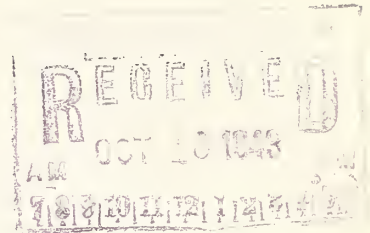


# HEINL RADIO BUSINESS LETTER

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No. 1570

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## RADIO GOES GUNNING FOR RETAIL ADVERTISING IN BIG WAY

The first sign of life the broadcasting industry has shown in endeavoring to capture its share of the retail advertising was the sound picture and chart presentation of "Air Force and the Retailer", the premiere of which took place in Washington last Tuesday afternoon. Paul W. Morency, General Manager of WTIC, Hartford, Conn., Chairman of the Retail Promotion Committee of the National Association of Broadcasters, mainspring of the presentation who has been working on it nights and Sundays for months, must have been flattered at the size of the crowd, which in addition to radio notables included every important local advertiser. It almost filled the Presidential Room of the New Statler, the largest in Washington.

During the entire presentation from 2:30 P.M. to 4:30 only three or four persons were seen to leave the room. A reception followed and many were still there when the writer left at 6 o'clock.

Altogether it was a bang-up presentation, one of the finest ever made by any industry. One was struck by its thoroughness and the time, money and thought it must have taken to get up. Financed by more than 400 stations, \$125,000 was spent on the production.

The selection of Harry D. Burke, of WOW, Omaha, Nebr., as the master of ceremonies at the National Capital premiere, was a happy one. His was a long, hard role - too long in fact as, in the opinion of this writer, the script was a trifle too heavy in statistics and could be cut, especially in the beginning.

Mr. Burke introduced Mr. Morency, who got a big hand and deservedly so, and then Sheldon R. Coons, Vice-President of Lord & Thomas, retailing and advertising expert, who a few minutes later was seen as the principal figure in the first movie. Mr. Coons was splendidly cast in the picture but also strung out his part a little too long.

The presentation, aimed at the retailer who is now spending less than 3% of his advertising budget on radio, began with the problem of retail distribution back in the horse and buggy days and what it is apt to be after the war. It was shown that post-war production would be so great that it would take a mass medium like radio to move it. Causing considerable comment was the assertion that 39% of the people get their news by radio, 31% from the newspapers, and 26% from both radio and newspapers. It was claimed that 72% of the people get their war news by radio. News broadcasts were shown to be almost three times as popular as anything else on the radio, the next closest being music (80% news, 30% music). In summing up, ten points of advice were given:

1. Radio has arrived - appraise it objectively.
2. Read radio publications - talk to radio people.
3. If you can't give your attention to radio, get people around you who can and will.
4. Put your best foot forward on the air.
5. Don't overburden your commercials - sell one item or kindred items at a time - one department or similar departments.
6. Write your commercials for the audience to which you have beamed your program.
7. Radio is entitled to the same promotional support you give to other media. Promote yours with ingenuity.
8. Don't waste your money on short-term experiments. Don't start unless you plan to stick.
9. Every station and every program has an audience. You don't have to have the biggest and best.
10. You can make your program a real franchise. Protect it with all your intelligence.

There were two sound motion pictures - one illustrating the "History and Development of Retailing" and the other, "Why Radio Works", the latter based on a five-year study and analysis of the use of broadcast advertising by retailers prepared by the Office of Radio Research of Columbia University under the direction of Dr. Paul Lazarsfield, and a running slide film on the history and development of broadcasting are included in the five-part presentation. Completing the program were chart presentations of "Distribution Tomorrow" and "Retailing's Future in Radio".

A Washington broadcaster told the writer that just before the presentation had been concluded a local advertiser sitting behind him tapped him on the shoulder and said if he could get 15 minutes on the air any day before 6 P.M., he'd take it. Another local advertiser who had seen the show, telephoned the broadcaster immediately afterwards inquiring about available time. Another Washington broadcaster, after the presentation, said: "Well, it makes us feel as if we are really doing something."

