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The Broadcast Rating Council, the predecessor organization to the current MRC, was formed in 1964 at the urging of the United States Congress. During the period 1963-1964, the subject of Federal regulation of the TV and Radio industries received much attention through a series of public hearings conducted by the Special Subcommittee on Investigations of the House Committee on Interstate and Foreign Commerce. During these proceedings, much concern was expressed from a variety of market sectors and interest groups about the accuracy of audience research. Following these hearings, the Committee issued a report in January 1966.<sup>3</sup> After carefully evaluating whether there should be enhanced Federal involvement in, and supervision of, TV and Radio marketplaces, the Committee concluded that industry self-regulation -- including independent audits of the leading rating services such as Nielsen Media Research and Arbitron -- was preferable to direct government intervention.<sup>4</sup>

As noted above, with both encouragement from Congress and following an antitrust review by DOJ<sup>5</sup>, industry leaders formed the Broadcasting Rating Council in 1964 to review and accredit audience-rating services. Since 1964, the Council, later renamed MRC in 1997, has served as an auditing body, monitoring independent private rating services. The membership of MRC now includes representation from broadcast TV and radio, cable television, print, advertisers, advertising agencies and, most recently, Internet constituencies. Accordingly, with the guidance and approval of its Board of Directors, the MRC's accreditation role has evolved into media environments beyond traditional broadcast television and radio.

From its inception, and consistent with its By-laws, the Broadcast Rating Council developed a set of standards by which media research was to be evaluated. Those minimum standards, which became effective on March 31, 1964, have been maintained and updated by the MRC Board of Directors.<sup>6</sup> The Standards address issues in three general categories: (a) ethics and operations;

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<sup>3</sup> House Report No. 1212, 89<sup>th</sup> Congress (1966); The Special Committee was commonly referred to as the "Harris Committee Hearings on Broadcast Ratings", named for Congressman Oren Harris, Chairman of the Committee on Interstate and Foreign Commerce.

<sup>4</sup> "The enactment, at this time, 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 self regulation." *Id.* At 21.

<sup>5</sup> At that time, the Broadcast Rating Council's proposed Industry self-regulation procedures were reviewed by the United States Department of Justice. See, Letter from William Orrick, Jr., Assistant Attorney General, Antitrust Division, U.S. Department of Justice, to Douglas A. Anello, General Counsel, National Association of Broadcasters (July 16, 1964) (Exhibit C).

<sup>6</sup> See Minimum Standards for Media Rating Research, Media Rating Council, Inc. (Exhibit D).

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(b) disclosures; and (c) electronic delivery. Ethical and Operational Standards govern the quality and integrity of the entire process by which ratings are produced. Disclosure Standards specify the nature and sufficiency of information about a rating service's general methodology as well as the methodology for each specific survey, all of which must be disclosed to users, the MRC and its Certified Public Accountant (CPA). Electronic Delivery Standards are designed to ensure that the service maintains appropriate system controls while satisfying certain minimum reporting standards.

The Accreditation Process and Auditing: Voluntary Code of Conduct

The MRC relies on a system of voluntary compliance and cooperation by individual rating services.<sup>7</sup> All syndicated media (television, radio, multi-media, print or Internet) audience measurement services are invited to apply for MRC accreditation. Accreditation is granted by the MRC Board of Directors if a rating service complies with the MRC's Minimum Standards for Media Rating Research, which focus on ethical and operational procedures, as well as the full disclosure of methodological and survey-performance information. In addition, the service must maintain sufficient quality control and foster continuous improvement to ensure audience data that are valid, reliable and effective in accordance with the stated mission of MRC.

Over the years, the MRC has utilized a number of nationally known CPA firms to perform these audits. The audits are presently conducted by Ernst & Young (E&Y) and PriceWaterhouseCoopers (PWC). Each rating service agrees to pay MRC assessments to cover their audit costs. The MRC collects no funds from rating services other than the direct cost of the external audit.

