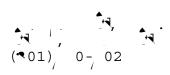
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| J | MARKETING VIOLENT ENTERTAINMENT TO CHILDREN: |
| | A WORKSHOP ON INDUSTRY SELF-REGULATION |
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| 11 | Wednesday, October 29, 2003 |
| 12 | 9:11 a.m. |
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| Т | FEDERAL TRADE COMMISSION |
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| 2 | <u>I N D E X</u> |
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| J | Introductory Remarks: |
| | By Chairman Timothy Muris |
| , | By The Honorable Frank Wolf |
| | By The Honorable Joe Baca |
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| | Morning Session: |
| 10 | An Overview of the Rating and Labeling Systems |
| 11 | |
| 12 | Dialogue Among Industry, Consumer and Research |
| 1 | Groups: Discussion of Rating and Labeling |
| 1, | System |
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| 1, | Afternoon Session: |
| 1 | Cross-Marketing and Merchandising of Branded |
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| 20 | Retailers' In-Store and Online Practices |
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done.

2 When I testified last spring before the House

Subcommittee on Commerce, Justice, State, the Judiciary

and related agencies of the Committee on Appropriations,

chaired by Congressman Frank Wolf, who is with us today,

whether entertainment is rated or labeled as inappropriate for children in adopting sales policies.

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Again, I'd like to welcome you all here and thank our panelists for their contributions, to what we expect will be a productive and enlightening day.

Now, it is my privilege to introduce

Congressman Frank Wolf. He represents part of Fairfax

and Loudon Counties just across the river in Virginia and

was the first member of Congress I met with after my

confirmation as Chairman of the FTC in 2001. I'll let

you decide if the fact that he was our appropriator had

anything to do with the fact that that was my first

meeting. At that meeting and on several occasions since,

we discussed Congressman Wolf's strong commitment to

protecting children from the marketing of violent

entertainment products.

I know he has followed our reports on this topic closely. On this and many other issues, the Congressman has been very supportive of the FTC and its mission through his position as Chairman of the Commerce, Justice, State Subcommittee. He's a good friend of the FTC's and we are very pleased to have him with us today.

Mr. Chairman.

CONGRESSMAN WOLF: Thank you, Tim. Good morning, Chairman Muris. Thank you for holding this

important and timely workshop, and I appreciate the opportunity to discuss a serious and a growing problem in America today, the marketing of violent video games to our children.

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It is becoming nearly impossible to shield minors from graphic violence. Exposure to these images is taking a toll on our society. Now, children who -- for whom we are all responsible, are seeing acts of violence and then acting out what they see in the media and in video games. The problem has grown so severe that lawsuits are beginning and being filed against the creators of some of these violent video games because children are mimicking the violence they're watching.

I want you to watch a short video clip. We've taken out most of the violence and, I think, the more offensive stuff. You will see more of these images from another speaker later today, but I thought you needed to see a taste of what is being peddled to our children today.

Could we see that short video?

(Video segment played.)

CONGRESSMAN WOLF: These images are hurting our children. Some say there is no correlation between viewing these images and committing acts of violence. I disagree. It has been said, garbage in, garbage out.

36 percent were able to buy tickets for R-rated movies. The FTC survey shows the system is failing our children and failing society. Young people are obtaining adult-oriented games and studies show they are committing violent acts at a higher rate than those who do not see the games.

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I know we will hear this. Some will say that there are no marketing rules in place to shield children from adult-themed violent entertainment. But, frankly, the industry is doing a poor job at self-regulation when it comes to our children.

Think about it as yourself and those from the industry. How long will our society that says it cares about our children permit this to continue? Many of the children and grandchildren of people right here in this room -- in this room -- may very well get caught up in the violence of this or be the victims of the violence. Labeling may be a start, but much more needs to be done.

If we cannot come up with some way to put the brakes on violent entertainment, then frankly the only option that parents may have left will be to do as they're doing now in greater numbers, to turn to the courts and continue to sue and sue and sue and sue and sue the industry and have this go the way of tobacco.

What are you going to say to the parents of the

children who were killed at Columbine, Paducah or
Jonesborough? What will you say?

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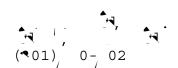
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In my region, have you been following the stories down in Virginia Beach of the sniper case? What would you say to those families? Some people say that one or both of those snipers had looked at video games and had trained on video games. Do you remember, those of you who live in this region? You were afraid to go to the gas pump to buy gasoline. You shielded yourself.

One was killed in my district. As I drove today coming down Route 50, I thought as I passed the Home Depot where the FBI employee was killed. What do you tell those families with regard to what took place?

