

The True Story Station KZRM

- As a follow-up to its story re Government aid to radio stations in the Philippines in its November number, the JOURNAL herewith prints the results of a recent investigation it has made into KZRM. The figures contained herein are substantially accurate, and all statements of fact have been carefully checked. It is hoped that this article, as have other JOURNAL investigations, will serve to correct mis-impressions of fact which may have existed in the minds of our readers.—Ed.

Radio Station KZRM accepts financial assistance from the Commonwealth Government, which assistance is made possible through the collection of the radio license fees imposed under Act No. 3397, as amended by Commonwealth Act No. 107. These license fees are collected annually by the Bureau of Internal Revenue, and amount to ₱10.00 for tube sets, and ₱2.00 a year for crystal sets.

There are some 34,000 radio sets registered with the Secretary of Public Works and Communications, paying, under the law, ₱10.00 yearly. This works out to ₱340,000.00 annual income to the Government from this source.

Actually, however, the Government collects only about ₱200,000.00 in license fees, due to the ingenuity displayed by many owners of radio sets in avoiding the tax. The law contains a provision that payment of the fee may be avoided when radio sets are out of order, and during the period that they are out of order. In other words, set owners are allowed a proportionate reduction in their license fee for the period that their sets are not working.

Many set owners have seized upon this provision of the law to evade the tax altogether. Although the Government tries to prevent evasion by having radio repair shops report all sets turned in to them for repair, and by other regulations, tax evaders still can easily avoid payment.

The system used is for evaders temporarily to disable their sets by putting in worn-out tubes, or by some other means, and then to request inspection by the Government tax men. Through this means, they easily obtain certification that their sets are out of order, and the sets never see the repair shop. Since Government records show the sets out of order, and no record of the sets being repaired is at hand, the license fee is not paid.

What becomes of the ₱200,000.00 which is actually collected? Well, of course, a substantial percentage of this is eaten up in costs of collecting the tax, and in registration of radio sets, keeping of records, etc. A safe estimate would be ₱1.00 per each registered set, used up in this way, or ₱34,000.00.

This leaves approximately ₱166,000.00 left to the Government from license fees annually. Of this amount, the Government has been paying station KZRM about ₱3,800.00 a month, to make up the station's difference between operating income and expenses, or ₱45,600.00 annually.

For this subsidy, the Government has been getting value received. In the first place, it is entitled, through the National Information Board, to the use of the facili-

ties of KZRM at any time. All contracts written by the station with sponsors for radio time contain a proviso that programs going out over the station under such contracts may be interrupted or suspended at any time. One of the purposes of this provision is to enable the station to meet any demands of the Board for radio time.

Secondly, the National Information Board now broadcasts three programs daily over station KZRM. These are excellent programs, enjoyed by the radio audience, but the fact remains that they cost the Government nothing.

The third, and perhaps the most important advantage accruing to the Government through this subsidy is the fact that the Government is thus relieved of the important expense attendant upon equipping and maintaining its own radio station.

It would cost about ₱250,000.00 to equip a radio broadcasting station. This would be just the bare expense of transmitters, control boards, microphones, etc., which go into a broadcasting station. Maintenance of such a station, at least a station of the size and strength of KZRM, would run into ₱10,000.00 a month. This figure is approximately the monthly operating cost of KZRM.

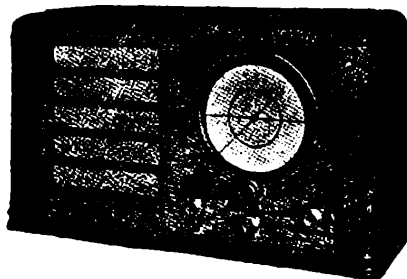
So, for its ₱45,600.00 a year, the Government gets access at any time to an es-

tablished radio broadcasting station—a station which lately through its new short-wave transmitter is becoming known all over the Far East...; broadcasts three programs daily over this station, and is relieved of a ₱250,000.00 initial cost, and ₱10,000.00 monthly maintenance cost attendant upon having its own broadcasting station.

In this connection, also, it might be well to mention the obvious fact that the programs going out over KZRM are not the least of the reasons why the Government is able to collect a license fee at all. It should also be borne in mind that, even after paying the station its subsidy, the Government makes a profit of about ₱120,400.00, which is left over out of the proceeds of the radio set fee.

The law provides that any such profit to the Government shall be spent in the purchase and distribution of radio sets among municipalities and Government institutions. A sincere attempt has been made to carry out the provisions of the law in this respect, with quite discouraging results. It has been found that, especially in the smaller municipalities, there is no one who knows enough about radio to keep the sets in repair. They are constantly getting out of order, and must be sent some distance to a repair shop, where, frequently, they stay for weeks and even months. And the

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smaller districts frequently do not have enough money to pay repair bills.