A newspaper man said, "I received two distinct impressions (a) the broadcasters are great showmen (b) there are a hell of a lot of radios."

The writer saw no mention of the presentation in any of the Washington papers but the New York Times (October 13) devoted almost two-thirds of a column to it.

There was praise for Lewis H. Avery, Director of Advertising for NAB, for his important part in getting up the comprehensive retail study. Also for Carleton Smith, of WRC, Chairman of the Local Committee, Carl Burkland, of WTOP, and Ben Taylor of WMAL, and Walt Dennis, Chief of the NAB News Bureau, for the tremendous crowd they got out for the premiere.

As a result of simply leaving a card in each seat to be filled out by those attending the show, the NAB should know exactly how many were there and who they were. On the back of the card the

guest was asked to indicate if he would like to receive the following five booklets: "How to Buy Radio Time", "How to Measure Radio Audiences", "How to Promote Your Radio Program", "The Elements of a Successful Program" and "Radio and Retailing in 1943". The booklets will be ready for distribution in about two weeks.

Beginning the country-wide showing, the NAB Retail Film will be seen Monday, October 18th in Providence, R.I., St. Paul, Miami, Pittsfield, Mass., and Durham, N.C. The dates for New York City are November 8th and 9th; Chicago, November 1st and 2nd; Cleveland, November 3rd; Cincinnati, October 28th; Toledo, November 2nd; Des Moines, November 10th, and Los Angeles, October 20th.

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FCC CHAIRMAN BELIEVES NETWORK REGULATIONS WORKING OUT O.K.

Calling attention to the fact that the much discussed network regulations have now been in effect for several months, Chairman James L. Fly of the Federal Communications Commission was asked if he felt there were any flaws in them.

I don't think that we have had the overall experience in terms of day-to-day operations that would lay the basis for a judgment as to whether or not the network rules are the right rules in every particular", Mr. Fly replied. "As to their general objectivity and as to the principles that are effectuated there, I think there can no longer be any debate that the overall result is there. They are working splendidly and as time goes on I think they will work to a greater benefit of stations as a whole and of the listening public as a whole. However, in stressing the brevity of our actual experience I meant to stress the fact that I think all of us should keep an open mind on the various particular questions that are involved in the rules. I never assumed that they would be perfect in every detail or for that matter on every point. I certainly have an open mind on such points and I should be most reluctant to lay claim to any such projection. I think we will continue to watch them and will stand ready to modify them in any particular where the public interest, and I think that may well mean the industry's interest, may demand it."

A questioner called attention to a point that was raised at a recent public hearing when an attorney explained he did not feel the network rules were intended to convert networks into common carriers. He pointed out that one complaint, which had been brought in by a station, might not be covered by these regulations because the particular station had not been denied a program on the complaint of another station.

"I think there was some question as to whether the network regulations encompassed that particular difficulty which was presented", Mr. Fly said. "It perhaps would have been a good thing if they had, but I think there is some doubt that they did."

Whereupon the Chairman was asked if he could point out specific benefits which have come to the public under the rules.

"Oh, yes", the Chairman answered. "I am not prepared with cases, but the diversity of sources of programs and the better chance the public has of getting programs that heretofore had been excluded from local audiences, and of course in general the freedom that is given to the stations to exercise a greater degree of control in terms of bringing to their own public what they think the public should have in their own communities. I think the record on that is already pretty good as I said at the outset, though we have not made special studies and got right down to cases and experiences and added those up."

Chairman Fly was told that in Washington it was hard to see any development because all networks have there outlets here.

"You are not apt to see any major change here" was the reply. "The only results you could see here might be in terms of maybe an additional local program that the local station thought of significance to the public which heretofore it may not have carried. I don't know of any cases where the independent stations have carried a program that had been rejected by the regular affiliates. They may be some cases.

