

Appendix G1996 Congressional Hearing on Audience Rating Research

BROADCAST RATINGS

REPORT

OF THE

COMMITTEE ON INTERSTATE AND
FOREIGN COMMERCE

Pursuant to Section 136 of the Legislative Reorganization Act of 1946,
Public Law 601, 79th Congress, and House Resolution 25,
89th Congress

SPECIAL SUBCOMMITTEE ON INVESTIGATIONS



SUBMITTED BY MR. HARRIS, CHAIRMAN

JANUARY 13, 1966.—Committed to the Committee of the Whole House
on the State of the Union and ordered to be printed

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LETTER OF TRANSMITTAL

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Washington, D.C., January 13, 1966.

HON. JOHN W. MCCORMACK,
*Speaker, U.S. House of Representatives,
The Capitol, Washington, D.C.*

DEAR MR. SPEAKER: I present herewith for the information of the House of Representatives a report of the Committee on Interstate and Foreign Commerce on "Broadcast Ratings" based on an investigation conducted by its Special Subcommittee on Investigations.

Sincerely yours,

OREN HARRIS, *Chairman.*

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89TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { No. 1212

BROADCAST RATINGS

JANUARY 12, 1966.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. HARRIS, from the Committee on Interstate and F
submitted the following

R E P O R T

BROADCAST RATINGS

A PROGRESS REPORT ON INDUSTRY AND GOVERNMENT PROGRAMS INVOLVING BROADCAST RATINGS

PURPOSE OF REPORT

It is the purpose of this report to summarize the several programs undertaken by industry groups and Government agencies, respectively, with regard to the preparation and use of broadcast ratings.

Following a summary of these programs, it will be the further purpose of this report to—

- (1) Evaluate accomplishments to date;
- (2) Examine what additional responsibilities, if any, should be assumed and discharged by industry groups and Government agencies in these areas;
- (3) Determine how such responsibilities should be divided or shared;
- (4) Make recommendations for additional future actions.

SUBCOMMITTEE HEARINGS AND ACTIVITIES

The 30 days of hearings conducted by the Special Subcommittee on Investigations of the Committee on Interstate and Foreign Commerce between March 5, 1963, and September 23, 1964, were preceded by extensive and painstaking investigations conducted by the subcommittee staff. The hearings themselves were divided into three phases.

During phase 1 from March 5 through May 14, 1963, comprising 25 days of hearings, the subcommittee, on the basis of the staff investigations, sought to make a reasonably complete and accurate record of practices and procedures followed in connection with the preparation and uses of broadcast ratings. Since the subcommittee had occasion to examine into numerous alleged malpractices and abuses, this involved in many instances the time-consuming and often difficult task of eliciting information from witnesses who had little inclination to facilitate the subcommittee's objectives.

During phase 2 (May 15 and 23, and June 20, 1963) several industry groups and the FCC presented programs aimed at coping with several of the problems developed by the subcommittee during phase 1.

Beginning on January 15, 1964, and continuing on September 23, 1964, phase 3 involved the presentation of progress reports on industry programs detailed during phase 2. Phase 3 has been continued following the conclusion of the hearings. Additional progress reports have been presented to the subcommittee, and conferences with industry groups have taken place to ensure the appropriate implementation of the programs presented to the subcommittee.

RATINGS AND BROADCASTING IN THE PUBLIC INTEREST

In the United States, broadcasting is part of our free enterprise system. However, as in the case of other industries, overriding public interest considerations have necessitated some Federal regulation. Broadcasting has been described as a quasi-public utility. Competition in this field exists side-by-side with government licensing.

As part of this balance between governmental control and free enterprise, it has been the continuing endeavor of this committee to work toward the achievement of an honest and constructive broadcasting industry. Rigged quiz shows and payola were exposed through the efforts of this committee. Similarly, false or misleading audience measurement ratings must be exposed.

Rightly or wrongly, sponsors react to the audience rating systems. Millions of dollars turn on the rating levels. The immediate and long-range future of all types of programs—news reports, mysteries, comedies, westerns, etc.—are controlled by the ratings which each show receives. If this rating system is to continue we must make certain that the rating received is the rating achieved—no more, and no less.

If public reaction is an appropriate measure, then the public reaction should be free from any tampering or adjustment for private purposes. If public surveys are to be used to determine where, when, and what will be broadcast, we must assure that such surveys are not misused.

The broadcasting industry as a whole shares this responsibility. Fortunately, a number of responsible business interests are aware of this and share the view that the reliability of audience measurement techniques and the proper use of audience measurement results constitute an important aspect of broadcasting in the public interest.

PROGRAM OF INDUSTRY REGULATION

The efforts of various elements of the industries interested in improving the reliability of broadcast ratings led to the preparation of voluntary programs which culminated in the creation of the Broadcast Rating Council, Inc. (incorporated in Delaware on December 23, 1963). The objectives of the council are as follows:

- (1) To secure for the broadcasting industry and related users audience measurement services that are valid, reliable, effective, and viable;
- (2) To evolve and determine minimum criteria and standards for broadcast audience measurement services;
- (3) To establish and administer a system of accreditation for broadcast audience measurement services;
- (4) To provide and administer an audit system designed to insure users that broadcast audience measurements are conducted in conformance with the criteria, standards and procedures developed.

The membership of the council presently consists of the following active members:

- The National Association of Broadcasters.
- The Radio Advertising Bureau.
- Television Bureau of Advertising.
- Station Representatives Association.
- American Association of Advertising Agencies.

American Broadcasting Co.
 Columbia Broadcasting System, Inc.
 Mutual Broadcasting System.
 National Broadcasting Co.

In addition the National Association of FM Broadcasters (a member in 1964) and the Association of National Advertisers serve as observers in board and committee meetings.

Associate members are defined as:

Any individual, partnership, firm, or corporation engaged in a business or profession connected with radio or television broadcasting for which the board of directors establishes a category of membership eligibility shall, subject to the approval of the board of directors, be eligible for associate membership in the corporation. The dues of such associate membership shall be determined by the board of directors.

Thus far no associate members have been admitted.

