

HEINL RADIO BUSINESS LETTER

2400 CALIFORNIA STREET

WASHINGTON, D. C.

NATIONAL BROADCASTING COMPANY, INC.
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WALLACE BURNS UP JESSE JONES ON QUARTZ CRYSTALS

One of the most sensational charges Vice President Wallace, Chairman of the Board of Economic Warfare, made against Secretary of Commerce Jesse Jones and head of the Reconstruction Finance Corporation, was in connection with the alleged blundering of the latter in the purchase of quartz crystals so important to the radio industry. Mr. Wallace said:

"I now desire to discuss quartz crystals, the use of which is so utterly important to some of our war industries. For two years now Brazilian quartz crystal, essential element in airplane, tank and submarine radio sets, has been in critically short supply.

"During 1941 and early 1942, the Reconstruction Finance Corporation agent in Brazil bought 2,000 tons of crystals. He was paid a commission of $1\frac{1}{2}\%$ on his gross purchases, and he bought those crystals without checking to see whether they were of the quality needed and paid for. Over 85% of them weren't. The government lost between two and six million dollars, and we have heard that United States quartz fabricators began raiding museums to get usable crystals.

"Shortly after April 13, 1942, the Reconstruction Finance Corporation replaced this agent although it gave him equally lucrative work in New York. But the situation in Brazil wasn't improved. The Reconstruction Finance Corporation had been burnt where it hurt most, by having to take a loss on a hazardous undertaking. The new Reconstruction Finance Corporation agent began eliminating dollar losses the easy way. Not a pound of quartz crystal was purchased by the Metals Reserve Company for six months. The Board of Economic Warfare finally had to send a top official to Rio to get the public purchasing resumed. I feel that Board of Economic Warfare personnel should have fought the delaying tactics of the Reconstruction Finance Corporation more vigorously in this instance.

"The Board of Economic Warfare finally insisted upon inspection facilities in Rio so that crystals could be tested before payment and shipment. The Army Signal Corps has been of great assistance to us on this project by supplying 20 trained inspectors and the necessary arc-lights, inspection baths, polaroid screens, etc. The Army, of course, had a critical military stake in this phase of our work and has cooperated readily and effectively.

"Reconstruction Finance Corporation policy had been to keep a staff in Rio - and to wait for the business to come in. When the Board of Economic Warfare sent 100 engineers and qualified purchasing agents into the up-country areas where the crystals are

mined, Reconstruction Finance Corporation representatives in Brazil at first cooperated in supplying purchase money and contracting authority; then they refused to cooperate - on "instructions from Washington". The Board of Economic Warfare set up a purchasing station at outlying Campo Formosa; then we had to move it back to Bahia - so that Reconstruction Finance Corporation funds could be spent through the bank there.

"In April, 1943, Board of Economic Warfare representatives in Rio advised that restrictions put upon Metals Reserve Company agents' purchasing authority by Reconstruction Finance Corporation was preventing our meeting market prices in our buying there and that purchases were coming to a halt. The Board of Economic Warfare, therefore, directed the Reconstruction Finance Corporation to relax its restrictions. Reconstruction Finance Corporation refused, stating that we didn't need quartz enough to pay any more for it. Three weeks later, after advice from their own Brazilian representatives, they reconsidered - and changed their instructions. But not in time to head off the Special Representative of the Board of Economic Warfare in Brazil. Fed up with Reconstruction Finance Corporation obstruction to his Brazilian program, he arrived in Washington to report. It took his report, plus a morning which I spent with Jesse Jones and Will Clayton, to break this particular log-jam. Throughout the period of these bureaucratic, obstructionist tactics on the part of the Reconstruction Finance Corporation, the need for quartz crystals was critically urgent.

"As I previously indicated, the reason Mr. Jones could hold up our quartz crystal and quinine programs is because he signs the checks to pay for the procurement and development of these commodities. To put it differently, he has been able to delay this part of the war effort because of his position as banker for us, notwithstanding the complete delegation of powers over imports which the President gave the Board of Economic Warfare on the 13th of April, 1942, following the failure of the Reconstruction Finance Corporation to build the government stockpiles of strategic materials which Congress authorized and directed in the Summer of 1940."

