

HEINL RADIO BUSINESS LETTER

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No. 1617

ERIC JOHNSTON'S RISE MEANS FRIEND AT COURT FOR RADIO

It is apparently not generally known that Eric Johnston, progressive young president of the Chamber of Commerce of the United States, who has come into such great prominence recently is connected with the radio and electric industry and has been for years. Mr. Johnston, who has even been mentioned for the presidency is the head of three large Western electric and sales manufacturing corporations - The Brown-Johnston Company, Zenith Radio distributors in Spokane, Wayne-Burnaby, electrical contractors, who work on jobs of a million dollars each, or better; and Columbia Electric and Manufacturing Company, manufacturers.

Mr. Johnston, talked of as a Senatorial possibility from Washington State and also as a key-note speaker at the Republican National Convention, has become the most prominent and active spokesman for American business, is a break for his own particular branch of it, of which the radio industry is an important part.

Mr. Johnston, who is only 45 years old, was the principal speaker before 1000 representatives of the electrical industry and other business executives who attended the 10th Annual Meeting of the Electric Institute of Washington, D. C., recently, the presiding officer of which was George F. Kindley, Vice-President of Edgar Morris, Zenith distributors in the Capital. Shortly after speaking there, Mr. Johnston revealed his plans to visit Russia next May on behalf of the U. S. Chamber of Commerce and at the invitation of the Russian Government.

Addressing the Washington Electric Institute, Mr. Johnston said:

"I was very glad to hear Dr. William McClelland, Chairman of the Union Electric Company of Missouri, talk about free enterprise or what he calls 'individual' enterprise. It was a lionhearted man who, even as little as a year or so ago, stood on a public platform and talked about free enterprise. Those who did so did it in hushed tones and didn't wish to be quoted. But now we have a sudden - yest almost an alarming - conversion to free enterprise, or individual enterprise if you wish to call it that. Even Earl Browder is for free enterprise. I am not so sure whether these people have searched their souls or are watching the polls. I am not so sure whether they speak from conviction or from convenience. But even though everyone is for free enterprise today, I think that we should make certain distinctions.

"I am one of those who believes with every fiber of his being that our political freedoms, our unique individualism, our enrichment and expansion as a nation, are dependent upon the job of

preserving individual initiative in America. I do not hold that free enterprise is a goal in itself, but that free enterprise or individual enterprise is merely a means of attaining and preserving a manner of living which, with all of its faults, has given greater happiness, greater contentment, and higher standards than any other system that has so far been devised by man."

Mr. Johnston attaining such an important place in the National Capital is a case of making good in his home town because Washington, D. C. was his birthplace. His father owned a drug store here. At the age of one, the family moved to Montana and a year later to Spokane. While still attending grade school, he sold papers, later did some writing for the Spokane Spokesman-Review and studied law at the University of Seattle. In 1917 he was one of the six seniors at the University recommended by the school's president as officer candidate material for the Marine Corps. He was stationed for a while at Quantico as 2nd Lieutenant, later he went to Peking, China, where he served as Legation Guard and from there moved up as assistant to the Naval Attache. He left the Marine Corps in 1922.

Eric Johnston's entry and rise to prominence in the electrical field reads like a Horatio Alger story. His mother had purchased \$2500 of commercial paper in a company which sold vacuum cleaners and washers. Many purchasers of these machines defaulted in their payments which resulted in the machines being taken back and it was then that Mr. Johnston envisioned his first business opportunity. He took a job as door-to-door salesman and although he didn't make a single sale for the first two weeks, his perseverance was unflinching. The next week he sold four machines and success continued. By this time he had become enthusiastic over the possibilities which this new job offered, so much so that he bought an interest in the company. Later on, he borrowed money and purchased the largest electrical concern in Seattle and paid off the entire loan in a period of six years.

