

HEINL RADIO BUSINESS LETTER

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No. 1597

FCC PASSES BUCK TO CONGRESS ON NEWSPAPER STATIONS

Having themselves executed a complete about face in unanimously voting against any general rule discriminating against newspapers acquiring radio stations, the Federal Communications Commission is now seen passing the buck to Congress in sending to the Hill a specially prepared 38-page summary of the FCC press-radio investigation. One interpretation is that the Commission, in offering the summary to Congress at this time, is saying:

"This is what our hearings show. If you want to do anything to prevent the newspapers from securing additional radio stations and skimming the cream off the FM field, now is the time to do it."

To meet this move on the part of the Communications Commission the Newspaper Radio Committee, of which Harold Hough, of WGAP-KGKO, Fort Worth, is Chairman, is now making up its own digest of the press-radio hearings which it will also file with Congress and which is expected to differ materially from the document the FCC prepared.

All of which would seem to indicate that though Chairman James L. Fly and other members of the Commission found the newspapers too hot a potato to handle, they still have their eyes on them. According to the FCC's summary of the record, the public hearings began July 23, 1941, and were held intermittently thereafter for a total of 25 days until February 12, 1942. The record consists of over 3,400 pages and over 400 exhibits. Fifty-four witnesses testified.

The summary states that the number of radio stations doubled from 1922 to 1940, and receiving sets increased from 1 set for about every 17 persons in 1922 to 1 set for every 4.5 persons in 1940; on the other hand although the circulation of daily newspapers increased a little in relation to total population, there was a decrease in the number of dailies, with a marked tendency toward lessened competition.

"During the period of 1928 to 1940 radio's advertising receipts increased greatly, both absolutely and in relation to other advertising media," the summary states. In recent years, however, this rate has leveled off.

"Whereas in 1929, radio took about 3% of the approximate \$1,150,000,000 net receipts of advertising media (including newspapers, magazines and other periodicals), in 1939 it took 14% of the \$894,400,000 net receipts for advertising in such media. On the other hand, newspapers had 69% in 1929, but only 60% in 1939, of the

net expenditures for such advertising media, and magazines had 27% in 1929 and 25% in 1939.

"From 1935 to 1939, radio's net receipts from advertising almost doubled (from \$79,600,000 to \$155,700,000). In 1939, the net advertising receipts of newspapers (\$539,500,000) and magazines (\$224,500,000) were somewhat above those for 1921 (newspapers \$521,700,000; magazines \$155,300,000) but had decreased considerably from the high year 1929 (newspapers \$797,300,000; magazines \$322,900,000). Although the effect of competition by radio upon newspapers cannot be accurately stated, radio has undoubtedly taken some of the advertising newspapers would otherwise have had.

"Newspapers depended primarily on local support for advertising revenues; 70% of newspaper advertising revenues was derived from local merchants. On the other hand, broadcast stations received most of their advertising from non-local sponsors; about 70% of broadcast revenue came from network, and national and regional non-network advertising. There was testimony, however, that newspapers and radio competed rather strongly for all types of advertising, particularly in the national field."

The number of standard broadcast stations associated with newspaper interests grew steadily from 68 in 1931 to 249 in 1941; in particular those stations 50% or more newspaper owned and located in the same community as the newspaper increased from approximately 54 to 160.

With regard to FM and the newspapers the summary said:

"As of June 30, 1941, eleven, or 22.4% of 49 FM stations were associated with newspapers. * * * Of the sixty-one pending FM applications on the same date, twenty-seven or 44.3% were newspaper associated; twenty-five of these involved applicants which were majority controlled by the newspaper, its officers, stockholders or employees. Sixteen of the twenty-seven applicants also had standard stations in the city where the proposed FM station was to be located, fourteen of them in the city where the newspaper was published.

"The reasons assigned for the increasing interest of newspapers in broadcast stations were various. In the early years the predominant motivation seems to have been that of using a novelty as a medium for promoting newspaper circulation. Some papers apparently regarded radio as merely an extension of journalism and, therefore, as requiring their participation in order better to serve their readers. More recently, undoubtedly, the greatest impelling force has been economic, that of being participants in, and beneficiaries of, a development which constituted a competitive threat."

