Statement of Charles M. Warfield, Jr.
before the
Committee on Oversight and Government Reform
December 2, 2009

Chairman Towns, members of the Committee, thank you for inviting me to testify today. My name is Charles M. Warfield, Jr. I am President and Chief Operating Officer of ICBC Broadcast Holdings, Inc. My company owns and operates seventeen commercial broadcast radio stations that primarily target African American audiences in radio markets across the nation, including New York City, San Francisco, Jackson, Mississippi, and Columbia, South Carolina.

We have had first-hand experience with the conversion of Arbitron ratings surveys from paper diaries to the new Personal People Meters ("PPM"). Our stations have experienced a disproportionate reduction in the number of listeners reported by Arbitron's PPMs compared with stations that serve general audiences.

Commercial radio stations rely on the sale of advertising, which is generally their sole revenue stream. Advertisers rely on ratings data which is supposed to represent a fair estimate of the number of persons who will be in the audience for their commercials. The principal measurement that our industry uses is the "Average Quarter Hour Rating" ("AQH"), which translates directly into the number of dollars that an advertiser will pay for running a spot. The AQH can be measured for various demographics. Advertisers on our stations are most interested in listeners between the ages of 25 and 54.

In New York City, the Adults 25-54 AQH for our station WBLS-FM had been a steady 0.8 or 0.9 for the last seven quarters in which Arbitron had used paper diaries for collecting data (Fall of 2006 through Spring of 2008). Following the conversion to PPM, the

AQH for WBLS abruptly dropped to 0.4 for September of 2008 – a 50% reduction. The AQH has remained in the range of 0.3 to 0.6 for 14 monthly ratings reports from the first PPM survey in September of last year through the report for October 2009.

Arbitron also switched from paper diaries to PPM in the San Francisco market in September 2008 and our station KBLX-FM took a similar hit. In the Spring ratings book KBLX's Adults 25-54 AQH was 0.5. The first PPM report gave the station an AQH of 0.3, a drop of 40%. Since then, each monthly PPM survey has shown a decrease from 60% to 20% below the last paper-diary survey.

The same pattern shows up for stations serving African-American and Hispanic audiences in other markets when PPM ratings are introduced. WDAS-FM, Philadelphia's top-rated station according to paper diaries, suffered a 44.4% decline in its AQH ratings for listeners 12 years old and older. Even more damaging was a 57.1% decline in its primary target demographic of Adults 25-54. Also in Philadelphia, WRNB-FM and WUSL-FM incurred losses of 60.0% and 57.1% respectively in their 12+ audience. KJLH-FM, the Los Angeles station owned and operated by Stevie Wonder, suffered an 84% audience decline and dropped from number 20 to number 40 in the market. In Chicago, WGCI-FM, second-ranked under paper surveys, lost 67% with PPM and dropped to number 12.

In all of these markets, the only factor that can account for the precipitous deterioration is Arbitron's ratings technology. Plummeting ratings have shown up again and again for stations targeting African American and Hispanic audiences in other markets where Arbitron has introduced PPM. Ratings for stations using formats appealing to general audiences have been nowhere near as significantly affected.

We do not believe the ratings shifts are the result of the electronic measurement technology itself, but rather they stem from the methodology that Arbitron employs. The company has relied on telephone solicitation to recruit PPM survey panelists instead of address-based contacts. This change alone leaves out households with unlisted numbers and those that rely exclusively on cell-phones. Young urban Blacks and Hispanics are more likely to rely exclusively on cell phones than the average U.S. household. Arbitron has tried to make up for this with separate cell-phone-only samples, but the numbers have been too small. Additionally, Arbitron is demanding that its PPM panelists make longer-term commitments to carrying around a pager-size device from the time they roll out of bed in the morning until they return there at night. There are obviously compliance problems with this regimen, and when drop-outs are subtracted from a target sample that is small to begin with, the chance of getting unreliable data increases.

Congressional hearings back in 1964 made it obvious that ratings play a key role in the economics of commercial media and that inaccurate ratings present a significant danger to the public. The nonprofit Media Ratings Council ("MRC") was formed to analyze ratings methodology and practices and provide accreditation to efforts that comply with its standards. So far Arbitron has qualified its PPM service for MRC accreditation in only two markets: Houston and Riverside California. The Houston project began as a joint venture between Arbitron and the Nielsen Company. It demonstrated that a PPM survey can be accredited, but the recruiting process necessary to achieve this is expensive – more than Arbitron wants to spend. The large minority population in Riverside made it relatively easy and less expensive to recruit samples large enough to satisfy the MRC standards. Arbitron has been unwilling to invest the resources necessary to achieve MRC accreditation in any other market.

The reductions to Average Unit Ratings and station revenues caused by the inaccurate PPM reports have left minority-targeting stations battered and bruised. Then, rubbing salt in our wounds, is the Arbitron station contract. This standard form contract, provided to stations by the monopolist ratings company without an opportunity to negotiate its terms, requires stations to actually pay Arbitron significantly higher fees once the inaccurate PPM system is operating in our markets. More money for less accuracy and lower revenue. The contracts do not require MRC accreditation. The math only benefits Arbitron, which can increase its profits by rushing PPM into markets with faulty methodology.

We are dedicated to serving minority audiences in the markets where we have stations, as are the other broadcasters who are members of the PPM Coalition. It would be a far easier path to jettison this mission and program to the ratings by converting to run-of-the-mill, plain vanilla formats. Large group broadcasters with clusters of stations in a market can already do that by shuffling formats among their stations. As minority owners, we have a strong sense of responsibility toward providing broadcast services that otherwise would be unavailable. Our coffers, however, are not bottomless and our ability to sustain our businesses in the face of these problems is ultimately limited.

Attorneys General in four states have made attempts to ameliorate these problems, but even the simple concept of requiring Arbitron to secure MRC accreditation has thus far not been fruitful. We believe that this Committee should send a strong message to the industry and to the Federal Communications Commission that something must be done to preserve diversity of programming and ownership in broadcasting. Requiring accurate and fair ratings data is one step. Another is requiring Arbitron to release minority-targeted stations from those burdensome contracts. With the money we would recover, we could find another ratings service provider willing to produce accredited market surveys.

Thank you again for your invitation and your concern.