"And one of the things that they have brought about, and I think that's true - the Blue Network, for example, once setting up the Blue Network in a separate corporation gave it a measure of independent control. The Blue has spread its service vastly. I think they have added 50-odd stations to the network. I had the list here. As I understand it, at the time they set up the Blue in a separate corporation it had 116 affiliates; it now has 166."

Asked if he recalled the date on that, Mr. Fly answered:

"I guess that's the date of separation, January 1942. I think the matter of reduced line charges which were brought about by our investigation of the A. T. & T. long lines rates as of January of this year - I think that has resulted in bringing the network service into quite a number of smaller towns and communities and it has also resulted in bringing some of the smaller, more isolated stations from the red into the black columns. I think the whole scope of network operations has been broadened; that's due in some measure to the network rules and I might say that anything in terms of broadening network operations is effectuating what I have termed freedom to listen. A total of 150 stations have been affiliated with networks since the release of the report on chain broadcasting. That was in May 1941 - a total of 150 stations added. And I think there are about 120 cities that have either received new or additional network service.

"I think on the whole that in the light of these various regulatory measures we have succeeded at least in aiding to open up and strengthen network broadcasting generally. They certainly have a more substantial basis and more stable basis of operation and

a lot of people are getting the benefit of network service that haven't had it before. Now I don't want to lay claim to all of those beneficial results, on behalf of the Commission or its regulatory moves. I think very realistically though they have been a substantial factor leading in the direction of those results. I want to stress that the networks themselves have taken an interest in broadening their operations and have cooperated in moving out to areas not heretofore covered. And they have then made possible to carry a lot of those smaller stations by their own rate schedules."

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# BLUE NET SALE APPROVAL CLEARS WAY FOR WMCA TRANSFER

The approval of the purchase of the Blue Network last Tuesday by Edward J. Noble from the Radio Corporation of America by the Federal Communications Commission after requiring Mr. Noble to file "a statement of policy" was seen as a precedent for all future sales of networks or stations. Furthermore, the approval of the Blue Net sale was seen to assure an official O.K. on the sale of Station WMCA in New York by Mr. Noble to Nathan Straus, former head of the U. S. Housing Service.

In announcing its approval of the Blue Net sale, the FCC said:

"At the same time, the Commission ordered that Regulation 3.107 prohibiting multiple ownership of networks serving substantially the same area be made effective six months hence. This regulation, adopted May 2, 1941, had been suspended indefinitely to make possible the orderly sale of the Blue without a deadline which would unduly depress the price.

"The Commission noted that its investigation into chain broadcasting established that the ownership of two networks by a single organization operated as a restraint on competition, handicapped the Blue Network, gave RCA a competitive advantage, and resulted in undue concentration of control.

"The transfer of the Blue will result in four independent nationwide networks. 'This', the Commission declared, 'will mean a much fuller measure of competition between the networks for stations and between stations for networks than has hitherto been possible. In addition, the transfer should aid in the fuller use of the radio as a mechanism of free speech. The mechanism of free speech can operate freely only when the controls of public access to the means of a dissemination of news and issues are in as many responsible ownerships as possible and each exercises its own independent judgment.'

"The Commission also pointed out that at a public hearing on September 20, it appeared that under present practice which is quite general in the industry requests for the sale or furnishing of time tend to be disposed of on the basis of rules-of-thumb and fixed formulae. 'Mr. Noble's commitment to consider each request with an open mind on the basis of the merits of each request and without any arbitrary discrimination is, in our view, the type of discretion

which all licensees must retain under the Communications Act', the Commission asserted. 'Only under such flexibility is the fullest utilization of radio in the public interest made possible.'"

A check for \$7,000,000 was given to David Sarnoff by Mr. Noble Thursday to be added to the million dollar down payment on July 30th. In the purchase, Mr. Noble with himself as President, formed the American Broadcasting System, Inc., which will own the 1000 shares of stock of the network company.