The activities of the council are directed by a board of directors of not more than 25 members, the first board having 15 members. The board is appointed by the active members of the council and is composed of representatives of the following organizations:

The National Association of Broadcasters, five appointments.
 The Radio Advertising Bureau, one appointment.
 Television Bureau of Advertising one appointment.
 Station Representatives Association, one appointment.
 National Association of FM Broadcasters, one appointment (1964).

American Association of Advertising Agencies, two appointments.

American Broadcasting Co., one appointment.
 Columbia Broadcasting System, Inc., one appointment.
 Mutual Broadcasting System, one appointment.
 National Broadcasting Co., one appointment.

The officers of the council consist of the chairman of the board who is elected from among the members of the board, and the executive director, who is appointed by the board.

The council has an annual budget of \$70,000 to cover overhead expenses. This amount is raised by requiring each of the participating organizations represented by a director to pay \$5,000 per director. In line with the stated objectives of the council, the activities of the council are subdivided as follows:

- (1) The establishment and administration of minimum standards for rating operations;
- (2) The accreditation of rating services on the basis of information submitted by such services; and
- (3) Audits through independent CPA firms of the activities of the rating services (i.e., checks of their performance against the information supplied by them).

Thus far the administrative expenses have not consumed the council's budget, and consideration is being given to using the surplus, together with funds from other organizations, to finance research aimed at improving rating procedures and technologies.

(1) Minimum standards

The minimum standards became effective March 31, 1964. They relate to (a) operations, and (b) disclosures. Operational standards deal with the care and precision with which rating services are expected to undertake their work. This includes such aspects as training of interviewers; instructions to respondents, editors, and tabulators; preserving of anonymity of interviewers; sample construction; description of sampling plan; maintenance of records; appropriate quality control procedures; spot checking of fieldwork; verification of fieldwork by requiring signed statements of interviewers, etc.

Disclosure standards deal with disclosure requirements concerning survey methods used, known errors, rate of cooperation received, accurate description of survey area, weighting or data adjustment procedures, etc.

(2) Accreditation procedure

Individual rating services may apply for accreditation. Upon receipt of an application, the council submits a questionnaire to the rating service. Such questionnaire is tailor made to secure relevant information on the operations of the particular applicant. Upon receipt of the completed questionnaire, the council issues to the applicant a certificate of application for accreditation.

Following at least one audit of the operations of the applicant, the executive director of the council submits to the board his conclusions on whether the applicant has met the accreditation requirements by: (1) Furnishing all requested information, (2) complying substantially with the minimum standards, (3) submitting to audits, (4) conducting its operations in substantial compliance with the information furnished to subscribers and the council, and (5) paying the assessments for audits.

If the board determines that an applicant has met all requirements, it grants an accreditation to the applicant. If the board determines that an applicant has not met all of the requirements, it so informs the service and points out existing deficiencies. If the deficiencies are corrected, an accreditation is granted. If they are not corrected, the board may withhold the accreditation, and the service may request a hearing before a hearing panel.

The hearing panel consists of three members of the board appointed by the council. The panel is directed, upon conclusion of the hearing, to prepare a statement of findings for the board. Exceptions to such finding may be filed by the executive director of the council and by the rating service. Oral argument before the board may be requested by either side. The board, on the basis of the findings, the exceptions, and the oral argument makes the final determination, either granting or denying the accreditation. Unless waived by the service, all hearings and proceedings are closed and all information submitted is confidential except that a grant, denial, suspension, or withdrawal may be made public by the council.

Provision is made also for the suspension or withdrawal of an accreditation, and the hearing procedure applies in such instances.

It is stated specifically in the document setting forth the procedures that the existence of the accreditation mechanism does not preclude the offering of audience measurement surveys by an unaccredited service or the purchase of such surveys.

(3) Auditing Procedure

"Audit" is defined as meaning an examination of the broadcast rating service operations of a service conducted in a manner and with such frequency as the council shall determine from time to time. As a condition for accreditation, a service must commit itself to submit its operations to such audit and to pay assessments therefor.

The document does not contain any further details on the extent and frequency of audits to be performed.

ACTIVITIES TO DATE PURSUANT TO PROGRAM OF INDUSTRY REGULATION

The activities to date of the Broadcast Rating Council with regard to requiring disclosure of rating procedures, auditing such disclosures, and accrediting the services thus audited may be summarized as follows:

Even prior to the organization of the council detailed questionnaires had been developed by an ad hoc committee of the National Association of Broadcasters (NAB) which were submitted to those rating services which had applied for accreditation. The following rating services applied for accreditation:

Alfred Politz Media Studies
 American Research Bureau
 C. E. Hooper, Inc.
 A. C. Nielsen Co.
 Pulse, Inc.
 Sindlinger & Co.
 SRDS Data, Inc.
 Survey & Marketing Services
 Trendex, Inc.
 Videodex, Inc.

Of these services, the following have completed the questionnaires submitted to them to the extent necessary to receive a certificate of application for accreditation:

American Research Bureau
 C. E. Hooper, Inc.
 A. C. Nielsen Co.
 Pulse, Inc.

Following completion of the questionnaires, audits were conducted through independent certified public accountants. The expenses of these audits were undertaken by the Broadcast Rating Council, which organization in turn billed the individual rating services. The following payments were made.

American Research Bureau.....	\$50,000
C. E. Hooper, Inc.....	20,000
A. C. Nielsen Co.....	55,000
Pulse, Inc.....	37,500
Total.....	162,500

The audits were conducted in the following manner, according to a statement submitted by the executive director of the Broadcast Rating Council:

Pulse, Inc.—A continuing audit of the Pulse operation has been conducted by Ernst & Ernst beginning October 1, 1964. The procedure adopted by the auditors involves a check of the fieldwork—

including sample selection and implementation, interviewing, and supervision. Also, the data processing in the headquarters' production center is reviewed by selecting certain published reports and tracing the figures back to the original interviewers' reports. The selection of the markets to be examined is made entirely by Ernst & Ernst. Neither Pulse nor the council knows in advance which markets are to be reviewed. The examination of the fieldwork is not commenced until several days after the reviewing has been underway.