Under the heading "Opinion evidence", the summary stated, in part:

"Much of the opinion evidence adduced pertained to the history and freedom of the press. Several witnesses believed that a rule barring newspapers from securing broadcast licenses would be a

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restriction on freedom of the press, but there was fairly general agreement that there would be no such restriction if the Commission considered the individual circumstances of newspaper affiliation in each case as one element of public interest on a case by case method.

"There was also fairly general agreement among those witnesses whose opinions were sought that in the interests of attaining diversity of output by the various media for communicating facts and opinion, a diversity of control over the media is desirable. There was not such general agreement, however, on the question as to whether diversity of control is the paramount consideration or but one of the factors which must be weighed with others. * * *

"Fred S. Siebert, Director of the School of Journalism at the University of Illinois, and a witness called by the Newspaper Radio Committee, was of the opinion that, as similarity in reporting and interpreting news marks the American press, multiplicity of control is no guarantee of diversity of view, and that a separate news staff for an associated station adequately ensured the varied treatment in news selection resulting from different individual judgments.

"Another Newspaper Radio Committee witness and Director of the School of Journalism at the University of Iowa, F. L. Mott, felt that to deny the newspapers the right to use radio, which is a new facility for the presentation of news, might threaten the economic independence of the press.

"John Shepard III, representing the FM Broadcasters, Inc., and John R. Latham, of The American Network, Inc., both of which companies are interested in the development of frequency modulation broadcasting, testified that newspapers are now ready to shoulder the risks and losses incident to pioneering in the FM field, and that a ban on newspaper ownership of such stations would seriously retard development in that field."

Among the other topics included in the FCC summary were the Fortune Magazine survey, in which it was said in 1941 35 percent of the persons interviewed relied upon radio as their source of news, 34% on newspapers, and the rest on both newspapers and radio; Stations associated with newspaper interests; Refusal of newspapers to carry logs except on a paid basis; Refusal of newspapers to carry display advertising of stations; Cities where the only radio station was associated with the only newspaper publisher; Agreements with regard to advertising; Refusal by newspapers to give publicity to press releases; A discussion of the Register and Tribune and its affiliated stations, and also a discussion of the Hearst papers and affiliated stations.

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CONSTRUCTION PERMITS FOR STATION CHANGES STILL TIGHT

Upon consideration of a further report and recommendation of its Committee on Critical Radio Materials, and recommendations of the War Production Board, the Federal Communications Commission on January 18, 1944 determined that a further statement should be made with respect to policy in the consideration of applications for authorizations to construct or change radio facilities involving the use of materials.

Present indications are that despite the tremendous expansion of radio production that has taken place in the last two years, the large burden on the industry of meeting military needs will not permit production of equipment for new stations or the expansion of existing stations. All orders and practices looking toward the conservation of equipment (such as Order 107, relating to operation with reduced power) should be retained in full force and effect. It would not be in the public interest to issue and have outstanding permits for authorizations the terms of which cannot be met within a reasonable period.

The Commission will give consideration to the issuance of conditional grants upon applications where it is shown (1) that a grant will serve an outstanding public need or national interest; (2) that the operation proposed is consistent with the provisions of the Rules and Regulations of the Commission and the conditions and standards prescribed in the Act; and (3) that, after due consideration of the policies and orders of the War Production Board and the facts with respect to existence or availability of necessary materials, there is reasonable prospect that the proposed operation in the vicinity in question can be provided for without substantial delay. The procedure to be employed is as follows:

- (1) When a conditional grant is authorized, applicant will be notified to that effect and advised that a permit will not be issued until applicant has satisfied the Commission with respect to the following within 90 days (time may be extended to a maximum of not to exceed 120 days) of notice of conditional grant:
 - (a) By evidence in writing from the War Production Board that any authorization of that Board necessary to carry the construction to completion has been obtained or that none is required.
 - (b) That applicant is in position to complete all construction necessary to the proposed operation within a reasonable period
 - (c) Acceptance of the grant upon these conditions has been submitted in writing within 20 days of date of notice of grant.
- (2) Upon a showing that satisfies the conditions prescribed in the conditional grant, the Commission will issue a regular authorization.
- (3) If applicant fails to satisfy the conditions within the time allowed, the application will be designated for hearing or given such further consideration as may be found appropriate.