The sale of the Blue Network for \$8,000,000 and WMCA for \$1,255,000 are two of the largest sales ever to come before the FCC. It was necessary for Mr. Noble to sell WMCA to keep from becoming the owner of more than one station in the city in violation of the Commission's rules.

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#### FCC INVESTIGATION RESUMES AFTER BIG BLOW-UP

The first open session which House Committee has held since the de-throning of Representative Eugene Cox, of Georgia, was held Thursday with Representative Clarence Lea (D), of California, the new Chairman presiding. The Committee was told that Federal funds had been used, a law to the contrary notwithstanding, to employ refugee aliens. Moreover, the testimony showed, the same aliens gave advice to the FCC which resulted in forcing some American citizens off the radio waves and their replacement by arrivals in this country.

The story told the Committee in three volumes of written testimony taken by investigators concerned the formation of "Short Wave Research, Inc.", in New York City, in 1941, for the employment of refugee aliens.

Because Congress at that time had forbidden Federal employment of aliens, the corporation evaded this restriction, according to Committee Counsel Eugene L. Garey, by negotiating a contract with James P. Warburg, of the Office of Co-ordinator of Information, and later with the Office of War Information.

Approximately \$535,000 in salaries was paid the alien employees of the corporation for translations and radio scripts until Congress, in 1942, lifted the restriction on alien employment in the Government. More than 400 aliens were then shifted from Short Wave Research to the OWI pay roll at salaries ranging from \$2,000 to \$4,600 a year.

There remained \$29,118 as a balance with the corporation, the evidence showed, and this money collected from the Government was distributed by the corporation to charitable agencies, instead of being returned to the U. S. Treasury.

"This is an almost perfect illustration of the circumvention of legal restrictions imposed by Congress and a demonstration of disbursements of Government funds for unauthorized or unappropriated purposes, particularly with reference to these charitable contributions", Mr. Garey told the Committee.

Chairman Lea, noting that the evidence had been presented at private hearings in New York with former Chairman Cox presiding ordered it incorporated in the record with the provision that other witnesses might be summoned later if the Committee so decided.

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### SENATE COMMUNICATIONS PROBE SUGGESTS OVERSEAS MERGER

A resolution introduced by Senator Burton K. Wheeler (D), of Montana, for himself, Senator White (R), of Maine, and Senator McFarland (D), of Arizona, for a sweeping investigation of all phases of international communications was seen to foreshadow a merger of our radio and wire companies overseas similar to the recent Western Union-Postal merger in this country. Also the complaints of Senator Brewster and other around-the-world Senators that everywhere they went the British communications officials greeted them but that they saw little of American officials is believed to be a factor in the investigation.

The Senate resolution would authorize a subcommittee to investigate the financial control, character of service and rates charged by American firms engaged in the business, as well as the extent and nature of control exercised by foreign governments over common carriers and the character and extent of competition furnished by foreign companies in communications to and from the United States.

The resolution reads as follows:

"Resolved, That the Interstate Commerce Committee of the Senate or a subcommittee thereof appointed by the Chairman be, and it hereby is, authorized and directed to make a thorough study and investigation of international communications by wire and radio, and in particular of such communications from and to the United States; to receive and hear evidence as to (1) the ownership, control, the services rendered, the rates charged therefor, and the methods of operation, of United States carriers engaged in such communications; (2) the extent and nature of the control and influence, direct or indirect, of foreign governments over communication carriers authorized by them, the extent to which foreign governments own and operate such foreign communications services, whether such operation by government is direct or otherwise, the character and extent of the competition between foreign companies, whether owned by governments or privately, in communications to and from the United States, and in particular the nature and degree of competition of such foreign companies with American companies in such communication services; (3) the character and adequacy of services furnished by American companies

now engaged in international communications to the people and the diplomatic, military, and commercial interests of the United States; (4) the developments and improvements in the art of communication by wire or radio affecting, or which may be expected to affect, such international communications; (5) whether there should be competitive services between American companies in particular areas or circuits in international communications; (6) desirable forms and standards of organization of American communication companies, and in particular whether such companies should be permitted or required to merge or consolidate and the general terms, conditions, and obligations which should be imposed in the event of such permitted or required merger or consolidation; (7) the form and authority of the regulatory body of the United States to be charged with carrying out the policies in international communications declared by the Congress; and (8) generally to consider and to make recommendations to the Congress as to all other matters and things necessary in its judgment in meeting the purposes of the studies herein specifically set forth."