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PAUL PORTER, FORMERLY OF CBS, NAMED FOOD CZAR'S AIDE

One of the first acts of Judge Marvin Jones, the new food Czar, in succeeding Chester Davis, was to appoint Paul Porter, Chief of the Rent Division of OPA, as Chief Executive Officer of the War Food Administration. Mr. Porter is well known to the radio industry and was formerly Washington counsel for the Columbia Broadcasting System.

Although now called on to serve Judge Jones, Mr. Porter was the Deputy of Chester Davis when the latter was in the National Defense Advisory Commission. At that time Mr. Davis tried to get

Mr. Porter to join his staff. However, Mr. Porter's Rent Division was under fire at the time and he refused to leave. The inquiry into the rent agency revealed that Mr. Porter had held rents in line at a time when other prices soared. Mr. Porter's prestige shot up to the point where he was being seriously considered for General Manager of OPA when Judge Jones asked him to serve as Associated Administrator.

A native of Kentucky, Mr. Porter was educated at the University of Kentucky, graduating in law. He worked as General Counsel for a group of newspapers in Oklahoma and Georgia before coming into Government service with the original Agricultural Adjustment Administration where he was at first in charge of press relations, and later Executive Assistant to Chester Davis. In 1940, he took leave from his company to join the staff of the National Defense Advisory Council, as Deputy to Mr. Davis, the agricultural member of the Council, and in 1942 when the Office of Price Administration was organized, became a member of its staff.

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COWLES, NEW AFA DIRECTOR; EGOLF AGAIN V-C AD COUNCIL

Bruce Barton, former member of Congress, head of Batten, Barton and Durstine, agency handling a large number of radio accounts, was elected Chairman of the Board of the Advertising Federation of America in New York. Gardner Cowles, Jr., Des Moines publisher and broadcaster, was made a member of the AFA Board. Willard D. Egolf, Assistant to the President of the National Association of Broadcasters, was re-elected a Vice-Chairman of the Council on Advertising Clubs. By virtue of this, Mr. Egolf also serves as a Vice-President of AFA.

One of the resolutions passed urged Congress to weigh the need for new legislation "to clarify and make secure the freedom of communications against the possibility of capricious legislation."

Chester J. LaRoche, Chairman of the War Advertising Council, speaking at the Advertising Club conference on war activities, urged the advertising profession to institute powerful self-regulation through a strong structure set up by the four great media - newspapers, magazines, radio and outdoor.

"And if we don't, there is no doubt that the Government will have to do it for us", he added.

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INVESTIGATION OF FCC BY REP. COX BEGINS TODAY

The long anticipated public hearings of the House Select Committee, of which Representative Cox (D), of Georgia, is Chairman, will begin today (Friday). An air of caution prevailed in the preliminary arrangements, the Committee evidently not desiring to tip its hand on any of the details. Not even the names of the first witnesses were made public. The fact that the hearings were to start Friday was not officially stated until about 48 hours ahead of time, although preparations and even examination of FCC Commissioners and officials has been going on privately for months.

That a crowd was expected at the public hearings was shown by the fact that they are to be held in the large House hearing room which seats as many people as some movie theatres.

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ROW OVER FCC JOBHOLDERS TIES UP PAY OF THOUSANDS

Thousands of Government employees were the victims of a deadlock of the House and Senate conferees on the \$143,000,000 urgent deficiency bill who couldn't get together regarding the ousting of two Federal Communications Commission employees - Dr. Goodwin Watson and William Dodd, Jr. - and Dr. Morss Lovett, Secretary of the Virgin Islands, accused of membership in subversive organizations. The deadline for the passage of the bill was last Wednesday, June 30th. Thus the pay will be delayed for 13,000 District of Columbia employees, several hundred legislative employees and overtime pay for approximately 400,000 Federal workers.

Representative Cannon (D), of Missouri, late last night indicated that conferees expected to work out a compromise which would insure passage of the measure. He declined to elaborate on the proposed compromise except to say that it involved a change in the language of a provision cutting off three Government employees from the Federal payroll.

Mr. Cannon indicated, however, that the House which Wednesday rejected by a vote of 301 to 71 a motion to recede from its position and concur with the Senate, would not yield in its determination to see the three men named in its provision severed from the payroll.

Commenting upon the deadlock, the Washington Post said:

"The Senate did well in refusing to sanction the compromise proposal recommended by its conferees for inclusion of the Kerr amendment in the urgent deficiency appropriation bill. It is to be hoped that it will adhere to this stand despite the strong support of the amendment in the House yesterday. The issue goes

far beyond the personal interests of the three individuals whom the amendment would drive from Government service. It involves a basic constitutional principle.