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WOULD END DAYLIGHT TIME; WASTES INSTEAD OF SAVES POWER

Station operators will no doubt be glad to learn that daylight wartime is to be brought to the attention of Congress after the Easter recess.

Representative Clarence Cannon (D), of Missouri, said he would redouble his efforts to abandon war time and put the nation back on standard time.

Charging that "only the golf players want daylight time", Representative Cannon said in an interview that he has had "letters from every State in the Union urging that daylight time be abolished."

"We went into the war time with the idea of saving electric power", he said. "Actually we are wasting it and at the same time undermining the health of the nation."

"By getting up an hour earlier we use the same electric power, that we would have used at night, but we don't necessarily save it at night because no one yet has proved that people are going to bed an hour earlier."

Chairman Lea (D), of California, of the House Interstate Commerce Committee, said a subcommittee studying Representative Cannon's bill, is making an investigation and that evidence to date is "10 to 1 in favor of retaining" war time.

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DEADLINE SUSPENDED ON MULTIPLE STATION OWNERSHIP

The Federal Communications Commission, except as provided below, has suspended the effective date of the multiple ownership of stations (Regulation 3.35).

"On or before May 31, 1944, all licensees to whom Regulation 3.35 is or may be applicable will be required to:

- "1. File an application which will effect compliance with Regulation 3.35; or
- "2. Submit a petition for extension of license for such period as may be necessary to complete negotiations for an orderly disposition or otherwise to comply with the terms of the Regulation, provided such petition sets forth:
 - a. The determination of the licensee to proceed in good faith as expeditiously as may be to effectuate compliance with the Regulation; and
 - b. A statement of the steps which petitioner proposes to take in order to effect his compliance with the Regulation, and the specific facts establishing due diligence in the effort to effect a compliance with the terms of the Regulation and the licensee's inability to comply therewith; or
- "3. Submit a petition for a hearing to determine the applicability of Regulation 3.35 to the petitioner, in which case the petition and the license renewal will be set for hearing.

"The license renewals of all affected licensees, who do not take one of the foregoing steps or who are unsuccessful in obtaining an extension of time under sub-paragraph 2 above, will be designated for hearing.

"The Commission will insist upon a speedy determination of any proceeding hereunder and will require an expeditious compliance with its final order thereon within such reasonable time as may be fixed in such final order.

"Upon compliance with Regulation 3.35 the Commission will issue appropriate certificates pursuant to the provisions of Section 123 of the Revenue Act of 1943."

The Commission stated further that upon the granting of applications for consent to assignment of licenses, or for consent to transfer of control of licensee corporations, filed for the purpose of effecting compliance with the Commission policy established in the multiple ownership rule (Section 3.35), the Commission will issue appropriate certificates pursuant to the provisions of Section 123 of the Revenue Act of 1943 relating to gain from sale or exchange of property necessary or appropriate to effectuate the policies of the Commission with respect to the ownership and control of radio broadcasting stations.

The provisions of the Revenue Act of 1943 referred to are as follows:

"(a) In General. Section 112 is amended by adding at the end thereof a new subsection as follows:

"(m) Gain from Sale or Exchange to Effectuate Policies of Federal Communications Commission. -- If the sale or exchange of property (including stock in a corporation) is certified by the Federal Communications Commission to be necessary or appropriate to effectuate the policies of the Commission with respect to the ownership and control of radio broadcasting stations, such sale or exchange shall, if the taxpayer so elects, be treated as an involuntary conversion of such property within the meaning of subsection (f) of this section. For the purposes of subsection (f) of this section as made applicable by the provisions of this subsection, stock of a corporation operating a radio broadcasting station, whether or not representing control of such corporation, shall be treated as property similar or related in service or use to the property so converted. The part of the gain, if any, upon such sale or exchange to which subsection (f) of this section is not applied shall nevertheless not be recognized, if the taxpayer so elects, to the extent that it is applied to reduce the basis for determining gain or loss upon sale or exchange of property, of a character subject to the allowance for depreciation under Section 23(1), remaining in the hands of the taxpayer immediately after the sale or exchange, or acquired in the same taxable year. The manner and amount of such reduction shall be determined under regulations prescribed by the Commissioner with the approval of the Secretary. Any election made by the taxpayer under this subsection shall be made by a statement to that effect in his return for the taxable year in which the sale or exchange takes place (or, with respect to taxable years beginning before January 1, 1944, by a statement to that effect filed within six months after the date of the enactment of the Revenue Act of 1943 in such manner and form as may be prescribed by regulations prescribed by the Commissioner with the approval of the Secretary) and such election shall be binding for the taxable year and all subsequent taxable years."