Ernst & Ernst report that they have conducted their audit of the fieldwork in the following markets:

Albuquerque, N. Mex.	Orlando, Fla.
Boise, Idaho	Portland, Maine
Charlotte, N.C.	Providence, R.I.
Colorado Springs, Colo.	Reading, Pa.
Dayton, Ohio	Sacramento, Calif.
Lansing, Mich.	Salt Lake City, Utah
Lubbock, Tex.	San Antonio, Tex.
Memphis, Tenn.	Spokane, Wash.
New Haven, Conn.	Toledo, Ohio
New York, N.Y.	

Data processing, computations, and tabulations have been checked in the case of reports published for the following markets:

Canton, Ohio	New York, N.Y.
Denver, Colo.	Omaha, Nebr.
Houston, Tex.	Provo-Orem, Utah
Jacksonville, Fla.	Stockton, Calif.

A. C. Nielsen Co.—The assignment of the audit of the Nielsen operation was made to Ernst & Ernst on December 18, 1964, and has been conducted on a continuing basis since that date. The Nielsen Co. produces two ratings reports. One is for national audiences, the Nielsen Television Index (NTI); the other is for local markets, the Nielsen Station Index (NSI). The NTI is based on meter data while the data for the NSI come from diaries.

In the case of NTI, which is not confined to any one market, the review of the fieldwork has consisted of an examination of sample selection and implementation and visits by the auditors in company with the Nielsen fieldman to selected households for purposes of checking the fieldman's report on that household and examining the actual operation of the meter. Test records and tapes have been produced for later examination at headquarters. Because the NTI data come from a permanent panel, the identity of the households visited has not been disclosed to the council by the auditors. As of the date of their most recent report, the auditors state that they have visited 23 households scattered throughout the national sample. They have also investigated computer programs and processing procedures used in the compilation of the reports.

In reviewing the NSI, the auditors have examined the selection and implementation of the sample and, in addition, have audited the telephone solicitation which is used by Nielsen (as contrasted with the personal solicitation which is employed in the case of NTI). Telephone solicitation is conducted under Nielsen supervision from 10

telephone centers. The solicitation has been audited in the following centers:

Evanston, Ill.

Hartford, Conn.

The telephone households used in the Nielsen NSI sample are supplied on order by the O. E. McIntyre Co. by a computerized selection program. Both the source material used by the McIntyre Co. and the computer program have been examined.

The markets in which the fieldwork and tabulations have been checked include:

Baltimore, Md.

North Platte, Nebr.

Chicago, Ill.

Philadelphia, Pa.

Columbia-Jefferson City, Mo.

Providence, R.I.

Denver, Colo.

San Bernardino, Calif.

Detroit, Mich.

San Francisco, Calif.

Green Bay, Wis.

Sioux City, Iowa

Hartford, Conn.

Waco-Temple, Tex.

Minneapolis-St. Paul, Minn.

C. E. Hooper, Inc.—The assignment of the audit of the operations of C. E. Hooper, Inc., was made to Price Waterhouse Co. The audit was commenced in October 1964 and has been proceeding on a continuous basis. The audit consists of observing some telephone calls as they are being made and a certain number of verification recalls to ascertain that the interviews was conducted. In addition, the selection of the sample by fieldworkers was reviewed to ascertain that the procedures published by the company are followed. The production headquarters of C. E. Hooper, Inc., have been visited on many occasions in order to ascertain that data processing and tabulation have been conducted in accordance with stated procedures.

The markets in which fieldwork has been verified include:

Adrian, Mich.

New Britain, Conn.

Bend, Oreg.

Pittsburgh, Pa.

Birmingham, Ala.

Rochester, N.Y.

Cincinnati, Ohio

Sacramento, Calif.

Dallas, Tex.

Toledo, Ohio

Houston, Tex.

Winston-Salem, N.C.

Jackson, Miss.

Worcester, Mass.

Miami, Fla.

Youngstown, Ohio.

Mobile, Ala.

Markets in which data processing has been reviewed include:

Allentown-Bethlehem, Pa.

New York, N.Y.

Columbus, Ohio

Oklahoma City, Okla.

Dayton, Ohio

Tulsa, Okla.

Fort Worth, Tex.

Washington, D.C.

American Research Bureau, Inc.—The Price Waterhouse Co. was assigned to the audit of this company. The audit has been proceeding on a continuing basis since October 1, 1964. Although ARB produces a national and local rating service, both are based on diaries as the data source. The diaries are placed by telephone solicitation. The sample is selected by field personnel in accordance with procedures issued by the Bureau. The audit was directed to ascertain that these procedures were followed. In addition, a number of families were

BROADCAST RATINGS

contacted to determine that they did, in fact, keep a diary and that the diary in tabulation was the one they had returned. Markets in which these observations were made included:

Augusta, Ga.	Jackson, Tenn.
Baltimore, Md.	Kearney, Nebr.
Birmingham, Ala.	Lincoln, Nebr.
Bristol, Va.-Johnson City, Tenn.	Memphis, Tenn.
Butte, Mont.	Missoula, Mont.
Cleveland, Ohio	Muncie, Ind.
Columbus, Ohio	Pembina, N. Dak.
Elk City, Okla.	Roswell, N. Mex.
Elkhart, Ind.	San Diego, Calif.
Hartford, Conn.	Santa Barbara, Calif.
Hastings, Nebr.	South Bend, Ind.
Indianapolis, Ind.	Watertown, N. Y.

Home-office data processing and tabulation were reviewed on several occasions on a surprise basis. Computer programs and control procedures were examined to determine whether they were functioning properly.

When word has been received by the council that a field or processing check has been made involving a particular market, broadcasters in such market are advised by the council of this fact by means of the following form letters:

BROADCAST RATING COUNCIL, INC.

420 LEXINGTON AVENUE

NEW YORK, N.Y. 10017

Room 2544

(212) Oregon 9-7730

The purpose of this letter is to advise you that _____ was recently included in the current sweep of markets in which the fieldwork of the rating services was audited.