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#### PHILIP H. COHEN NAMED OWI RADIO CHIEF

Philip H. Cohen, for six years a producer in the radio industry, Thursday was appointed Chief of the Radio Bureau of the Office of War Information, succeeding Donald Stauffer who resigned recently. Mr. Cohen previously was Deputy Chief and has been with the Radio Bureau since it was created in 1941.

Mr. Cohen will handle all requests by Government agencies and officials for unsponsored radio time, OWI said, and will schedule and allocate the time made available by radio stations for Government information programs.

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#### NBC OFFICIALS ON WORLD TRIP; EYEING RUSSIA

Niles Trammell, President of the National Broadcasting Company, and John F. Royal, Vice-President in Charge of International Relations, have arrived in England to make plans for re-opening NBC offices in the occupied countries as quickly as these countries are freed by the Allied armies.

England is the first stop on the executives' tour. From there the itinerary calls for stops in Algiers, Cairo and other points in the Middle East.

One of the principal objectives of the tour will be to study the possibility of increasing the schedule of broadcasts from the Soviet Union over NBC facilities.

Not only do Messrs. Trammell and Royal hope to complete arrangements for international broadcasting on a hitherto unprecedented scale, but they also plan to set up the framework by which NBC will bring its listeners the deliberations of any international meetings or conferences held abroad.

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FLY QUIZZED ABOUT FREE SPEECH, COMMENTATORS, LABOR, ETC.

An unusually large number of questions were fired at Chairman James L. Fly of the Federal Communications Commission at his press conference. One of the first, of course, was trying to smoke him out on what he thought about the appointment of Representative Lea (D), of California, to head the Cox FCC investigating Committee. The boys, of course, didn't get to first base on this. Ditto on what the Chairman thought about the efforts to oust Eugene Garey as Committee counsel. Asked if he had talked with Representative Martin Kennedy on his proposed free speech amendment to the Constitution, the reply was negative. Asked if he would support such an amendment, Mr. Fly countered:

"It seems to me we have got such an amendment now, haven't we, that there may be no laws abridging freedom of speech?"

Reminding the FCC Chairman that there had been a lot of talking on the subject of freedom to listen, someone wanted to know if the Commission proposed to do anything about it.

"I think in the first instance it is a job for the industry in terms of industrial self-regulation, and for that matter, of course, it need not be a concerted move, it may be a general move. But I would want to stress the thought that in the first instance surely it is a job for the industry", Mr. Fly replied.

"Suppose the industry doesn't do the job, though?"

"Then shame on them!" said the FCC head.

"In your speech you made the statement: 'Here, in radio, we have the most intelligent news service and the most capable people in the business. Press and motion pictures are far behind.' Would you care to elaborate on that?" he was asked.

"I don't think I want to elaborate on the comparison. My interest is in radio, and quite naturally I am interested in the viewpoint and for that matter the merits of radio. All I would want to say is that I think there is a stimulating field for some study there."

One of the reporters said he had listened to a broadcast by Upton Close on the Russian situation Sunday afternoon in which he thought Close had made a remark about Russia and Great Britain which he thought productive of disunity and wondered if the Commission would take official notice of a remark of that kind.