An applicant desiring any further consideration of an application for radio facilities or change in facilities which has been dismissed without prejudice pursuant to the Memorandum Opinion of February 23, 1942, or any one or more of the other statements of policy which have been issued with regard to equipment, may submit a petition for reinstatement of such application within 60 days hereof accompanied with amendments and supplemental information appropriate to any change in circumstances.

The statement is not to be construed as an invitation for the filing of applications; the policy set forth is intended only to permit grants that will serve an outstanding public need or national interest, as indicated in this statement.

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PUBLIC RELATIONS TO BE LIVE SUBJECT AT NAB CONVENTION

Sessions on public relations at the 1944 NAB Convention were planned by the Public Relations Committee in New York City January 20-21. A speaker of national prominence will address the Convention, Edgar Bill, WMBD, Chairman, announced.

Industry public relations will also be discussed at the forthcoming NAB district meetings, where Willard D. Egolf, Assistant to the President, will present a working draft of a public relations manual for broadcasters which has been under consideration by the committee for several months.

At the January 21st meeting there was a discussion of the work of Dorothy Lewis, NAB Coordinator of Listener Activity, which embraces children's programs, national organizations, radio in education, radio councils and the NAB Association of Women Directors.

A number of specific suggestions were considered by the committee in its two day session, some to be pursued privately, others for immediate announcement. Wide use by the industry of the emblem, "Radio, in Service of Home and Nation", was recommended through stationery, displays, promotion pieces and decorations. More dramatization of radio and radio heroes in the war is recommended. The committee, after listening to a private audition of "Report on Wartime Radio", CBS transcription featuring Kate Smith, went on record urging its widest possible use by stations. "On the Air!" thirty minute sound film history of radio produced for Westinghouse, Inc., received enthusiastic endorsement and stations are requested to assist Westinghouse dealers in their communities in arranging public showings, where there are not Westinghouse stations to perform that service.

Edgar Bill thanked the following Committee members for their continuing efforts as a working committee of the industry: Craig Lawrence, KSO; Kern Tips, KPRC; John F. Patt, WGAR; Leslie W. Joy, KYW; Edgar H. Twamley, WBEN; Dr. Frank Stanton, CBS; Sheldon Hickox, NBC. Hickox represented Frank M. Russell, NBC, Washington. Lawrence W. McDowell, KFOX, was unable to attend.

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HOOVER MUZZLING FORESHADOWS MORE OF SAME WITH OTHERS

Unless Congress forces a showdown with President Roosevelt the continued refusal of J. Edgar Hoover, head of the FBI to answer questions put to him by the House Committee investigating the Federal Communications Commission will only be a forerunner of what will happen when other high officials that the Administration fears may give testimony damaging to the FCC are called. Likewise it is believed that Attorney General Biddle will stand ready to back them personally as he did Mr. Hoover last Wednesday.

Rear Admiral S. C. Hooper, former Chief of Naval Communications, who Chairman James L. Fly of the FCC is charged with having forced into retirement was prevented from testifying by the presidential directive and it is believed the same thing would happen to Rear Admiral Joseph R. Redman, also of Naval Communications, who, it is alleged, Mr. Fly likewise tried to "get", if Redman is asked to testify. If Chairman Fly is called upon, as he is expected to be, in connection with the trouble he is supposed to have made for the Naval officers, it is believed the presidential directive may again be employed.

The inside story with regard to J. Edgar Hoover as a witness was said to be that he was willing and even eager to testify against the Federal Communications Commission but with the gag he was declared to have represented himself as helpless to aid the Congressional Committee. At that Mr. Hoover indicated that the FBI had difficulty in securing some 250,000 finger print records the FCC had taken of radio operators which allegedly Mr. Fly had refused to give up because of certain promises he had made with the labor unions not to do so. This was the principal fact the Committee wanted to bring out.