These markets are selected by the auditors and are unknown to both the council and the rating services until most, sometimes all, of the fieldwork has been completed. Also, we have no way of knowing when _____ will be next included because of the auditor's insistence on the element of surprise and also because two auditors are at work, each checking different services and selecting their markets independently. Some markets will, therefore, be audited more frequently than others.

While the results of the _____ audit will not be reported separately, they will be combined with the outcome of audits in several other markets and with the findings of an audit of tabulating procedures in the home office. The entire report will then be considered in determining the council's action with regard to the accreditation of the rating service.

I am sure you agree that this is an important step in making certain that the rating services are in fact doing what

they say they are doing and that the industry's decision to improve the ratings situation is being implemented.

Cordially,

Kenneth H. Baker: aal.

Executive Director.

BROADCAST RATING COUNCIL, INC.

420 LEXINGTON AVENUE

NEW YORK, N.Y. 10017

Room 2544
(212) Oregon 9-7730

In addition to an audit of the fieldwork of the rating services that have applied for the council's accreditation, the council also conducts an audit of the home office data processing of those services. This usually consists of taking a report that has already been published and tracing its preparation from the receipt of the field data through the printing of the report.

This letter is to advise you that a report for _____ was recently used in this connection by the auditors. While their observations do not constitute a complete audit for your market, the report does serve as a basis for checking coding, editing, computer programming, and other steps in the production of the report.

The selection of the markets for this purpose is done entirely by the auditors and they are not known to either the rating services or to the council until after the report has been printed and distributed. Also, some markets will be selected more frequently than others because there are two auditors at work examining the operations of several rating services. The outcome of these observations will be combined with the field audits and will be considered by the council in deciding upon the accreditation of the rating services.

I thought you would appreciate knowing that this work is progressing and that we are accomplishing the industry's objective of improving the ratings situation.

Cordially,

Kenneth H. Baker: aal.

Executive Director.

The aforementioned activities have resulted in the accreditation at the council meeting held on September 24, 1965, of the following rating services:

- Hooperrating (local radio)—C. E. Hooper Co.
- RadioPulse (local radio)—Pulse, Inc.
- U.S. Television Audience—American Research Bureau.
- Local Market Television Audience (diary service)—American Research Bureau.

Nielsen Television Index—A. C. Nielsen Co.

Nielsen Station Index—A. C. Nielsen Co.

In advising the committee of these actions, Mr. Donald H. McGannon, chairman of the board of directors of the Broadcast Rating Council, submitted the following additional information:

The first series of audits, as would be expected, indicated certain area inadequacies and opportunity for improvement and upgrading. The rating services were extremely cooperative, have been responsive to the suggestions of the BRC and this has been translated into an improved rating service. This act of accreditation, however, should not be interpreted by you and the members of your subcommittee as indicating that the BRC or its members are now satisfied and that further aims for improvement will be lessened. This is not the case. The audits represented the effect of an external force which checked procedures, instructions, training, and the other elements of the rating process and which in turn disclosed the shortcomings and subsequent corrective action. However, it must be recognized by you and your committee that the audit process must be continued and eventually expanded because there will always be a certain amount of human error and this can only be reduced where correspondingly the discipline is increased. It is the vigorous determination of the BRC that the foregoing direction be continued and pursued.

In addition, Mr. McGannon advised the committee that the council adopted a policy of limiting its accreditation procedure to regularly syndicated audience reports and would not include special reports produced at the request and financing of individual users. Mr. McGannon submitted the following statement in this connection:

I wish to point out that a policy action was taken by the BRC that accreditation would only be of regularly syndicated audience reports and would not include the group of so-called special reports that are produced at the request and financing of individual users. It is not intended to reflect negatively upon such reports but on the other hand at the current stage of our growth and activity, the BRC has not been able to mount effectively an audit of such reports. We intend to pursue this to the best of our capabilities.

With regard to the accreditation of two applications containing proposals for instantaneous rating services in New York submitted by A. C. Nielsen and the American Research Bureau, respectively, the Nielsen application was approved and the service accredited at the December 7, 1965, board meeting of the council. The audit on the American Research Bureau is in process.

LAW ENFORCEMENT

Two independent Federal regulatory agencies have important statutory responsibilities under their organic acts with regard to broadcast rating services, but neither agency has a direct mandate from the Congress to regulate specifically the activities of the rating

services. The Federal Communications Commission has the responsibility of licensing and regulating broadcast operations in the public interest. The Federal Trade Commission has the general responsibility of preventing unfair methods of competition and unfair and deceptive practices in interstate commerce.

The purchase and use by broadcasters of rating surveys importantly affect the performance of broadcasters in two respects, first, in relation to listeners and viewers, and second, in their competitive relations to each other. The FCC has vital responsibilities with regard to both of these aspects.

The FTC is concerned with competitive practices, first, on the part of the rating services themselves and, second, on the part of broadcasters and others who use ratings.

What is the present situation with regard to law enforcement activities by these two agencies in these areas?

The two agencies have recognized that they have a joint responsibility in these areas which requires proper coordination. On June 13, 1963, the two agencies issued separate coordinated policy statements regarding their respective responsibilities in connection with broadcast ratings. The FCC statement stressed that broadcasters must act responsibly in using ratings. They must take reasonable precautions to insure that surveys used in advertising campaigns are valid (e.g., that they are properly conceived, reasonably free from bias, and have adequate samples). Broadcasters also must refrain from quoting portions of surveys out of context so as to leave a false and misleading impression of the relative ranking of stations in their respective markets.

The FCC stated that in determining whether a licensee is operating in the public interest, the Commission will take into account any FTC findings or order to cease and desist concerning the use of broadcast ratings by a licensee.

The FCC also stressed that ordinarily it intends to refer complaints dealing with questionable use of broadcast ratings to the FTC as the agency having primary responsibility in this respect.

The FTC stated that it would take vigorous action against any broadcaster who claims that a survey proves he has a certain percentage of the listening audience if upon investigation it is found that the claim is false and deceptive.

Both agencies, in their statements, pointed to the information developed by the subcommittee as one of the factors for their particular concern with the rating picture.

