Statement of Paul Donato
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Good morning Chairman Coble, Ranking Member Watt and members of the Subcommittee. My name is Paul Donato, and I am the Executive Vice President and Chief Research Officer for Nielsen. I thank you for the opportunity to join today's panel to discuss Nielsen's Designated Market Areas, commonly referred to as "DMAs," and their role in satellite transmission statues such as the Satellite Television Extension and Localism Act (STELA).

Nielsen is a global media and marketing research company that measures what people watch and buy in 100 countries worldwide. In the United States, we are widely known for our Television Audience Measurement Service, the Nielsen Television Ratings, which provide estimates of the audiences for broadcast cable and satellite programs. Over the years Nielsen has developed innovative technologies allowing us to expand our measurement services to include computers, tablets, and smartphones. Through these technologies and our volunteer panelists, Nielsen has the capability to measure consumers' Internet purchasing habits, listening trends on terrestrial, Internet and satellite radio, and also how consumers utilize social media. Our audience measurement reports are relied upon by a range of public and private sector stakeholders to facilitate business transactions and gauge consumer trends. Nielsen's DMAs are also used by the federal government to define markets in satellite television retransmission statutes.

Nielsen DMAs & Satellite Retransmission Statutes

Most discussions of STELA and its predecessors begin with a conversation about Nielsen's DMAs, and that will be the focus of my testimony today.

The Designated Market Area

The Designated Market Area is a collection of counties each of which shares a predominance of viewing to broadcast stations licensed to operate in a given Standard Metropolitan Statistical Area (SMSA) as defined by the Office of Management and Budget (OMB). Predominance or dominance of viewing is defined here to indicate that:

> *for a particular county, homes may view broadcast stations licensed to operate from different but generally nearby Metro areas. The DMA with the predominant viewing is that Metro area whose broadcast stations have the highest share of audience for that county.*

So we start with a Metro area such as the New York or Los Angeles SMSA and continue throughout the 210 DMA markets in the US.

Each March, using tuning data collected from Nielsen homes over the last year, existing DMA regions are tested in order to verify that the dominant share of viewing from each DMA county continues to be from broadcast stations licensed to operate from within that same home Metro (SMSA). All assignments are based on share of household tuning between 6 AM and 2 AM Sunday through Saturday. While this is the basic premise behind the DMA, there are rules which Nielsen exercises when it appears that the predominance of viewing may be shifting. These rules try to balance the need for stability in television market definitions and the need to ensure that counties are assigned to the DMAs from where the highest share of broadcast viewing occurs.

For example, if the larger share of viewing from a county shifts from its current DMA assignment to broadcast stations from another DMA, that shift must be “statistically significant” and occur for two consecutive years.

Nielsen instituted the DMA system in the mid-1960s to measure the number of viewers in a particular area and, more specifically, to connect the sellers and buyers of advertising.

The DMA system allowed for the creation of a market where the buyers and sellers of local television advertising could do business with each other based on impartial information provided by a third party. Advertisers need to know that their ads are directed at the audience they want to serve. The Television Advertising Bureau estimates that Q1 2013 ad spending in the US was almost $18 billion, for an annual spending estimate of almost

$72 billion for all TV, a market that fuels the great entertainment and news programs that this country produces and America watches.

With the emergence of cable and satellite television in the late 1980s and early 1990s, the landscape of the industry changed. The new technology allowed companies that carried television programming to expand their boundaries. Specifically, television stations that were previously limited to being viewed within a local DMA could be seen outside of those boundaries. And, while the new technologies open new horizons, they also created new problems for the television industry.

The DMA and Satellite Statutes

The industry needed rules to determine which local stations could be carried in which local markets and it turned to the federal government for help. In 1992, the Congress and the Federal Communications Commission established rules governing which local television station could be carried in which local markets. As part of that process, Nielsen’s Designated Market

Areas were adopted as the guideline for determining which local stations could be carried in which local markets. It should be noted that Nielsen did not recommend the use of DMAs for this purpose, nor were we asked for technical assistance on the use of DMAs. This was a decision that was made by the Congress.

Conclusion

As you work to learn more about the future trends in video use, we would be happy to assist you in any way we can. Thank you again for the opportunity to appear before you and I look forward to your questions.