"A good deal of passion has been aroused over this issue. And perhaps the passion has obscured the real fundamentals involved. We urge upon members of the House at this time a fresh consideration of the problem - not in terms of the personalities and records of the three proscribed men, but in terms of the conscientious objections raised by the Attorney General, by eminent Senators and by some of their own colleagues whose knowledge of the Constitution and devotion to its principles must command their respect.

"Let us set aside any legalistic wrangling as to the technical constitutionality of the Kerr proposal. The fact remains that it is a method of penalizing specified individuals for certain opinions which they are alleged to have held long ago. As such, it is repugnant to the spirit of our most valued traditions. Even if Congress has authority to follow such a course, it is unbecoming to its dignity to do so. The procedure is stamped with the hallmark of pettiness."

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KEEP YOUR RADIO TURNED ON IN AIR RAID, OCD ADVISES

Disapproval of the blackout practice of throwing master switches, thus shutting off elevator service, radios, refrigerators, pumps and ventilating equipment in many large buildings, was expressed today by James M. Landis, Director of Civilian Defense.

The question raised in connection with radios and its answer follows:

Q. Are radio receiving sets permitted to be used during periods of blackout (BLUE) or air raid (RED)?

A. Yes. Upon the sounding of any air-raid signal, keep your radio receiver tuned to the radio station for your area to receive intermittent official announcements or bulletsin. Any light (dial or tube) emitted by the receiver must, of course, be obscured.

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Gracie Fields and her "Victory Show will switch to WOR and the Mutual Network, starting Monday, (October 11).

The 15 minute programs to be heard five times weekly at 9:15 on a station lineup numbering between 150 and 200 outlets - will be under the sponsorship of the American Cigarette and Cigar Company, Inc., for Pall Mall Cigarettes.

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SENATE AIDS OWI BUT IT IS STILL SHOT FULL OF HOLES

Although the Senate did not concur with the House in lopping off the entire \$8,000,000 Elmer Davis had asked for its Domestic Branch, the Office of War Information is still a No. 1 casualty of the Battle of Washington. At this writing the conference report has not been made but it looks as if the Domestic Radio Bureau, which has a chance of getting about \$800,000 fared pretty well considering what happened to some of the other bureaus.

The Senate voted \$3,561,499 for OWI domestic operations and the conferees agreed yesterday to a reduction of \$811,499 from the Senate figure which the conferees admitted unhesitatingly will allow only partial OWI operations at home in the next 12 months.

Thus the total OWI appropriation in the 2 billion 900 million dollar War Agency spending bill would be reduced to \$33,155,993, compared with \$47,342,000, the amount of the new appropriation which the agency demanded of Congress early in 1942. Senator O'Mahoney (D), of Wyoming, tried to raise the domestic operations appropriation to \$5,550,000 but was beaten 40 to 34.

By beating the O'Mahoney amendment, the Senate restricted the Domestic Branch funds to these purposes: For the Director's office, \$125,000; Program Co-ordination, \$225,000; News Bureau, \$900,000; Bureau of Special Services, \$950,000; Radio Bureau \$811,499, and motion picture bureau, only \$50,000 to maintain liaison with Hollywood. All this, however, must be passed on and approved by the House.

Senator Tydings, (D), of Maryland, led the fight against adding to the sum the Appropriations Committee had recommended, directing his fire chiefly at the field offices. The increased amount failed, despite the support of Minority Leader McNary of Oregon, who expressed full confidence in the ability of Palmer Hoyt, new head of the Domestic Branch of OWI. Senator McNary pointed out that Mr. Hoyt, who comes from Oregon, was Managing Editor of one of the oldest Republican newspapers in the West.

When Majority Leader Barkley made the same argument, Senator Taft (R), of Ohio, asked what assurance the Senator could give that Elmer Davis or Mr. Hoyt would not resign. Senator Taft argued there was danger in basing appropriations on confidence in individuals.

Senator McKellar (D), of Tennessee, in charge of the bill, praised OWI officials for the showing they made before the committee, and Senator Mead (D), of New York, spoke in defense of the agency.

Elmer Davis appeared uncertain as to the extent to which his agency, in view of appropriation cuts, could carry on, but stated flatly he would not resign unless effective readjustments were found to be impossible. Mr. Davis had an interview with President Roosevelt at the White House yesterday.