In its statement the FTC referred to three orders entered into by the Commission in December 1962 against three major rating services ordering them to cease and desist from misrepresenting the accuracy and reliability of their measurements, data, and reports. These orders involving A. C. Nielsen, Pulse, and C-E-I-R, Inc., were agreed to by respondents. According to testimony by Chairman Paul Rand Dixon, the complaints were based on information furnished in 1961 to the Commission by the Senate Commerce Committee supplemented by the Commission's own investigation.

Chairman Dixon further testified that, as is the practice of the Commission in such cases, respondents were advised of the complaints in May 1962. The complaints, however, were not issued formally until December 28, 1962, at which time respondents agreed to the

The purpose of the orders, according to Chairman Dixon's testimony, is to require the rating services to publish sufficiently detailed explanations of their respective methodologies so as to permit purchasers of audience measurements prepared by these services to assay the value of such measurements. Chairman Dixon expressed the hope that these orders might indirectly have the effect of improving some aspects of the methodologies employed since the services might well prefer improving their methodologies to disclosing any shortcomings.

On July 8, 1965, the FTC issued a further statement regarding deceptive claims of broadcast audience coverage. In its statement, the Commission set forth the following guidelines which it believes should be followed by broadcasters and others making claims based on survey results or data in order to avoid possible violations of the Federal Trade Commission Act:

1. A person (or firm) making a claim concerning the size, composition, or other important characteristics of a listening or viewing audience is responsible for seeing to it that the claim is truthful and not deceptive. If he bases his claim on the results of an audience survey, he assumes responsibility for interpreting the data accurately. Thus, he should not engage in activities calculated to distort or inflate such data—for example, by conducting a special contest, or otherwise varying his usual programming, or instituting unusual advertising or other promotional efforts, designed to increase audiences only during the survey period. Such variation from normal practices is known as "hyponing."

It is also improper to cite or quote from a survey report or survey data in such a way as to create a misleading impression of the results of the survey, as by unfairly basing audience claims on results achieved only during certain periods of the broadcast day or on a survey of only a segment of the total potential audience.

2. Audience data are based on sample surveys not derived from complete measurements of audiences. As such, they are statistical estimates, and, at best, are of only limited reliability due to errors and distortions inherent in the statistical methods yielding such data. Claims as to audience coverage based on audience surveys should therefore be qualified in recognition of the fact that survey data are inherently imperfect. Any such claim should be accompanied by a disclosure that any figures cited or quoted are estimates only or are based upon estimates, and are not accurate to any precise mathematical degree unless based upon a true probability sample. Audience surveys are not in practice based upon true probability samples.

3. Such claims should not be based on data obtained in a survey that the person (or firm) making the claim knows or has reason to know was not designed, conducted, and analyzed in accordance with accepted statistical principles and procedures, reasonably free from avoidable bias, and based on a properly selected sample of adequate size. Such claims should not be based on survey reports or data that do not reliably reflect current audience coverage, either

Market
326-3439

CFR
16

CCIF
TR Report

Public Services
326-2513
Kan. Bureau

326-7665
3131

because the passage of time has made the data outdated, or because a later survey report encompassing essentially the same area has been published, or because of the entry or departure of a competitor, or for any other reason.

RESEARCH PROGRAMS

It is apparent from the description of the self-regulatory efforts of the several industry groups which have undertaken this effort and of the law enforcement activities of the two Government agencies in this area that both of these efforts are directed first of all toward requiring adequate disclosure of the methodologies practiced. The self-regulatory efforts, in addition, are aimed at providing minimum ethical standards for the practice of existing methodologies. The task of materially improving existing methodologies on the one hand and developing new and better ones, on the other hand, must be left to research efforts aimed particularly at these objectives.

What research efforts have been undertaken with these objectives in mind? In summarizing these research efforts, it must be stressed that individual research efforts have been aimed at solving particular problems since the practice of measuring radio and television audiences runs into widely differing problems: the problems of national television audience measurements differ from the problems of local television audience measurements, and each of these in turn differ from national and local radio audience measurements respectively.

RESEARCH CONCERNING NATIONAL TELEVISION AUDIENCE MEASUREMENTS

In May 1963, the three television networks (ABC, CBS, NBC) organized a Committee on Nationwide Television Audience Measurement (CONTAM) to conduct methodology studies with regard to problems relating to nationwide audience measurements. CONTAM has completed three research projects. These projects focused on seven factors which had been the subject of some critical discussion in the course of the subcommittee hearings as possibly causing inaccurate ratings:

1. Small (perhaps inadequate) sample sizes.
2. Inaccurate and/or incomplete reporting of viewing data.
3. Conditioning or aging of a fixed panel.
4. Exclusion of parts of the country (specifically the mountain time zone) from some samples.
5. Errors resulting from improperly done fieldwork.
6. Improper editing and weighting procedures.
7. Noncooperation of households that have been selected for inclusion in the sample.

The subjects of the three studies and the conclusions resulting therefrom may be summarized as follows:

CONTAM project No. 1 sought to deal with the question whether relatively small samples such as are actually used in making national audience measurements could yield reliable national television ratings. In addition, questions had been raised whether the principles of statistical sampling theory could be applied to such diverse human activity as television viewing.

A report on the study was presented to the subcommittee in its hearings held on January 15, 1964. The conclusions reached on the basis of the study were as follows:

1. Sampling theory does apply to the measurement of television viewing behavior.
2. Relatively small samples give good estimates of television audience size.
3. While sampling error decreases as the size of the sample increases, sample sizes over 1,000 make only a relatively small improvement in accuracy.
4. The accuracy of a measurement from a sample does not depend appreciably on the size of the population on which the measurement is sought.

CONTAM project No. 2 sought to compare the national audience data produced by the Nielsen Audiometer Panel with those produced by the American Research Bureau (ARB) diary studies. The techniques and organizations employed by these two services are entirely different. Nielsen employs an essentially fixed panel of over 1,000 television households using audiometers which are attached to the TV sets in these households. ARB's spring and fall "sweep" ratings are based on a gross sample of about 55,000 households each of which maintains a diary of its television viewing for 1 week.