In a letter backing up Mr. Hoover's refusal, Attorney General Biddle held that "as a matter of law and of long-established constitutional practice" communications between the President and the head of the FBI are confidential and "not subject to inquiry by a committee of one of the houses of Congress."

But Mr. Biddle added:

"Even in the absence of instructions from the President.... I should have directed Mr. Hoover to refuse to answer these questions."

The Justice Department, he said, with Congressional acquiescence has consistently taken the position that it is "not in the public interest" to have methods and results of investigations by the FBI publicly disclosed.

Eugene L. Garey, Committee counsel, raised the proposition that the House itself may "exercise its constitutional power to compel answers" to questions which Mr. Hoover, by presidential order, refused to answer.

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"This raises the broad constitutional question regarding the constitutional powers of Congress to legislate", Mr. Garey told the Committee. He said he did not hold answers to his questions to Mr. Hoover and others as confidential or affecting the national security "even in a remote sense".

The House Committee will continue its hearings next Tuesday, February 1st.

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EVERYBODY FROM FDR DOWN HAILS FM AT BIG N.Y. MEETING

Frequency modulation took the center of the stage as never before at the FM Broadcasters Convention in New York City last Wednesday and Thursday. Chairman James L. Fly, of the Federal Communications Commission, added eclat to the occasion and at the same time showed that he was still pretty close to the White House by reading a message from President Roosevelt in which the Chief Executive expressed the hope that broadcasters would keep step with advancing science and continue to lift broadcasting "to ever higher planes of public service".

The FCC Chairman didn't overlook the opportunity to say a few words himself and as usual gave the broadcasters advice. He said that long range planning was necessary to reap the full benefits of FM after the war. Then, though he has denied that the FCC ever intends to concern itself with program content the U. S. Supreme Court decision to the contrary notwithstanding, Mr. Fly sailed into his favorite topic of "soap operas", saying:

"High fidelity is not needed to transmit the cheap emotional droolery of the soap operas, or to get the odds on the seventh at Hialeah." Radio, he added, should get started today to determine what the future standards of broadcasting ought to be.

"FM is come of age and has come to stay", he said. "Without a doubt it will have a place of ever-increasing importance in radio which no one of us can stop. The great opportunities of it present a challenge; the greatest danger may be hurry-up schemes of mass production. FM now stands on the threshold of as tremendous a development as did standard broadcasting methods in 1920."

Tribute was paid to Major Edwin H. Armstrong, inventor of FM, who modestly explained that the idea of noiseless transmission came to him 30 years ago when he was working on a static eliminator.

It was estimated that the convention attendance was about 600.

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REVENGE FOR REP. COX SEEN IN FCC MILLION DOLLAR SLASH

Friends of Representative Cox (D), of Georgia, who started the investigation of the Federal Communications Commission, and who resigned under fire as Chairman of the House Committee doing the investigating, are declared to be partly responsible for the House Appropriations Subcommittee recommending the ripping of \$1,654,857 out of the FCC 1944-45 budget and a further and even more crushing recommendation that the wartime activities of the FCC Radio Intelligence Division be abolished. Furthermore, it is reported that the friendly colleagues of Mr. Cox will endeavor to go further when the bill is taken up in the House - the hope being that the \$8,371,700 originally asked for by the FCC may be cut to \$2,000,000.

At the same time the House Appropriations Subcommittee, headed by Representative Woodrum (D), of Virginia, recommended the million dollar slash, the Committee gave out a letter from the joint Chiefs of Staff stating that FCC intelligence work, which has been a subject of continuing investigation by Congress, merely duplicates Army and Navy operations and "has in fact endangered the effectiveness and security of military radio intelligence".

The letter proposed that all FCC intelligence operations be transferred to the Army and Navy.

In the face of this letter, dated last February 1, the Committee reported, President Roosevelt on September 7 overruled his Chiefs of Staff and upheld Chairman Fly's contention that FCC intelligence should not be liquidated.