"No, I don't think that we will, and for that matter I don't think that we should", Chairman Fly commented. "Those are primarily industrial problems and, of course, everyone must concede that there is some extremity to which any network would not want, or perhaps would not permit, its commentators to go. The mere fact that you select a commentator and as I said in the speech the other day presumably a competent man, and then give him his rein, give him his

freedom, I suppose does not mean that the network company is going to abandon all responsibility for the extremity that may develop. Now I think almost every day those questions arise. I think it is a job for the networks and particularly where it is a continuing matter for a man moving to an extreme angle and staying there; he has presumably got something in his craw, you know, and just keeps hammering away on an extreme angle. I think it is conceivable that a network might want to say this sort of extremity was out of balance, It's a sort of man you can't give complete freedom to - I don't know - I am not talking about this one broadcast you spoke of; I haven't heard it. But that is a job for the industry and I do think that all reasonable doubts on the part of the networks might well be resolved in terms of freedom of speech."

"Referring then to your labor organizations, etc.?" someone interjected.

"I think the principle of labor is very much the same. You should know when you move from the field of news into the field of propagandization and philosophy. I think we owe just as much of a duty to the public there as the newspapers do. It should be balanced. If it is advertisement it should be labeled. And the thing we call advertising in terms of specific words may gradually fall into philosophy, preaching or a point of view. I have the feeling that the healthiest thing to do is to have all of those men as soon as they move from the news to hang up a flag and say this is advertising", was the reply.

"It was clever how Close moved from the news of the day, to be specific, Russia crossing the Dneiper River, and then switched right into these philosophical remarks", the questioner continued.

"Of course, that is shaded news when the philosophy is that of the sponsor - that is, it steals into the picture without a label", was the reply.

"You don't look for the labeling on that. For instance, a commentator reads a news item about Russia crossing the Dnieper River and then moves into an analytical comment. The assumption is that the comment might be based on the sponsor" someone again interjected.

"No", said Mr. Fly. "I think that labels itself, but when it comes to that gradual moving into the philosophy - we want to know what we are getting and in particular if that is the sponsor's philosophies. It should have a flag on it right there so we would know."

"In this particular instance, we know it was, because they broadcast that they would make copies of Mr. Close's broadcast available to all listeners."

"I would be interested in reading a copy of that in view of my general interest in this whole field", Chairman Fly replied.

"Commentators aren't necessarily expressing the feeling of their sponsors. Sometimes the sponsors just naturally hire that commentator who falls in line with their own views", a member of the press said.

"Unfortunately I think that is true, and is tending to be true today that sponsors are looking the field over to find the people whose ideas they would like to support", the FCC head agreed. "I think that is a little unfortunate. It seems to me that the sponsor's relationship to the public should be in terms of the advertiser's words getting an audience and building up the sale of his products or services or associations, or whatever it may be and should not be in terms of promulgating any ideas or philosophies about the social, economic and political world."

"These commentators are dealing with special things, as tax laws and other public affairs which may vitally affect the sponsor, and the commentator is sort of an extra legal brain that the sponsor has in mind perhaps against any legislation that is pending", a newsman suggested.

"I can't but feel that any tendency on the part of the sponsor or the commentators to work under such a system is quite unwholesome", Mr. Fly replied.

"Could we expect that if labor organizations were able to buy time they would then sponsor a commentator who was not necessarily biased in that direction?" the questioner went on to ask.

"I should think labor unions ought to be sure just as any other sponsor ought to be very careful not to project their own views into what purports to be news and comment, and that sort of thing", Chairman Fly answered. "I think the labor unions and the Dairymen's League and associations to oppose taxation without representation should have every opportunity openly to advocate their views and to do whatever they need to do in their own support. But that ought to be done under the true flag."

"Has the Commission acted on the request of Mr. Ritznik, the former CBS news writer, to reject CBS overall news policies?"

"Well, I think that is getting pretty good investigation", the FCC Chairman said.

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#### ASCAP QUARTERLY DISTRIBUTION JUMPS TO \$1,317,989

The American Society of Composers, Authors and Publishers (ASCAP) is forwarding checks to its membership this week in its third quarterly distribution amounting to \$1,317,989.

This is an increase of more than fifty thousand over the second quarter of this year and is the largest distribution made by ASCAP to its membership since 1940.

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