MRC's program of annual, external audits serves the following purposes:

1. The audits determine whether a rating service merits accreditation (or continued accreditation) in accordance with the MRC's Procedures for Accreditation of Media Audience Measurement Services<sup>8</sup>;
2. The audits provide the MRC with results of detailed examinations by CPA auditors, which can become the basis for quality improvements in the service, either by voluntary action or at the recommendation of the MRC;

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<sup>7</sup> MRC is sometimes compared to similar private industry self-regulatory organizations such as the Joint Commission on Accreditation of Healthcare Organizations (JACHO), an organization that audits and accredits participating hospitals for institutional fitness and high quality patient services.

<sup>8</sup> The Procedures for Accreditation of Media Audience Measurement Services by Media Rating Council, Inc. are attached as Exhibit E.

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3. The audits create a highly beneficial “psychological effect” on rating service performance, as awareness that a CPA auditor may review their work is a powerful spur for quality performance among rating service personnel.

The specific methodological approach of the rating service and the MRC Minimum Standards determine the audit scope for each participating rating service. The MRC establishes an audit committee made up of diverse member organizations that have a business or professional interest in the service to evaluate audit results and recommend a position on “Accreditation” to the Executive Director of MRC, who then submits such recommendations to the MRC Board of Directors.

Because of the disclosures that a rating service must make to comply with the MRC Accreditation process, the audit reports contain both methodological and proprietary information. This proprietary information is treated confidentially among MRC members (all of whom must sign non-disclosure agreements), the CPA firm and the rating service. Specific findings are disseminated to the public only if non-disclosure agreements are waived by the rating service, MRC and the CPA firm.

#### Proposed Business Conduct: Audit Prior to Commercialization

While the VCOC encapsulates in writing the general conduct and procedures described above, it does contain a new proposal not necessarily followed by custom and practice: the VCOC proposes that a rating service seeking to replace a currency syndicated audience measurement product<sup>9</sup> it produces with a new currency product will use its best efforts to obtain accreditation of the new product prior to its commercialization. At a minimum, the VCOC provision proposes, prior to commercialization of a replacement currency product, that a rating service disclose impact data as required by MRC and complete an MRC audit and MRC committee review.

It is anticipated that under these circumstances, consideration should be given to discontinuing the existing accredited currency product only when the replacement currency product has successfully achieved accreditation. This provision, however, does not limit the organization from implementing and marketing the new currency product wherever and whenever it so chooses.

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<sup>9</sup> A “currency product” is a syndicated audience measurement product that is widely used and forms the basis for setting the financial value of advertising.



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An organization will submit the replacement product to the MRC when it can reasonably be expected to achieve accreditation and provide in good faith a schedule that allows for completion of an audit and review prior to its commercial introduction. Both the auditor and MRC agree in good faith that the audit and MRC committee review will be completed in sufficient time to permit the scheduled commercial introduction.

MRC believes that such a provision within the VCOC is in the public interest and raises no significant antitrust concerns. Moreover, the audit prior to commercialization provision within the VCOC promotes the overall goal of MRC of securing for the media industry and related users audience measurement services that are valid, reliable and effective as well as illuminating the performance of the rating service to the MRC membership. All of these results enable independent, free-market decisions as to the use of the rating data, which is consistent with the original mission of the Broadcast Research Council (now MRC) at the urging of the Congress over 40 years ago.

MRC looks forward to adopting the VCOC in the very near future and therefore requests that this business review request be given due consideration.

MRC would be glad to discuss this request or furnish any additional information that you may need in evaluating this proposal. Please do not hesitate to contact me in this regard.

Respectfully submitted,

A handwritten signature in black ink that reads "Jonathan R. Yarowsky". The signature is fluid and cursive, with the first name "Jonathan" written in a larger, more prominent script than the last name "Yarowsky".

Jonathan R. Yarowsky

Enclosures

cc: George Ivie  
Executive Director and CEO  
Media Rating Council, Inc.