"(b) Taxable Years to Which Applicable. -- The amendments made by this section shall be applicable with respect to taxable years beginning after December 31, 1942."

In the consideration of individual applications under the provisions of the Multiple Ownership Rule, the Commission also stated it will examine the facts in each case. In determining whether or not an overlapping of signal strength results in a standard broadcast station rendering primary service to "a substantial portion of the primary service area of another broadcast station", within the meaning of Section 3.35, the Commission will give consideration to location of centers of population and distribution of population, location of main studios, areas and populations to which services of stations are directed as indicated by commercial business of stations, news broadcasts, sources of programs and talent, coverage claims and listening audience.

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PHILCO SALES UP 70% TO \$116,395,598

Even after voluntary price reductions totaling \$18,803,929 on Army and Navy work, sales of Philco Corporation last year set a new high record in the Company's history by a wide margin, and amounted to \$116,395,598, an increase of 70% over 1942 sales of \$68,505,979, according to the Company's Annual Report signed by John Ballantyne, President, and Larry E. Gubb, Chairman of the Board of Directors.

"We are pleased to announce that renegotiation conferences have been held for 1943 with the Price Adjustment Board of the Navy, and that earnings for 1943 reflect provision for final renegotiation of the Company's income for that year", the report states. Net income for 1943, after renegotiation and after all Federal and State income and excess profits taxes, was \$3,573,569, or \$2.60 per share as compared with \$2,209,992, or \$1.61 per share in 1942."

Throughout last year, the report states, it was the fixed policy of Philco Corporation to reduce prices on Army and Navy equipment as economies in purchasing and production were effected, so as to give the Government the benefit of increased efficiency. These voluntary price reductions totaled \$18,803,929 in 1943.

"All activities of the Company during the past year were directed to the support of the war effort", the report points out. "The principal products which Philco is manufacturing for the Army and Navy are radar equipment, radio communications equipment, walkie-talkie sets, quartz crystals, rocket projectiles for the 'bazooka', shells and fuzes, and industrial storage batteries. Demand for many of these war goods, which Philco is especially well qualified to engineer and produce, continued to increase during the year. The Company's over-all production increased steadily month by month in 1943, and the same situation has prevailed in the early months of 1944."

"One of Philco's most important contributions to the war on the production front has been its research and engineering in those specialized fields of radar and electronics where there has been little or no prior experience in mass production techniques", the reports points out.

"It has been the Company's privilege to be concerned in a number of such projects of vital importance to the progress of the war. Working in close cooperation with the scientific branches of the Government and the Radiation Laboratories of the Massachusetts Institute of Technology, complex equipments have been developed and refined from the laboratory stage to fully engineered standardized units, ready for mass production.

"Today, the Philco research laboratories are among the largest in the world devoted exclusively to radio and electronic engineering, employing 500 scientists, technicians, and research assistants and devoting in excess of \$2,000,000 a year to research and engineering."

"While Philco is preoccupied with the affairs of war production, it is mindful of the necessity of being prepared for peace", according to the report. "In this spirit, a Produce Development Committee is studying post-war markets and making plans to advance the Company's position after the war in the fields of radio, television, refrigeration, air conditioning and such other products as might fit logically into the Company's merchandising structure."

