed essential. Of course everybody knows that our broadcasting structure rests upon the foundation of commercial broadcasting and broadcast stations cannot exist for the isolated purpose of news and information unless they be subsidized broadly. Of course there is always the further factor that audiences must be built up and sustained.

"Without continuing the service and without attractive service, including entertainment, the audience will not be there. Audiences cannot be turned on and off like a spigot. I am sure it will be very obvious to all of us who are concerned with the continuity, stability and security of the broadcasting industry that all positions essential to those requirements will be recognized."

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#### ALABAMA GOVERNOR ASSAILS FAIR EMPLOYMENT COMMITTEE

When Gov. Frank M. Dixon, of Alabama, suggested the formation of a Southern Democratic party because the New Deal was "dynamiting the social structure of the South", he assailed the President's Fair Employment Committee, which recently ruled that broadcasting companies and radio stations were defense industries and therefore within the meaning of the Executive Order that there shall be no discrimination in the employment of workers in defense industries because of race, creed or color.

"The actions of the Fair Employment Committee indicate", Governor Dixon declared, "that, however fervently the claim may be made that the purpose was not to interfere with the social structure of the South, in practical effect the abolition of segregation was exactly the result to be achieved by the majority of the Committee."

In connection with the President's Employment Committee recently ordering the Capital Transit Company, operating the street cars and busses of Washington to hire negroes for bus and car operators, Major Kelly, Washington Chief of Police was quoted as saying: "That order has the makings of a first class race riot in the Capital."

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## WPB TO CALL ON RADIO MANUFACTURER HEREAFTER

To eliminate bottlenecks in radio production, the War Production Board hereafter will visit the manufacturer at his plant making it unnecessary for the manufacturer to come to Washington except on unusual occasions. A Field Service Section of the Radio and Radar Division, which will operate from WPB regional offices in radio centers has been set up under Frank S. Horning.

The chiefs of the radio field offices are experienced radio men who have been trained in WPB procedures. They will be assisted by staffs working exclusively on radio and radar problems.

One type of assistance by the Radio Division in Washington to manufacturers is the finding of essential, but scarce materials. On many occasions, the Division has searched markets on behalf of manufacturers. On finding materials it has made arrangements with other Government agencies for financing their acquisition.

The Division has assisted in preventing interruption to the flow of production. In one case a components manufacturer had almost completed delivery of his orders just at the time for filing his requirements for material for the next quarter under the Production Requirements Plan. In anticipation of prospective military orders, the Division procured an immediate order from the Defense Supplies Corporation, thus making it possible for the company to obtain necessary materials and to continue production without interruption.

These and other services hereafter will be obtainable at the regional offices as well as in Washington.

Thus far field offices have been established in three regions. In New York, Frank Misterly has been appointed head of the Radio Section. He will head a staff of six. Ray C. Woodford, formerly in charge of sales and production of the Stewart Warner Corp. will head the office in Chicago. Assisted by a staff of eight he will cover field offices in the region including Kansas City. The Philadelphia office will be headed by Frank Aiken, formerly of the Atwater-Kent Manufacturing Company.

Field offices also are being set up in Boston, Cleveland, and Los Angeles.

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Admiral Darlan has not as yet permitted the Office of War Information to broadcast from French North Africa to occupied Europe. American newspaper correspondents have not been permitted to send their dispatches to this country via the Agliers radio. As for cable facilities, the British Reuters news agency apparently enjoys most favored treatment under a long-standing agreement with the French.

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## FATE OF SMALL STATIONS CAUSES CONCERN

That the future of the small station was causing considerable anxiety was revealed at the press conference of Chairman James L. Fly, Chairman of the Federal Communications Commission.

"We are still making studies and holding conferences regarding the status of small stations which may have difficulty in staying on the air due to the falling off of local business", Mr. Fly said. "This is particularly acute in a number of smaller towns and cities served by local stations dependent upon the business of the particular town. I am hopeful that some sound plan can be evolved for the relief of these stations so we can be assured of their continuing operating during the war. Perhaps not a more essential class of station in the whole broadcasting structure. Needless to say the tax measure may be of some assistance. That can hardly be deemed a major alleviative.

"In connection with the small station problem, has Gardner Cowles, of the OWI formally sought your advice?" Chairman Fly was asked.

"We have had some conferences", he replied.

Q. "Do you intend to serve on the committee that he spoke of forming?"

A. "I have heard of no committee. We are working on the problem and helping in the effort of getting it solved. I am a little bit leary of 'committees'."