This forum, hopefully, today offers a chance to make a positive difference in the lives of our children. The challenge is to step forward and come up with a plan, a plan that everyone can be agreed on to protect the very future of our society and our children from the violence that they are being bombarded with daily through the media.

I wish you the wisdom and courage necessary to address this problem and my commitment to the parents, as a father of five children and seven grandchildren and two more that are coming, as long as I stay in Congress, we're going to stay on this issue. And I may be a slow



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I ran for Congress in 1976 and lost. I was a Government employee. I ran for Congress in 1978 and lost again. And, finally, through the good offices of grabbing Ronald Reagan's coattails, he pulled me across. We're going to stay with this issue until we solve it in each and any way we possibly can because it is unacceptable for our society to continue the coarsening that we're seeing and the impact that it is having on our children.

Thank you very much and thanks for having me here, Tim.

(Applause.)

CHAIRMAN MURIS: Thank you very much, Mr.

Chairman. Next, I'd like to introduce Congressman Joe

Baca. Congressman Baca represents Southwest San

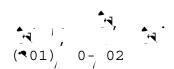
Bernardino County in California and we're especially

appreciative of him being here today. All members of

Congress are very busy and he's especially busy as some

of the fires in Southern California are in his district.

Like Chairman Wolf, Congressman Baca has shown a strong interest in the issues we are exploring today. He's the chief sponsor of the Protect the Children From Video Game Sex and Violence Act of 2003. We're honored to have Congressman Baca here with us this morning.



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CONGRESSMAN BACA: Thank you. It's a pleasure to be here attending this workshop on marketing of violent entertainment to children. I want to thank Chairman Muris and Congressman Frank Wolf for taking the leadership because this is a very important workshop. It's really about protecting our future, it's about protecting our kids. And I say our future and our kids.

It's important that we come together,

Democrats, Republicans. This is not an issue that

pertains to one party or another. This is an issue that

affects all of us together. That is why we will be able

to prevent games of violent and sexual content from

getting into the hands of our children, from getting into

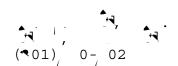
the hands of our children because the effects, as

Congressman Wolf said, that it has on a lot of our

children in our society and how it changes.

Let me explain why I'm here. Last year, I received a call from a parent in my district concerned about the newly released video game, Grant Theft Auto III. They were concerned about its sexual violence contents, about how easy it was for kids to buy it. How easy it was for kids to buy it. How easy.

Sony's own game description says that these games contain violence, blood, gore in gleeful



abandonment of moral responsibility. Let me repeat that, that's violence, blood and gore of moral responsibility. These are the values our children learn when they play these type of games. When they play these type of games, the aggressive behavior that they begin to get involved in because when they play it they're assimilating the action. It's like not watching TV, not watching a movie, but actually playing the game itself. It's like they've taken a part of that person when they're there. It's like they're hypnotized and they're working on the video game. There's a whole difference.

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When I learned that four out of five children today could buy these games on their own -- four out of five children can buy it, I knew that we had to do something about it and Congressman Wolf knew that. That is why I've introduced Protect Our Children from Video Game Sex and Violence Act last year, HR-669. I state, HR-669.

I have been amazed by the support we have received from parents, public health groups and others. We have worked closely with groups, such as Lion and Lamb Project, to make sure that parents everywhere know the kind of content that are in these games. It is wrong that our children are being exposed to this kind of violence at an age when their minds and values are still

being formed. When their minds and values are still
being formed. They play these games when many cannot
distinguish fantasy from reality. Today, it's an
important popular game and is full of senseless acts of
sex and violence and brainwashing of our children.

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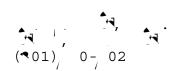
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Grand Theft Auto III and Grand Theft Auto and Vice City show people having sex with prostitutes, carjacking soccer moms, using illegal drugs, killing police officers.

Postal 2 allows players to decapitate police officers. Police officers. This is our law enforcement that are positive images and models in our communities. And kill innocent people as they beg for mercy. Points are even awarded -- and I say points are even awarded for burning and urinating on black police officers or a drive-by shooting in some of these videos that are going on, so we look at the violence that has affected us.

If that isn't enough, Games like BMX, XXX even show live video footage of naked strippers. Live footage. And these are available to our kids. Is that what we really want our kids to be watching? I ask you, is that what we want our children to be watching? I know you're shaking your heads saying no. That's right. We don't want our children to be watching these kind of video games.