Station KZRM can never make money under present conditions. Its owners, Erlanger and Galinger, Inc., do not, in fact, expect ever to break even, although the station at present has so many sponsors, that its management wants to drop some of them, and replace some of the sponsored programs with sustaining features.

This apparent anomaly is explained by the fact that in the Philippines, at least for the present, a broadcasting station is limited to about eight and one-half hours daily broadcasting time. This is due to the custom of the people.

KZRM goes on the air every morning at 5:30. This is primarily to broadcast news.

At six o'clock in the provinces, with the exception of those larger districts near Manila which are served by Meralco (and even in some of them) electrical service is discontinued. Service is not resumed until six o'clock in the evening, so, for a period of twelve hours, KZRM is limited to its short-wave audience, and Manila and the larger Meralco-served municipalities.

By nine o'clock in the evening, most of the people in the provinces are asleep. So, good broadcasting hours from the point of view of sponsors, are limited to from 5:30 to 6:00 in the morning, and from 6:00 to 9:00 at night; a period of 3 and 1/2 hours.

This is the time for which KZRM gets full rates from sponsors. The rest of the 8 and 1/2 hours it is on the air is worth only 1/3 to 1/2 of the full-time rate to sponsors.

In the United States most of the big stations give 18-hour service.

Income from sponsors at KZRM amounts to about ₱6,000.00 monthly. Since its operating expense is about ₱10,000.00 a month, the ₱4,000.00 or so difference is met by the Government. As we have seen, it is a good bargain for the Government.

And KZRM is satisfied. There are two methods by which radio broadcasting is supported. One is the American system of sponsored programs. Under this system, advertisers underwrite the whole cost of broadcasting, and with enough more to net broadcasting companies a handsome profit. The other system is that used in England, and generally in Europe, of licensing receiving sets at a fee, and using income thus obtained to pay broadcasting costs.

Each system has its advantages and disadvantages. As things now stand, a middle course is followed here. The cost of broadcasting, at least as far as KZRM is concerned is divided between private sponsors and the government. As we have stated, this is satisfactory to KZRM. The station was not started, and is not run for profit.

KZRM officials stated to the JOURNAL that, while of course there are strings to the Government money it gets, the Government has not pulled these strings too tightly. Every program, and every speech broadcast over the station must be submitted to the censorship board before being broadcast, but, so far, this board has not been unreasonable in its censorship, and has used its powers lightly.

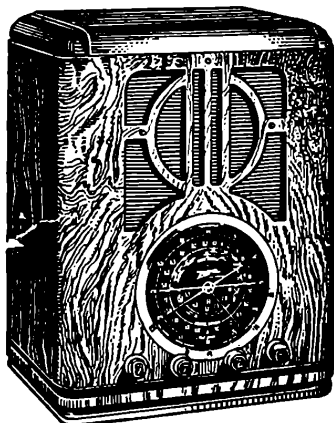
One way for KZRM to make income catch up with expenses so that it would no longer have need for Government help would be for it to raise its rates for radio time. It could not do this to any great extent until the radio audience increases considerably over what it is now. This can only be done by bringing the cost of radio receiving sets down to a price which the poorer classes can afford to pay. When questioned as to the best way to do this, Mr. Worthen, KZRM manager, stated that he thought the solution would be crystal sets. Head-phones can be made and sold for as little as ₱1.00 a set. The cost of crystal sets is insignificant. These sets are strong enough to pick up KZRM broadcasts, and

they operate on batteries, and so are not dependent on electricity from a central source. They do not get out of order very easily, and when they do, the cost of repairing them is almost nothing. The Government could well use its surplus from the radio license tax, and buy and distribute at cost crystal sets and receivers, thus enormously increasing the present radio audience.

This is how radio got its first big impetus in Japan—through the lowly crystal set. Of course, if this program were followed here, the license fee of ₱2.00 now imposed on crystal sets, should be abolished. It is a nuisance tax on the poor man, and would tend to retard any large-scale program of taken.



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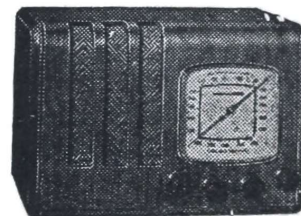
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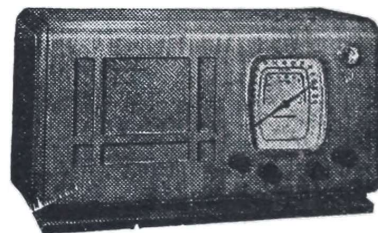
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