According to the expert witnesses who presented the results to the subcommittee, the analyses of the two rating surveys showed a high degree of correspondence. The witnesses concluded, therefore, that of the various procedural deficiencies which could apply both to ARB and Nielsen, only the one common to both—namely, noncooperation of sample homes—could possibly be a major problem.

CONTAM project No. 3 was an outgrowth of project No. 2 and involved a study to determine if noncooperation had an effect on the estimates of audience size provided by the major rating services. According to the expert witnesses the study revealed that television viewing by cooperators yields program ratings in essentially the same rank order as does viewing among the total population. Thus the use of cooperator ratings as an indicator of program popularity has resulted in the same conclusions that would be reached if all persons cooperated in rating studies.

The study also revealed that the estimates of the size of audience or network programs based on cooperator ratings are somewhat overstated. The degree of overstatement decreases as the level of cooperation increases. CONTAM estimates that at the 75 percent level of cooperation (approximately the level currently being achieved by the Nielsen national television index) the overstatement is 3.4 percent or 0.6 of a rating point on an average nighttime rating.

The study further revealed that some of the variation in program ratings between cooperators and the total population is due to the kind of audiences the programs attract. The ratings of programs that attract a high proportion of people who normally cooperate in studies (that is, people who are younger, better educated and members of larger families) will tend to be overstated more than the ratings of programs that appeal most to people who are older, more poorly educated, and come from smaller families.

On the basis of the three studies, the expert witnesses reached the following overall conclusions:

Based on the results of the three projects that have been completed, CONTAM has concluded that although the industry has not been misguided by national television ratings, continuous effort should be made to minimize any errors, no matter how minor, that still exist in the procedures employed by the ratings services.

RESEARCH CONCERNING LOCAL TELEVISION AUDIENCE MEASUREMENTS

A Committee on Local Television Audience Measurements (COLTAM) was formed in the summer of 1963.

It consists of nine people who represent various interests of the local television broadcaster. The group is headed by Howard Mandel, vice president and research director of the NAB. He summarizes the work of COLTAM as follows:

The Committee on Local Television Audience Measurement was formed in the summer of 1963 as one of a number of industry efforts to improve audience measurement methodology.

One major project was completed during 1964 and two others are in preparation.

Since an important question with respect to the accuracy of such measurements is the type and amount of difference between those who cooperate in keeping diary records and those who do not, it was decided to use the special study conducted for the CONTAM project (CONTAM No. 3) as a vehicle to obtain information on comparative demographic characteristics of cooperators and noncooperators.

This material has now been analyzed with the following results:

Average daily viewing time.—Those who cooperate in keeping diaries spend more time watching television than those who do not. Specifically, 53 percent of the cooperator group reported 5 hours or more daily television viewing, while 46 percent of the noncooperators reported this much viewing.

At the other end of the scale, 16 percent of the noncooperators watched television 2 hours daily or less, while only 11 percent of the cooperator group reported this little viewing time.

Number of people in household.—Cooperator households are larger than noncooperator households. Almost 50 percent of the cooperator households consisted of four or more people, while this was the case for only 41 percent of the noncooperator households.

Age.—Cooperators are younger than noncooperators. Almost a third of the cooperators were less than 40 years old, as compared with 26 percent of the noncooperators. Similarly, in looking at the older groups, only 17 percent of the cooperators were 60 years of age and older, while 23 percent of the noncooperators were in this category.

Education.—Those who cooperate in keeping diaries are better educated than those who do not. Specifically, 33 percent of the cooperator group reported having had at least some college, compared with 26 percent of the noncooperator group. Another 40 percent of the cooperators were high school graduates, as against 35 percent of the noncooperators. And only 23 percent of the cooperators reported having had less than a full high school education while this was true of 29 percent of the noncooperator group.

During the first part of 1965, plans were developed for a comprehensive study to compare the results obtained by the two major local television rating services, American Research Bureau and A. C. Nielsen.

The purpose of this study will be to determine if the results obtained by the two services are statistically comparable or if any systematic differences are found. If such differences are identified, this will provide the basis for further study to determine possible sources of error.

Detailed tabulation plans for the study are almost complete and negotiations are underway with the rating services to secure their cooperation.

Another concern of the COLTAM group relates to differences occurring as a result of different methods of diary-keeping—e.g., the existing ARB procedure, the new ARB multimedia procedure, and the Nielsen procedure. Within the last year there have been a number of important changes in technique by the major rating organizations. Another industry project, ARMS, the NAB-RAB all-radio methodology study, presently has underway a study of the effects of various procedures as they pertain to radio. The results of this investigation may provide insights applicable to the measurement of local television audiences.

For these reasons a separate investigation of this field by COLTAM is being held in abeyance pending the availability of the results of the ARMS study.

RESEARCH CONCERNING RADIO AUDIENCE MEASUREMENTS

The multiplicity of radio sets in households, the large number of radio stations on the air, the rapid growth of automobile radio, and the advent of personal transistor sets have combined to make the task of accurate radio audience measurements—both nationally and locally—an exceedingly difficult one. The greatest difficulties, however, are to be found in the case of local radio audience measurements. Here, the cost of reliable surveys threatens to exceed the money which local stations can afford to pay for such surveys. In an attempt to meet the particular difficult problems of radio audience measurements which had been highlighted in the course of the subcommittee hearings, the National Association of Broadcasters joined hands with the Radio Advertising Bureau.

The basic objective of the research projects sponsored jointly by these two organizations has been to find one or more methods of accurately measuring the total radio audience in and out of homes by times of day and stations reported in terms of unduplicated coverage for both individual and cumulative period.

The project undertaken by the NAB-RAB has been named All-Radio Methodology Study (ARMS). Again according to Howard Mandel, who is directing its activities, it has involved the following:

ARMS was inaugurated in the fall of 1963. Its first project was an elaborate study to determine if station listening reported in a telephone interview accurately reflected the station to which the respondent was listening. The major finding was that 91 percent of those respondents mentioning a station named the station correctly. Of the 9 percent not giving the correct identity of the station to which they were listening, the misidentifications resulted in no bias to any one station since they tended to be spread over the whole radio band.