In its report to the House the subcommittee cited the letters in question and said:

"The Committee believes that the statements and recommendations contained in the letters referred to give sufficient justification for the action it has recommended and it is of the belief that appropriate provision should be made at the earliest possible date to the end that the facilities of the Federal Communications Commission should not be used for purposes pertaining to the military unless specifically requested by the Joint Chiefs of Staff."

The Budget estimates for the regular operations of the Commission contain a total of \$2,209,000 for salaries and expenses and \$16,700 for printing and binding, an increase of \$209,000 over last year. The Committee has approved these items without change. The reductions recommended are as follows:

	Reduction
Budget and Planning Division	\$ 19,353
Personnel Division	21,897
New positions requested (34)	113,607
Foreign Broadcast Intelligence Service	500,000
Radio Intelligence Division.	1,000,000

Pointed to as indicative of what Chairman Fly and the FCC may receive from the hands of Congress, the Federal Communications Commission took the largest percentage cut \$1,654,857 of \$8,370,700 suggested by the President of any of the 16 independent bureaus in their total $8\frac{1}{2}$ billion dollars requested.

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CBS ALSO MAKES FM AVAILABLE TO AFFILIATES

Frequency Modulation, plans for new sustaining programs, the White-Wheeler Bill, and other matters were discussed by the Columbia Affiliates Advisory Board at its January 24-25 session in New York City.

Frequency Modulation was fully discussed. During the meeting a telegram on this subject was sent to all affiliates by Paul W. Kesten, CBS Executive Vice President, advising them that beginning February 1 all CBS commercial and sustaining programs carried on AM bands of CBS affiliates will be made available to their FM stations without cost to station or sponsor.

The telegram further disclosed that Columbia's plan to make available its full schedule for the FM stations of affiliates was originally, "A post-war plan to take effect approximately at time when manufacture and distribution of home receiving sets was sanctioned by Office of Civilian Requirements or other appropriate governmental agencies."

Paul Hollister, CBS Vice-President in charge of Advertising and Sales Promotion, discussing results of the network's Fall program promotion campaign, reported:

"One hundred and twenty-eight CBS stations took part. Each carried on a sustained and uniform campaign which gave prominent and wide display to 51 full network programs - through 420 newspapers with a combined daily circulation of about 20 million; and through 210,000 program posters and more than a half million program cards. Display cards on cars and busses, daily reached about 40,000,000 riders. For size, continuity, direction and result, the campaign, based on audited reports, has apparently not been remotely approached in American radio operation."

The members of the 1943 Columbia Affiliates Advisory Board, all of whom attended the January 24 and 25 meetings, are: C. T. Lucy of WRVA, Richmond, Va., Chairman; Arthur B. Church of KMBC, Kansas City, Mo.; Franklin Doolittle of WDRC, Hartford, Conn.; Lee Fitzpatrick of WJR, Detroit, Mich.; I. R. Lounsberry of WKBW, Buffalo, N. Y.; C. W. Myers of KOIN, Portland, Ore.; Clyde W. Rembert of KRLD, Dallas, Tex.; John M. Rivers of WCSC, Charleston, S.C.; and Hoyt B. Wooten of WREC, Memphis, Tenn.

Among the CBS officials at the meeting were: Paul W. Kesten, Executive Vice President of the network; Joseph H. Ream, Vice President and Secretary; Frank Stanton, Vice President; Frank K. White, Vice President and Treasurer; and Herbert V. Akerberg, Vice President in charge of Station Relations.

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JAPANESE RADIO SETS AT IRE CONVENTION INFERIOR TO OURS

The captured Japanese radio sets exhibited at the Institute of Radio Engineers convention which begins today (Friday) in New York are way behind the times and decidedly inferior to those of the U.S. military forces, according to Maj. Gen. Roger B. Colton, of the Army Signal Corps.

German radio equipment, which was also shown, both for airborne and ground uses, is "of sound but not advanced electrical design", according to General Colton's estimate, and its mechanical design allows for easy servicing and adaptability to mass production.