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McNUTT GETS NEW RADIO INFORMATION CHIEF

D. Thomas Curtin has been appointed to direct the radio activities in the Information Service of the War Manpower Commission, its Chairman, Paul V. McNutt, has announced.

Mr. Curtin is a graduate of Harvard University and a native of Boston. After early experience with The Boston Globe, he traveled extensively in Europe, studying conditions there. He was overseas when the last war began, working as reporter for The London Times and The Daily Mail until the war ended. His book on Germany, "The Land of Deepening Shadow", was a best seller after the last war. He returned to the United States, writing and lecturing on his war experiences and on conditions in Europe.

During the early 30's, Mr. Curtin wrote and produced network dramas. He continued his travels in 1938 and 1939, this time studying economic conditions in South America. Later he became public relations director for the McCann-Erickson Co., New York. Since 1942, Mr. Curtin has been with the Information Service of the U. S. Maritime Commission in Washington. His home is in Fairfax, Virginia.

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EASING FLY UPSTAIRS DISCOUNTED; FCC PROBE OFF MAYBE

The rumor that James L. Fly, Federal Communications Commission Chairman, was to be eased upstairs into a new Federal position was discounted in high official circles as simply another revival of an old report to that effect. More importance, however, was attached to the story that has been going the rounds to the effect that the House investigation of the Federal Communications Commission may be terminated after Congress reconvenes.

President Roosevelt has been trying to squelch this hearing from the very start. Working through Speaker Sam Rayburn, he has refused to allow witnesses to testify and with Representative Cox (D), of Georgia, and Eugene Garey, Committee Counsel, two of the moving spirits out of the way, it is believed the President will now make a supreme effort to end the investigation. It was pointed out that Mr. Roosevelt might be aided in this because of what was described as the poor showing the opposition has made.

"The Republicans on the Committee went off the deep end making charges which they couldn't prove", it was said. "Representative Miller (R), of Missouri, was particularly notable in this respect. He went entirely too far and Fly, who believe me is smart no matter what else you may say about him, demanding that Miller substantiate his charges, virtually chased him out of the room."

Chairman Fly being transferred from the FCC at this time was characterized as being more or less "a hope" of the broadcasters. It was pointed out that Mr. Fly represented the left wing of the Administration having done many things for the President and having the latter's confidence would probably stay right where he was. Furthermore, it was argued that Fly had the backing of Vice-President Wallace, who recently went out of his way to attend a testimonial dinner given to the FCC communications czar. Also the endorsement of Harry Hopkins. One observer remarked that the continued presence of Mr. Fly, after his appropriation had been cut \$2,000,000, his fight for Goodwin Watson and Dodd, alleged subversives, etc., was to Congress like waving a red flag at a bull.

"Mark my word, Fly will continue as FCC Chairman just the same", our informant assured us.

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According to a new Crossley, Inc. survey, comparison of set ownership figures in Greater New York, Lancaster, Pa., Waterbury, Conn., and Camden, N. J. with overall United States figures shows that the percentage of radio homes with two or more sets in each of these cities is much higher than the national standard.

The figures were obtained by the Crossley, Inc. personal interviewers in a continuing observation survey of radio homes in cities located in the WOR guaranteed area.

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SENATORS AND COMMENTATORS IN HOT FREE SPEECH DEBATE

It was give and take in the Town Meeting of the Air "Freedom of Speech on the Air" debate from the Taft Auditorium in Cincinnati last night (Thursday), participated in by Senator Burton K. Wheeler (D), of Montana, Senator Chan Gurney (R), of South Dakota, members of the Senate Interstate Commerce Committee, and Gilbert Seldes and H. V. Kaltenborn, CBS and NBC commentators respectively. George V. Denny, Jr., Moderator, had quite a job on his hands to keep everybody from talking at once.

