
# OPENING STATEMENT OF CHAIRMAN EDOLPHUS TOWNS

# COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

## “Will Arbitron’s Portable People Meter Silence Minority-owned Radio Stations?”

Good morning and thank you for being here.

Today, the Committee will examine the use of Arbitron’s Portable People Meter (PPM), a device that Arbitron claims is revolutionizing radio audience ratings, but which instead may be eliminating diversity in radio broadcasting.

The last 30 years have been a great American entrepreneurial story for minority-owned radio stations and minority radio listeners. Where once there were few or no minority radio stations in most cities, now there are multiple stations competing in all major metropolitan areas.

The existence of this hard won legacy is now threatened – Arbitron's controversial use of PPM is driving away advertisers. Minority radio has been hit by a perfect storm, the economic downturn and the PPM.

Most people have probably never even heard of the PPM. The PPM is a device that looks similar to a beeper. It is designed to detect and electronically record the radio stations a person listens to. Arbitron is using the PPM to replace the paper diaries that have been used for decades to find out who listens to which radio stations.

In 2006, Arbitron introduced the PPM in several cities, including New York and Philadelphia. The results were swift: the ratings of minority-owned or minority-targeted radio stations plummeted by as much as 70 percent.

Since then Arbitron has expanded the use of its PPM across the country in 31 additional markets, which has resulted in crippling minority-owned or targeted radio stations. These ratings have had a devastating effect on the radio industry: advertising, profit, and programming choices are all shifting away from minority communities.

I have no quarrel with a rating system that is accurate. But there is serious question as to whether the way Arbitron uses PPM produces truly accurate results.

I note that I am not alone in this concern. The Media Rating Council (MRC) is the industry's self-regulatory body. Where the Council finds that a measurement service consistently provides fair, accurate, and unbiased data, it awards accreditation.  Where this is not the case, it denies accreditation.

The MRC has reviewed Arbitron's use of the PPM and has certified its use in only two markets:  Riverside, California, and Houston, Texas.  The MRC has withheld accreditation to Arbitron in 31 of 33 PPM markets.

In addition, the Attorneys General in New York, New Jersey, Maryland, and Florida have all taken action against Arbitron, alleging flaws in PPM methodology that have resulted in the undercounting of minority listeners, precipitous drops in ratings, and loss of advertising revenues.

Yet, Arbitron has not changed and insists on commercialization before it receives proper accreditation.

Some people may ask how a problem like this could even exist.  Well, as the famous expression goes, "When the cat's away, the mice will play." In this case, the cat hasn't been seen in years.

For many years, our government has taken a hands-off approach to oversight or regulation of the radio ratings industry.  The result is that Arbitron, a monopolistic company, is not regulated by anyone.

Arbitron argues that the FCC doesn't have jurisdiction over it.  And Arbitron is free to ignore MRC, the so-called industry regulator, because MRC is a purely <u>voluntary</u> organization with a <u>voluntary</u> code of conduct and <u>voluntary</u> participation.

Can we afford to make the health of minority radio broadcasting depend on voluntary good behavior on the part of a monopolistic company?

This is not the first time Congress has considered this question. Back in the 1960's the House Interstate and Foreign Commerce Committee considered regulating radio and television audience rating companies. Back then, Congress opted to let the industry regulate itself, based on assurances that it would be done in a rational way. In fact, the industry created MRC to carry out that self-regulation.

Apparently, this self-regulatory system more or less worked for a number of years. Now, I am not so sure. Perhaps we need to take a another look at that basic issue.

Today, we will have the opportunity to hear from Michael Skarzynski, CEO of Arbitron, who can hopefully shed light on some of these questions. Additionally, we will hear from other members of the radio industry who have been directly affected by the PPM.

I look forward to hearing their testimony and discussing potential solutions to this problem.

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