In contrast, he referred to the Japanese radio sets as not designed for the easy replacement of parts, but noted that many of their radio tubes and circuits "are adapted from obsolete American designs and frequently carry American numbers and nomenclature." The radio direction finder captured on Attu was described as highly portable for use in difficult terrain, but its components and circuits are equivalent to those used in American sets in the 1925-1930 period.

It was General Colton's conclusion that the U. S. radio and communications equipment was superior to any and adequately met "the needs of the foot soldier and the 400 mile-per-hour aviator".

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HOEFLER APPOINTED G.M. OF ZENITH DISTRIBUTING CORP.

Ray L. Hoefler has been appointed General Manager of the Zenith Radio Distributing Corporation, Chicago area, distributors of all Zenith radio products, succeeding R. E. McGreevy.

For the past few years Mr. Hoefler has been with the Zenith Factory Sales organization in charge of contacting department stores and other large Zenith outlets, and prior to that for a long period of years he has been in the radio and appliance business. For 17 years he was in charge of distribution for E. A. Wildermuth, who were representatives of Kelvinator refrigerators, Atwater Kent radios and ABC washing machines. He left that company to become Sales Manager of the Nash-Kelvinator Distributing Corporation of New York, after which he joined the Zenith organization.

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Louis Balsam, of Cambridge, Mass., former OPA official, testifying in his \$100,000 libel suit against Fulton Lewis, Jr., MBS commentator, declared that the story broadcast by Mr. Lewis on January 14, 1943, caused him to lose his \$5,800 job as regional OPA Food Administrator in Boston, and has since rendered him unable to obtain speaking engagements and has reduced him from a state of comparative affluence to one in which he now gets his living as an "expediter" in a war factory.

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 :::: TRADE NOTES ::::
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While declaring that voluntary censorship has worked "splendidly" thus far in the war, the Advisory Board of the Press Division of the Office of Censorship Wednesday called upon newspapers, news services and radio companies to exercise extra caution in the future.

 The Head of the Lakes Broadcasting Co., Superior, Wis., was granted a construction permit by the Federal Communications Commission for a new FM broadcast station to use frequency 44,500 kilocycles, with coverage of 407 square miles.

 Leif Eid, Chief of the NBC Washington Newsroom, has succeeded Robert McCormick as news commentator on five network periods originating in the capital. Mr. McCormick is now on assignment for NBC in Honolulu.

William R. McAndrew, former Broadcasting editor, and more recently assistant to Earl Godwin, becomes acting head of the Washington newsroom.

 Secretary of the Interior Harold L. Ickes in his annual report said that: "Millions of radio insulators were processed in a departmental laboratory to speed the manufacture of communications equipment for the armed forces."

 United States Judge John P. Barnes has set January 31st for hearing on arguments in the million-dollar libel suit of George Washington Robnet against the Blue Network Company, Walter Winchell and the Andrew Jergens Company, on the motion of the radio chain's attorney to dismiss the complaint, to strike portions or make more definite the charges of the plaintiff. Robnett's suit is based on Winchell's broadcasting of portions of the book "Under Cover".

 The Simplex Radio Division of Philco Corporation at Sandusky, Ohio, has just been awarded a second white star to add to its Army-Navy "E" flag, according to word received from Robert P. Patterson, Under Secretary of War.

With its war production reaching new high levels this month, Philco is turning out electronic and radio equipment for planes, ships, tanks, ground forces, rocket-propelled ammunition for the "bazooka", and shells, fuzes and industrial storage batteries for the Army, Navy and Maritime Commission.

 The Federal Communications has announced that following negotiations with the American Telephone and Telegraph Company, the Bell System agreed to an annual reduction in interstate rates, effective March 1, 1944, of approximately \$8,000,000. Most of the reduction - over \$5,600,000 - will derive from an agreement to place the night rate in effect beginning at 6 P.M., instead of 7 P.M., on interstate calls, as presently provided in Bell System tariffs.

At the same time an estimated \$2,350,000 savings annually will accrue to users of teletypewriter message service with a reduction, effective March 1, in the overtime rates on interstate TWX messages.