Senator Wheeler led off by saying:

"At the recent hearings before the Senate Interstate Commerce Committee, it was contended that the broadcasting companies should have the right to place whomsoever they saw fit on the air - and to keep anyone off the air - and that this right should be supervised by no one. They contended this constituted free speech. Free speech for whom? Free speech for themselves. What they want is not free speech but controlled speech - controlled by them and them alone. They would become dictators of opinion - of what is good, what is bad for the American people to hear. * * *

"Wave lengths or frequencies on which radio operates belong to all the people. They are licensed to individuals and corporations to be used in the public interest. Licensed by the Federal Communications Commission - an arm of the Congress. It is, then, for the Federal Communications Commission to review the administration of the use of these frequencies. This is in no way an abridgment of freedom of speech. On the contrary - it is a protection against the abuse of that freedom through maladministration by the broadcaster. The broadcaster is fully protected, in turn, against any unjust action the Federal Communications Commission might take through his power of appeal to the courts.

"No one can speak on the radio unless the station owner permits him to do so. This being true, Congress must see that when one side of any public controversy is aired, all sides are aired equally over identical facilities. * * *

"As long as I am in the Senate I am going to raise my voice against any radio station being permitted to put on one side of the question and deny the other side the right to be heard. I am going to oppose the privilege of any radio station to put on a commentator to use innuendos or to lie about somebody and not give that person an opportunity to be heard. That is the most un-American thing that could possibly happen. If you permit it then you could very easily draw this country into a fascist dictatorship - and certainly I am opposed to that - and so are the American people."

Senator Gurney countered with:

"There is not enough actual time on the radio for each and every one of our 130 million people to state their ideas on every question over the radio, so let's be practical about it, and instead

of talking about freedom of speech, let's talk about fairness -- fairness from first, the actual operators of the radio stations of the country -- fairness of the listening public -- and fairness, yes, of the business world that uses radio as medium of advertising.

"It is my sincere judgment, first, that radio -- with a very, very few exceptions -- has handled their radio programs in a mighty fair, clean way. If they had not in, say, the ten year period just past, they would not now be on the air, for our American people have a way of doing away with any concern that does not treat them fairly. They just do not patronize that concern and it goes out of business.

"So, quickly, the complete answer is that radio as a whole has been fair or there would not now be radio, as we know it, in the good old U.S.A.

"I say definitely that the listening public will regulate radio in an American way. They will regulate it by the simple mechanical movement of turning off the dial if they don't like what is offered to them."

Mr. Selde said:

"A few months from now we will be enjoying the great American excitement of a presidential campaign. On the air you will hear the candidates and their partisans -- you will expect from them a one-sided story.

"On another kind of program you will get news about all the candidates, interpreted without partisanship.

"As far as the Columbia Broadcasting System goes, you will not get a third kind of program -- the program that colors the news in order to influence the election. If all the newscasters at CBS -- or for that matter all the officers of the company -- favor one candidate, you will never know it from any CBS broadcast, nor will you ever be compelled to listen to the political preferences of any sponsor of a news program. That is the accepted CBS policy -- and our news staff would consider it against their professional honor to use a news-analysis period for propaganda purposes.

"We think that a broadcasting system must make available to the public all significant points of view on questions of general interest. In order to do this, and play fair among opponents, we always set aside time for many-sided discussions of controversial subjects. This time is not for sale. We make it available under the only terms we know which prevent the man with a million dollars from blanketing a poorer opponent by the sheer power of money. Bias meets bias on equal terms."

Mr. Kaltenborn concluded with:

"To me freedom of the press and freedom of speech on the air are foundation stones of American political freedom. My instinct is to oppose all laws, edicts, rules or regulations which deny or cripple that freedom.