In March of this year, the major survey of the ARMS project went into the field in Philadelphia.

The objective of the study is to determine the relative accuracy and reliability of a number of procedures now in wide use and several methods not currently being practiced by any of the rating services. The study is unique in that it will afford an opportunity for the first time of obtaining a variety of measures in one city, at one time, using one research organization, under carefully controlled field conditions. The work is being carried out by a reputable national research organization without any ties to the broadcast research field.

The results will be evaluated by determining how closely the data obtained by each technique agree with each other and with special benchmark measures for the inhome audience and the automobile audience. The ultimate objective of the project is to aid in the development of procedures that will provide measurements optimal in terms of reliability, validity, and cost.

The automobile audience was measured through 300 specially designed meters which were placed in sample cars. Station tuning information was obtained through intersection interviewing using a random sample of grid points for determining intersections.

Eight separate generic techniques were tested in the Philadelphia experiment, including five forms of diary measurement and three forms of recall measurement.

All these data are now being prepared for extensive analysis and tabulation for development of a computer program and it is anticipated that the first reports will be available early in 1966.

EVALUATION OF PROGRAMS AND ACHIEVEMENTS

It can be stated without any reservation that none of the programs described above would have been undertaken if it had not been for the investigations and hearings conducted by the subcommittee and the insistence on the part of the subcommittee following the hearings that remedial action be instituted. The subcommittee finds this to be true with regard to both industry and Government programs.

Industry programs of self-regulation

It should be noted for the record that broadcasters, networks, and advertisers and their trade organizations prior to the hearings did little if anything to ascertain whether or not the rating surveys on which they placed such heavy reliance in conducting their business affairs were reasonably accurate. It must also be noted for the record, however, that following the hearings, broadcasters, networks, and advertisers and their trade organizations, individually and collectively, rendered an outstanding service to their respective industries and to the public in initiating and carrying out a program of self-regulation.

The program of self-regulation which various industry segments have undertaken with regard to broadcast measurement activities is rather unusual in this respect: It is self-regulation as distinguished from Government regulation in the broadest meaning of the term "self-regulation." Actually it is regulation of broadcast rating services by the users of such services rather than by the services themselves. While the services have cooperated in this regulatory effort and have borne some of the expense, they have by no means demonstrated any initiative in bringing about these regulatory programs. On the contrary, it appears that even at the present time some of the services appear still unconvinced that the regulatory efforts constitute a significant contribution toward achieving more reliable rating results. In considering what steps should be taken to assure the continuing improvement of rating operations, it will be important for the subcommittee to be mindful of this attitude.

The program of self-regulation if administered diligently should accomplish several vital objectives. It should:

- (1) Create a continuing awareness on the part of the rating services that their performances will be audited for the purpose of determining whether they are complying with the minimum standards established by the Broadcast Rating Council and with their own statements of what they do;
- (2) Improve the products turned out by the rating services as they become accustomed to operating in accordance with more stringent internal production controls;
- (3) Create a greater awareness on the part of broadcasters that as a part of performing in the public interest they must be diligent with regard to the quality of ratings which they purchase and that in conducting their business affairs they must use ratings properly;
- (4) Facilitate the enforcement of existing Federal statutes in cases where unfair methods of competition or unfair or deceptive practices are employed in connection with the sale or use of broadcast ratings.

Requiring the disclosure of relevant information by rating services, establishing minimum standards for rating services, auditing the performance of rating services, and licensing such services might conceivably be required in a Federal statute and a Federal agency might be directed to discharge these responsibilities. It is highly doubtful, however, that Government regulation of the operation of rating services, at this time at least, is likely to be more effective than a well-administered program of industry self-regulation. Furthermore, there is not in existence at present any Federal agency which is discharging

functions closely related to those performed under the program of self-regulation. The enactment of legislation providing for such regulation would not appear to be in the public interest at this time.

Should, however, the industry program of self-regulation, upon continued examination be found at a later date to be substantially deficient and therefore, incapable of achieving the objectives sought to be reached by that program, enactment of appropriate legislation providing for Government regulation of rating operations may prove to be the only recourse.

Under our American system of broadcasting private companies are licensed to operate in the public interest. The benefits which the American people derive from this system are likely to be impaired if any of the important aspects which make up the system turn out to be seriously deficient. There can be no doubt that ratings constitute such a vitally important aspect and that the reliability of ratings and their proper use by broadcasters is and must remain a matter of serious concern to the Federal Government.

Government programs of law enforcement

The regulation by Government of rating operations, however, must be clearly distinguished from the enforcement of the provisions of the Communications Act and the Federal Trade Commission Act with regard to the advertising, sale, and use of rating results. In these particular respects, the Congress has already charged two independent Federal regulatory agencies with important responsibilities.

It must be noted for the record that both the Federal Communications Commission and the Federal Trade Commission initiated steps aimed at a joint discharge of their statutory responsibilities in this area only after publicity concerning the subcommittee's investigations had focused attention on the serious deficiencies which had existed in this area for many years. The continuation of vigorous enforcement activities by these two agencies in this area is an absolute necessity if violations of law are to be uncovered and violators are made to suffer the consequences.

In view of the fact that the applicable provisions of law are rather general, these two agencies have important responsibilities to determine in individual cases whether violations of these laws have occurred. The investigation and prosecution of abuses on a case-by-case basis will contribute greatly to rendering more definite what conduct is permissible under our laws and what conduct is in violation thereof.

Industry and research programs

The production of more reliable ratings depends on the continued improvement of rating procedures. Improvements in rating procedures depend to a considerable extent on the discovery of sources of errors in such procedures, and carefully conducted research is required to disclose such sources.

Some of the research projects which have already been completed, as has been pointed out above, have resulted in findings with regard to specific improvements which are required in order to produce more reliable ratings. It is to be hoped that those research programs which are still under way, particularly in the area of radio ratings, will contribute materially to the improvement of those ratings which are most in need of such improvements.

The broadcasting industry and other industries which have contributed talent and money to these research programs are to be congratulated on their efforts to help eliminate defective procedures. These efforts must not be permitted to be abandoned or reduced. On the contrary, they ought to be strengthened if all aspects of radio and television are to be of high quality.