Handwriting was seen on the wall of the beginning of the end of a large part of OWI domestic activities when Mr. Davis disclosed that orders have already been issued to close 58 branch and regional offices located in every State except Wyoming, Nevada and Idaho. The liquidation, involving 330 employees, is to be completed by July 15.

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FCC WAR RADIO ACTIVITIES ASSAILED BY MILITARY UNITS

The opening gun at the Cox FCC hearing this (Friday) morning was that the War and Navy Departments, charging that radio intelligence activities of the Federal Communications Commission have endangered military radio intelligence, have unsuccessfully asked President Roosevelt to give the right-of-way in this field to the military.

The Joint Chiefs of Staff, through Admiral William D. Leany, recommended in February the issuance of an Executive Order transferring FCC's "functions, powers and duties" in radio intelligence to the military services.

A letter from the Admiral, dated February 1st, read in part:

"Information obtained through the FCC through its own radio intelligence activities is not, in the military sense, secure, due to inherent tendencies toward publicity of FCC activities, use of non-secure methods of reporting and correlation, and the necessarily close relationship of FCC military intelligence activity with other phases of the agency's work."

"Because of the essential differences between military and FCC standards and methods, it has not been possible to integrate their information, with the result that the attempted duplication by the FCC of work that is being more effectively done by the military has in fact endangered the effectiveness and security of military radio intelligence."

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MEDIATION FLOPS AS PETRILLO ORDERS PERMANENT BAN

The Government move in New York Thursday to mediate the controversy between James C. Petrillo, President of the American Federation of Musicians, was a complete flop. As reported by Jack Gould in the New York Times, the session ended in 15 minutes when Mr. Petrillo announced that the union no longer was interested in negotiating a settlement and intended to stop the transcription industry permanently.

Mr. Petrillo minced no words in detailing his position.

"We're not going to make any transcriptions at any cost or at any price", Mr. Petrillo said. "I told the companies, 'We're not going to make transcriptions for you at all any more because you haven't anything we want.'"

"The guy really getting rich - it isn't the transcription company - is the radio station using the transcriptions and he's the guy we can't reach.

"The transcription people tell us that their gross business is \$4,000,000, that they pay musicians \$1,100,000 and that their net is \$250,000. The companies can't give up anything. If they gave us their entire gross it's still small peanuts to the federation."

Asked if he would not leave himself open to charges of blocking mechanical progress, Mr. Petrillo replied:

"Yes, I know, but we can't get at them (the radio stations) any other way. We've got to go to the source. The only thing we can do is stop the transcription."

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MRS. T. P. LITTLEPAGE, WIDOW OF RADIO COUNSEL, PASSES

Mrs. Thomas P. Littlepage, widow of Thomas P. Littlepage, a pioneer radio lawyer of Washington, who died last Sunday was buried Tuesday in Rock Creek Cemetery. As in the case of Mr. Littlepage, who was one of the National Capital's outstanding citizens and former President of the Washington Chamber of Commerce, the Rev. Dr. James Shera Montgomery, Chaplain of the House of Representatives officiated at the funeral services. Dr. Montgomery and the Littlepages were all from Indiana.

Mrs. Littlepage, who was 63 years old, was born near Evansville and came to Washington more than 35 years ago. She had been living on the Littlepage farm at Bowie, Md., one of the finest estates in that part of the country for the last 25 years.

She is survived by three sons, Lt. Thomas P. Littlepage, Jr. who is in the Navy Department here; James H. Littlepage, an attorney in Richmond, Va., and John M. Littlepage, himself well known as a radio counsellor and a member of his father's law firm, and two daughters, Mrs. Willard L. Hart and Mrs. William B. Fletcher, Jr., both of Bowie.

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FDR MYSTIFIES BY WITHDRAWING PAYNE NOMINATION

At this writing (Friday noon - July 2) there was still considerable mystification with regard to the withdrawal of the renomination of George Henry Payne for a third term as Commissioner of the Federal Communications Commission. Mr. Payne is a Republican and in 1912 served as campaign manager for President "Teddy" Roosevelt. The President sent Mr. Payne's nomination to the Senate Thursday and the fact that he withdrew it 24 hours later on the eve of the beginning of the Cox FCC investigation, caused considerable speculation. Representative Cox said that Mr. Payne would be called upon to testify. There was confirmation of the report that charges would be made against Mr. Payne at the Cox hearings.