"Liberty sometimes degenerates into license. But I would rather admit occasional abuse than permit restrictive control. American students of free speech from Thomas Jefferson to Federal Communications Chairman Fly have agreed with this position.* * *

"Having served the Columbia Broadcasting System for ten years as a commentator who expressed uncensored uncontrolled extemporaneous opinions over the Columbia network throughout that time, I know that C.B.S. cannot sterilize competent commentators. Paul White, Columbia's News Editor, has admitted as much. * * *

"Obviously criticism should be expressed with proper restraint and by those who know whereof they speak. Two years ago in an effort to formulate and promote sound standards on the air a group of commentators organized the Association of Radio News Analysts. Last year we formulated a Code of Ethics which governs our members. It requires painstaking accuracy, sound judgment, good taste and the avoidance of sensationalism. * * *

"May I add that a check is made not only by the network but by each station. It is made by the sponsor who pays for the time. He wants to please not offend. It is made by the Federal Communications Commission. It is made by the broadcaster's numerous critics, who are only too eager to catch him in some slip. Best of all it is made by millions of listeners whose continued loyalty is essential if any commentator is to remain on the air.

"Don't imagine that free speech means uncontrolled speech. And don't cripple by dogmatic law the well-tried system of self-control which has made our free radio the fearless champion of liberty and human rights."

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WQXR BANS SINGING COMMERCIALS

Station WQXR recently acquired by the New York Times, has announced that it would not accept any new advertising contracts calling for "singing commercials" or "singing jingles". For the last six months the station had barred such commercial announcements during the evening hours, the new policy being an extension of the ban to all operating hours.

According to the announcement, the station based its action on the belief that "singing commercials" were apt to create ill-will among listeners and ultimately work to the disadvantage of the advertiser. Existing contracts calling for "singing commercials" will expire within the next few months, it was said.

WQXR's statement emphasized that the new policy did not constitute a ban on all musical transcribed announcements. Where use of music in a so-called "spot announcement" conforms to the station's policy, it was explained, there would be no objection.

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 ::: TRADE NOTES :::
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The War Labor Board will hear arguments today (Friday) by the musicians and record manufacturers in the Petrillo case in a session which was postponed from April 4th. The hearing was granted in response to a protest on the part of the American Federation of Musicians against the recent report of the New York WLB panel which in effect found Petrillo's recording ban, in effect, a strike.

The installation of new electric connections, both urban and rural, has been curtailed to protect productive capacity required for the manufacture of radio and radar transformers for direct military use, the Office of War Utilities of the War Production Board has announced.

Radio and radar transformers are manufactured with the same facilities and labor as small distribution transformers for electric utilities. The Office of War Utilities recently imposed stringent controls over placement by utilities of purchase orders for all new transformers, sizes five KVA and smaller.

Also, transformers for military radio and radar equipment are made in the same plants as ballasts and transformers for fluorescent lighting equipment. Because of this situation, the increase in requirements for radio and radar transformers, estimated at 50 percent higher this year than in 1943, is conflicting with production of the products for lighting equipment, so that the lighting fixture ballast and transformer industry has voluntarily curtailed production of types and sizes not in general demand.

Loyola University, New Orleans, La., has asked the FCC for a construction permit for a new High Frequency Broadcast Station to be operated on 44,900 kilocycles.

The Federal Trade Commission has ordered that its complaint against Thomas Leeming & Company, Inc., New York City, be dismissed. The complaint charged that the respondent disseminated, by means of newspapers, circulars and radio broadcasts, false and deceptive representations concerning the therapeutic properties of its medicinal preparation designated "Baume Ben-Gay", which it recommends for external application in the treatment of various painful conditions of the body.

The St. Lawrence Broadcasting Corporation of Ogdensburg, N.Y. has applied to the FCC for a new FM station construction permit.

The Industrial Instrument Industry Advisory Committee has notified War Production Board representatives that essential commitments of this industry directly and indirectly related to the specified urgent war programs could not be fulfilled unless consideration is accorded irreplaceable skilled technicians and experienced engineers in the industry, WPB said.

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