Q. "How complete is your information of station data?"

A. "It is not as up-to-date as we would like it to be but we have the basis for the further appraisal based upon the new information. When do we get the new data?"

"Early next year", Mr. Clevenger, in charge of FCC Press Relations replied.

"I understand that for 1941 the figures showed 175 stations operating in the red, including new stations which have just started", someone queried.

"I don't think much in terms of new stations which are just started", Mr. Fly answered.

"The new stations were included in the <sup>195</sup> ~~194~~", the questioner said.

"I think that is about the correct figure for 1941. I think around 175 stations were in the red, and as I recall it, a great majority of those are the stations in the one-station-towns where the town is wholly dependent upon that service for local service and indeed in many cases for the primary service", Mr. Fly replied.

Q. "How many one-station-towns are there, Mr. Chairman?"

A. "That second figure is the correct figure for 1941 - 1975. The figure of the single station in towns and cities is 115. There are also 103 stations in single station towns that have virtually no earnings. So naturally the studies are apt to be concerned with those groups, at least in the main."

Q. "Will you clarify those two figures, 115 and 103? What was the first?"

A. "175 were in the red; 115 of those were in towns having no other radio stations."

Q. "Of the 175?"

A. "Yes, 115 of those. Then there is a comparably sized group earning, say, from \$1 to \$2,500. Of that group - I don't have the total figure of that group, but out of that group there are 103 towns having only the one station. In other words the 103 is to be compared to the 115 out of the first group. We are beginning to wonder if we can't stir up some advertising for those stations. It seems to me to be the most wholesome way to handle it - much better than to have the Government move in and give some artificial stimulation and throw some additional burden on the stations. We are going to explore all the ways and means and continue our studies and keep in touch with Cowles and Lewis and everybody that is interested, and it may be that we can get some answer."

Q. "I have heard it claimed that the Commission has been showing 'uneconomical' policy in licensing a lot of these small stations. Would you care to comment on that?"

A. "Well, I think that is a fallacious approach. After all, these stations are licensed to serve the public interest, and while it is not true - that is, it is a mistake in premise - it is also not true that the Commission has ever licensed a station which hasn't shown its ability to continue in operation under the circumstances for a substantial period of time. Financial qualifications, including capital devoted to the business; capital available for the business and generally required, are considered, and the grants are based upon the whole record of the financial capital of the licensees and we consider the financial status of the group - by group I mean partnership, corporate organization and chief backers of the station, and the operating possibilities as well. I think the fact that these stations, broadly speaking, stayed on the air through the long periods of depression and over the stretch of years is significant. Certainly in the recent history of radio broadcasting, very few stations have turned in their licenses. Now it might even further be urged or required that licenses should be granted to serve smaller towns; particularly where they do not have adequate service from other stations for the purpose of meeting the war needs of the nation and of meeting the need of

the Government to keep in touch with the people. There is definite war need of this form of mass communication and, of course, the counterpart of that consideration is that the people out in the forks of the creeks, those who need radio service and are more dependent upon it as a means of getting news and information and keeping in touch with the outside world. Any assumption that a grant in an overcrowded city with a dozen stations is more beneficent or more logical fails to give any proper weight to these basic factors."

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# ZENITH REPORTS \$2,000,000 6 MONTHS' OPERATING PROFIT

The Zenith Radio Corporation reports an estimated consolidated operating profit for the first six months ended October 31, 1942, of its current fiscal year, amounting to \$2,010,109 after depreciation, Excise Taxes and reserves, but before provision for Federal Income and Excess Profits Taxes.

Federal Income and Excess Profits Taxes on this profit are estimated at \$954,403.

"In the absence of definite information as to the procedure to be followed with reference to price renegotiation on war contracts, the management is unable to determine the effect, if any, such renegotiation will have on the foregoing figures which were arrived at after liberal reserves had been created", said E. F. McDonald, Jr., President.

"The company's production of vital equipment for the war effort has been steadily increasing and will continue to do so as more materials become available.

"In recognition of our performance to date, the company and its employees were recently awarded the Army-Navy "E" pennant and lapel pins for excellence in production.

"The company continues to receive substantial orders for new business on a direct contract basis. A portion of this business is being sub-contracted to other manufacturers.

"The figures submitted herewith are believed to fairly set forth the extent of the company's progress for the period. They are, however, subject to verification by our auditors when they make their annual examination at the close of our fiscal year."

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## FCC ASKS DEFERMENTS

Appointment of a 3-man committee by President Roosevelt to formulate a uniform policy for the draft deferment of Federal employees will be good news to several Government agencies which indicated that the President's previous order on deferments had left them in a quandary.