"Any FCC Commissioner who doesn't have charges made against him at that investigation will be lucky", someone observed.

There were two big question in the mystery.

1. Why, if the President intended to drop Payne on July 1, did he send his renomination to the Senate on June 30?

2. Why did the President intend to drop Payne from office - a move automatically effected by withdrawing the nomination, since the Commissioner's term expired midnight Wednesday.

On the first question informed officials generally, but not unanimously, speculated that the nomination went to the Senate by an outright clerical error on the part of the White House secretarial staff. The suggestion was that with Payne's term expiring at midnight, the nomination was railroaded with a batch of other names, without the President's noticing and that the President had promised the position to someone else.

On the second question the White House silence let down the bars for a storm of speculation, ranging from the tantalizing question of office politics within the FCC, to more lavish issues of high political policy.

Payne was understood to have the indorsement of the two Senators from his State, Senators Wagner and Mead of New York, both Democrats and staunch supporters of White House policy.

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URGES WLB TO REVIEW SAN FRANCISCO RADIO RULING

The National Association of Broadcasters has urged the San Francisco regional War Labor Board to reject an arbiter's award which stated that the job of a radio technician was the same no matter where he worked.

Award was made by George Cheney of the U. S. Conciliation Service, sitting as an arbiter in a wage dispute between Station KPAS, Pasadena, California, and the International Brotherhood of Electrical Workers, Local 40. It was subject to review under Executive Orders 9250 and 9328 by the War Labor Board.

The NAB brief was filed at a Board hearing in Los Angeles.

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WOR TO PRODUCE WEEKLY EXPERIMENTAL TELEVISION SHOWS

One of the many problems faced by radio stations today is the future of television, its programming possibilities, commercial aspects, visual problems, size of production groups, script limitations stagecraft and many others, a WOR release states and continues:

"In a comprehensive endeavor by WOR executives to answer these questions, the Station's Program Department will produce and present a series of experimental television shows.

"Facilities of the Du Mont Television Station W2XWV at 515 Madison Avenue will be used once a week to televise WOR's programs, but there will be no other connection between the two organizations. At present it is expected that the hour-long telecasts will be presented every Tuesday evening starting July 12.

According to Theodore C. Streibert, Vice President of WOR, this will enable the staff to familiarize itself with the demands and techniques of this new medium."

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WJZ AND BLUE EXPAND INTO RITZY NEW QUARTERS

Because of expansion in several departments, various members of the Blue Network staff of Station WJZ will move on July 1 to new quarters on the second and fourteenth floors of the RCA Building from their present quarters on the third floor.

With the move to the second floor, WJZ will have separate quarters for the first time, instead of using the same rooms occupied by the Blue. Among those who will move to the WJZ quarters are John H. McNeil, Manager; John Hade, Commercial Program Manager; Slocum Chapin, Acting Sales Manager; Tom Ellsworth, Sales Promotion Manager; Joseph M. Seiferth, Audience Promotion Manager; and Luellen L. Stearns and Stuart MacHarrie, salesmen.

Those of the Blue Network staff who will move with their respective assistants to new offices in another part of the building on the second floor include Dr. H. B. Summers, Director of Public Service; Grace Johnsen, Director of Women's Activities; Stanley Florsheim, in charge of local cooperative programs; and Alma Kitchell women's news commentator.

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The Federal Communications Commission has granted the application of Port Arthur College (KPAC), Port Arthur, Texas, to increase power on 1250 kilocycles from 500 watts using directional antenna at night, to 1 kilowatt unlimited time, and to make changes in the directional antenna for nighttime operation, subject to the condition that no interference will be caused in contravention of the terms of the North American Regional Broadcasting Agreement.

Just prior to this CBS made it known that it had signed a three-year contract with the Philadelphia Orchestra, conducted by Eugene Ormandy, for a series of concerts from 1 to 2 P.M. Saturdays, beginning Oct. 2.

The Federal Communications Commission on Wednesday extended until January 1, 1944; the date by which 50 independent telephone companies must file statements of their proposed methods for keeping certain accounting records. The Commission said that meanwhile it would call a conference on the order, probably in the latter part of July.

The FCC also authorized R.C.A. Communications, Inc., to intervene in proceedings on the application for merger of the Western Union and Postal Telegraph Companies.

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