Government and research programs

Broadcast ratings are statistical measures used by the broadcasting industry to measure audience reaction to certain programs and to measure the share of the viewing or listening audience which is obtained by various stations.

These statistical measures are not physical measures such as are measures of length, weights, or of volumes, but statistical measures can be just as important and significant in our everyday life as physical measures.

Under article I of the Constitution the establishment and maintenance of weights and measures is a direct concern of the Federal Government. In the execution of this responsibility the Congress has delegated to a large degree the authority for the establishment of physical weights and measures to the Bureau of Standards. On the other hand, statistical measures are of tremendous significance in our national economy as, for example, the Index of the Cost of Living which is prepared by Bureau of Labor Statistics. Changes in the Cost-of-Living Index of very small fractions, because of the operation of myriads of contracts governing wage rates, can result in changes of many millions of dollars.

Other bureaus of the Government such as the Bureau of Agricultural Economics and the Bureau of the Census similarly compile many indexes or many kinds of data based upon statistical procedures largely applying sampling techniques. Our statistics of unemployment and our data on the international balance of payments, for example, are the result of sampling procedures.

Statistical measures employing sampling techniques may not result in measurements of the same degree of exactness as those obtained through the use of physical and weight measures such as the foot, the pound, or the bushel. Nevertheless these measures have become as indispensable to our everyday life and to the administration of numerous vital governmental and private programs as those which pertain to weights and physical measures.

It would seem clear, accordingly, that it is just as much a function of Government today to be concerned with the development of effective and reliable statistical measures in these fields so important to the public welfare as it has been with the length of the inch. The Office of Statistical Standards which has been established in the Bureau of the Budget has been given a direct mandate under the Federal Reports Act to coordinate and check on information-gathering activities by all Federal agencies including particularly the gathering of statistics. In discharging its responsibility the Office of Statistical Standards is directly concerned with the use by Federal agencies of sound statistical procedures including effective and reliable sampling techniques. In discharging its responsibilities in this area, the Office of Statistical Standards would appear to be in a particularly good position to judge to what extent research is required to develop new and improved

sampling procedures for its own use and for use by other Federal agencies which have occasion to employ sampling methods in connection with their respective duties, or have occasion to administer statutes applying to or regulating segments of the economy wherein the use of sampling methods in statistical techniques play an important part in the decisions which obtain. The field of broadcast ratings falls squarely within this area.

SUMMARY AND RECOMMENDATIONS

- (1) Under our American system of commercial broadcasting, private companies are licensed to operate for private profit in the public interest. Broadcast ratings constitute a vitally important aspect of commercial broadcasting. It is impossible to achieve high quality measurement practices and improper uses of broadcast ratings are permitted to proliferate. The Federal Government, therefore, must be seriously concerned with the reliability of ratings and the proper use of ratings by broadcasters and others whose use of ratings affects broadcasting.
- (2) The Communications Act of 1934 and the Federal Trade Commission Act give to the FCC and the FTC general responsibilities with regard to broadcasting, advertising, and unfair and deceptive practices. Effective enforcement of these laws with regard to the sale, advertising, and use of broadcast ratings is vital in the interest of the integrity of commercial broadcast operations. Proper coordination of law enforcement by these two agencies is vital if proper practices with regard to ratings are to prevail. To the extent that technical expertise with regard to rating techniques may be required in this connection which may be lacking in these two agencies, ample resources are available inside and outside the Federal Government to secure whatever assistance may be needed.
- (3) The enactment, at this time at least, of legislation providing for Government regulation of broadcast audience measurement activities is not advisable. The administration of a statute providing for such regulation would place an unnecessary burden on the Federal Government, and it is doubtful that more would be accomplished than can be accomplished by effective industry regulation.
- (4) Effective industry regulation will have to depend almost entirely on the initiative and perseverance of the broadcast industry assisted to some extent by advertisers and other users of ratings. The rating services may accept such industry regulation as a necessary evil preferable to Government regulation but they are not likely to undertake a program of self-regulation on their own.
- (5) Some degree of informal coordination must be achieved between the present program of industry regulation and the law-enforcement activities by the FCC and FTC in the area of ratings. As a minimum the Broadcast Rating Council and the two agencies should exchange information with regard to complaints received by them concerning ratings.
- (6) A scheme of industry regulation to be effective even more than Government regulation requires the continuing exercise of oversight. In the final analysis, this oversight function will have to be exercised by that arm of Government which was responsible for the institution

of industry regulation in the first place. The appropriate committees of the Congress will, therefore, have to shoulder this burden of oversight on a continuing basis.

(7) In addition to industry regulation, the most important factor on which the development of new and improved rating techniques will depend is an appropriate research program. The continued emphasis and support of rating research is an important responsibility of broadcasters and other users of ratings, and hopefully the rating services themselves may come to realize that such research is to their own long-term best interests.

(8) To the extent that broadcast audience measurement techniques can be improved by research into sampling techniques in general, an adequate measure of support of such research by the Federal Government should be considered appropriate. The appropriate committees of the Congress should welcome recommendations for such support from the Office of Statistical Standards and other Federal agencies which have particular responsibilities with regard to statistical measures and sampling techniques.

(9) Broadcasters who use ratings as an important tool in conducting their affairs, and most broadcasters do, have responsibilities which they cannot escape with regard to the quality of the tool and the use they make of it. Broadcasters, in order to perform in the public interest, must become more sophisticated with regard to the rating tools which they employ. It is gratifying to note that there is increased acceptance of this responsibility by some broadcasters even to the extent of promoting formal academic seminars especially designed to acquaint broadcasters and other users of ratings with the basic principles and limitations of rating procedures.

(10) Improvements in the broadcast rating picture which have been made in the last 3 years have been due primarily, if not entirely, to the investigations and proceedings conducted by this subcommittee. If these efforts have improved not only ratings but, indirectly at least, have resulted in making broadcasters more responsible in the conduct of their licensed activities, the time and effort spent by the subcommittee have been well worth while.