The OPA, which has lost about men men since the President ordered that deferments could be obtained only by direct application to the White House, reported that the employees it had lost to the the armed services were "men for whom deferments might have been asked" but were not because "the policy was not clear enough".

The Board of Economic Warfare, reporting that it was standing by for "an overall classification", said it had asked no deferments for any of its 300 employees - about 40 of whom are regarded as critically essential to their agency.

The Federal Communications Commission said it had requested deferment of a few hundred scientific and technical employees engaged in work directly related to the war effort, and that since the President's order it had not lost any men who "would not have been drafted anyway."

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## FTC ORDERS HALT PRESS-RADIO SERVICE

Joseph Cohen, 713 Otis Place, N. W., Washington, D. C. has been ordered by the Federal Trade Commission to cease and desist from the sale and distribution of so-called press supplies, including press cards and automobile press tags represented as entitling the holder to pass through police and fire lines and to receive the courtesies and privileges extended to regular newspaper correspondents.

The Commission finds that the respondent Cohen, who trades as Press Radio Service and as Press Supplies, and who also had an address at 1934 Eleventh St., N.W., Washington, which is the location of a negro secretarial service bureau, had advertised in newspapers, magazines and other periodicals that he is affiliated with press associations, newspaper syndicates and other publications which serve as a market or outlet for the work of amateur writers; that the press cards sold by him afford to such writers and photographers means of access through police and fire lines; that persons desiring employment in spare time at good pay could obtain it from him, and that his business has long been nationally and prominently established. The Commission found all these representations to be false and that the respondent performed no functions whatever for the press generally or for the radio industry.

The respondent is ordered to cease and desist from using the name "Press Radio Service" or any other name of similar import to describe his business; from selling or distributing so-called press cards purporting to carry any authorization or credentials affording the holder passage through police or fire lines or through any other place, or representing that he is able to grant such authorization; and from representing that he is connection with the radio industry or with any press association, newspaper syndicate or publisher. The respondent is further ordered to cease representing that he is able to offer or obtain employment for writers or reporters, either on a part or full time basis, or that his business is nationally or prominently established.

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#### HIGH COURT TO RULE IN NET BROADCASTING REGULATIONS

The Supreme Court agreed Monday to review a decision which dismissed suits by the National Broadcasting Co., Inc., and the Columbia Broadcasting System, Inc., seeking to enjoin the Communications Commission from enforcing restrictions on chain broadcasting.

A three-judge Federal court at New York held that the Commission's action was authorized by the Federal Communications Act. Enforcement of the order was stayed temporarily, however, until next February 1 to permit an appeal to the Supreme Court.

Charles E. Hughes, Jr., son of the retired Chief Justice, and John T. Cahill, New York attorneys for the companies, have contended that the FCC regulations barring exclusive contracts with affiliated stations had caused the networks "drastic damage".

The Commission said the regulations were based on the belief that "broadcasting stations would be reasonably available for programs of local and regional, as well as national interest" and that "communities should, as far as practicable, have available service from more than one or all networks."

Joining the Supreme Court appeal were the Woodmen of the World Life Insurance Society, which owns and operates Stations WOW in Omaha, and the Stromberg-Carlson Telephone Manufacturing Co., which owns and operates Station WHAM in Rochester, N. Y.

The Mutual Broadcasting System, Inc., intervened in the litigation on the side of the FCC.

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## PRESIDENT SENDS FIRST RADIO PHOTO LETTER TO CHINA

The President, in connection with the opening of radio-photo service between the United States and China today (Tuesday) sent a handwritten letter to Generallissimo Chiang Kai-Shek, the text of which follows:

"My dear Generallissimo:

"The once vast distances between our two countries have been successively diminished by the steamship, the radio, the cable, the air-plane, and now by this marvel of science which I am utilizing today.

"I take this unique chance to tell you how honored the people of this country, including Mrs. Roosevelt and myself, feel to have with us your charming and distinguished wife.

"Always sincerely yours,

"FRANKLIN D. ROOSEVELT"

At his press conference Mr. Roosevelt, saying he had broken a fixed habit to write a handwritten letter, showed considerable enthusiasm when discussing the subject of radio-photography. He said that the message would probably reach its destination within an hour or two and that by the next day it might be read in all parts of China.

With the President at the conference was the new Chinese Ambassador.

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## NATIONAL CAPITAL SEES ELECTRON MICROSCOPE

Government officials, Army and Navy officers and scientists attended a preview of the RCA electron microscope at the National Press Club in Washington yesterday (Monday) afternoon. Speakers included Dr. V. K. Zworykin, Associate Director of the RCA Laboratories, who supervised the microscope's development; Dr. Stuart Mudd, Professor of Bacteriology, University of Pennsylvania, and Dr. R. Bowling Barnes, Director, Physics Laboratory, American Cyanamid Co., Stamford, Conn.

Today (Tuesday) will be National Press Club and Members of Congress Day; Wednesday, Medical Societies Day; Thursday, Scientists, Army and Navy and War Production Board Day, and Friday, International Day for diplomats and certain Government officials.



The electron microscope uses electrons and magnetic fields instead of the light rays and glass lenses employed by the conventional light microscope.

Scientists pointed out that the light microscope, limited in power by the length of light waves, has a useful magnification of up to 2000 diameters; the finest detail it can resolve is about 100,000th of an inch. The resolving power of the electron microscope is on the order of ten-millionth of an inch.

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#### FM BROADCASTERS STILL VERY MUCH ALIVE

Denying a news story in a current publication which was captioned "F-M's Trade Association Dissolves", the bulletin of FM Broadcasters, Inc., which will still continue to be published despite earlier announcements to the contrary, states:

"The story in question has an Albany, N.Y., date-line, and starts out with this statement: 'FM Radio Broadcasting Co., Inc., New York, has been dissolved. The dissolution papers were filed with the Secretary of State by the N. Y. law firm of Chadbourne, Hunt, Jaeckel & Brown.'"

"FM Radio Broadcasting Co., Inc., was not the trade association of the RM industry, and never purported to be. It was a private organization, originally backed by 'Family Circle' magazine, which once sought a permit to build an FM outlet in New York City. Later it joined forces with the Muzak Radio Broadcasting Station, Inc., also of New York, which is the operator of W47NY.

"The thing that really stuck in our gullet, though, was this blithe bit of rationalization - 'The dissolved corporation served as a trade association for FM Broadcasters. With further FM development frozen for the duration, the members decided to disband the setup, whose main purpose, anyway, was to publicize this phase of the industry.'"

"The fact that we announced the proposed cessation of our informational service a fortnight ago might have led the publication to believe FMBI was folding up - except that we specifically and carefully declared the move 'in no way indicates disbandment of FM Broadcasters, Inc.'"

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Radio telephone service is being established between Portugal and Mozambique, the foreign press states. Portugal already has radio telephone connections with its colonies of Madeira and the Azores.

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 :::: TRADE NOTES ::::  
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John G. Paine, General Manager of the American Society of Composers, Authors and Publishers, announced last week the appointment of Herman Finkelstein as Resident Attorney for the Society. The law firm of Schwartz and Frohlich will continue as General Counsel for the Society.

A. R. Williamson, formerly on the National Broadcasting Company's Press Relations staff, has been named Chief of the Press Section of the War Savings staff of the Treasury Department.

Only 58,839 radio sets were manufactured in Canada during the second quarter of 1942, according to official statistics. This is the lowest production total reported since the first quarter of 1939. Producers' sales also dropped sharply, both in volume and value.

The latest CBS correspondent to blossom forth with a book will be Larry La Suer, Moscow correspondent for a year.

Radio apparatus imported from the United States by Brazil showed a marked increase in both tonnage and value in 1941, according to the foreign press. Imports in 1941 weighed 655 tons and were valued at approximately \$1,700,000, compared with 398 tons valued at approximately \$1,022,534 in 1940.

Station WJSV last Saturday, departing from its usual style of advertising in the Washington newspapers, ran an eighth of a page of display and setting forth the stellar features of its Sunday night program.

The Canadian Broadcasting Corporation has been authorized by the Dominion Government to proceed as rapidly as possible with the work of erecting a high-power, short-wave broadcasting station at Sackville, New Brunswick, according to the Commerce Department. The estimated cost of the project is approximately \$800,000.

The Army is acquiring by purchase the 3000-room Stevens Hotel in Chicago now occupied on lease by the Army Air Forces, the War Department announced last Saturday. The 22-story structure, built in 1927 at a cost of \$26,000,000 is being bought at a small fraction of its original cost. At present it houses 9,000 soldiers of several Army Air Forces Technical schools including a large number of radio and communications personnel.

In acquiring the hotel, the Government will avoid the expenditure of funds for rental and restoration, and on the basis of present plans will effect a saving of \$475,000 a year.

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