We need Federal law helping our parents to monitor what games their children should play. Let me be clear. It is the responsibility of parents to raise their children and determine what kind of games they are buying. We know that. Yes, it is the responsibility of the parents. But the industry also has a responsibility and I know that very much in our society right now with two working families, many individuals out there, latchkey kids, the kids have an opportunity still to go out and buy these and many times the parents don't even know that the kids have even bought it. And many times, they don't even know the content of what's in these video games.

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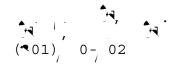
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For those parents that are getting educated now, they're saying, I'm appalled, I didn't know that this was the kind of a video game that was being shown.

FTC Secret Shopper survey released just a couple of weeks ago revealed that 69 percent of children -- 69 percent of children between the ages of 13 to 16, unaccompanied by parents are able to purchase video games with graphic and violent and sexual content. Sixty-nine percent. That is seven out of ten children that purchase games like Grand Theft Auto, BMX, XXX, Postal 2 and others.

Smaller sting operations across the country



show that same thing. Whether it's a store online, it is
too easy for our kids to get these games. A retail
tracker recently estimated that four million children 17
and under purchased M-rated games last year.

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Some would tell you that early exposure to violence has no harmful effect, but a growing body of academic research tells us a different story. Several of the nation's most respected public health groups have found that viewing entertainment, video games, can lead to aggressive attitudes and values and behaviors, particularly in our children. Aggressive behavior, attitudes in our children.

But we have to go beyond the facts and figures.

think it is all of our responsibility, all of us coming together, and I think we all can. But we've all got to take the responsibility.

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The video game industry is a \$10 billion industry. But this can't be about money. It's about our children and that's what Congressman Wolf talks about. It's about our children. It's not about money. It's about values. It's about morals.

As an adult, I can shoot a gun, I can drink beer, I can smoke a cigar or a cigarette. But if I gave any of these to a child, I'm a criminal. I'm violating the law. When it comes to video games with violent and sexual content, the same should be true, isn't that right? It should be. The gun industry, the tobacco industry, the alcohol industry all accept regulations on the products when it comes to kids. They accept those. And so must the video game industry. And so must the video game industry.

We cannot let stores that are only looking to make a profit undermine the nation's parents. If parents want to buy these games for their children, that's their choice. But parents, not stores, should make those decisions. Parents, not stores, should make those decisions.

The sad fact is that our stores are not

enforcing their own policies. There are some that are, but there are many that are not and some do not even have any policies, and that is why I've introduced this bill and will continue to fight for our children. And will continue to fight for our children.

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That's why I'm also creating a Congressional sex and violence in the media caucus. I state, that is why I am creating a Congressional sex and violence in the media caucus. I will be joined by Congressman Tom

Osbourne who will be my Republican co-chair. Congressman Wolf will also be a member of our caucus. We will be a strong voice with Congress to reduce sexual and violent content in the media. We hope that other members of Congress and the public will continue to work to protect our children from these harmful materials. And I state, we hope that other members of Congress and the public will continue to work to protect our children from these harmful materials.

This is just the beginning of a long and difficult battle to protect our children. We are not alone in this battle. Washington, Minnesota, New York and other states are following our lead. In a few weeks, Assemblyman Leland Yee, in my home state of California, will be introducing legislation to keep these games out of the hands of our children. These are encouraging

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I know with your help, we can pass this

legislation, HR-669, and make this country safe for our

children. But we've all got to do it together. It's not
about me, it's not about Congressman Wolf, it's about all

of us coming together to protect our children.

I want to thank you. I look forward to working with each and every one of you, and I believe in today's important workshop. That we can look and hear what's going on to make sure that our children continue to be protected. I thank Chairman Muris for taking the leadership and caring about our communities and caring about our children.

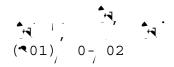
Thank you very much.

(Applause.)

CHAIRMAN MURIS: If we could now get our panelists for the first panel, which Mary Engle will chair. Thank you.

(Whereupon, there was a brief pause in the proceedings.)

MS. ENGLE: Good morning. My name is Mary
Engle and I'm the Associate Director for Advertising
Practices here at the FTC. Probably one of the more
interesting assignments I've had since I've been at the
Commission has been to head up the Commission's study of



the marketing of violent entertainment media to children,
which culminated in the Commission's report and
subsequent Congressional hearings three years ago in
September of 2000. One thing I learned there, and it
continues to be true, is that people feel really
passionately about this issue, and I'm sure we'll hear
more about that today.

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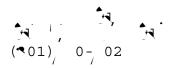
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Anybody who has children knows that kids are avid consumers of entertainment media. Parents and others are naturally concerned about what their children are exposed to. All three of the industry segments represented here today, the motion picture, music recording and electronic game industries, have developed voluntary rating and labeling systems to provide parents with information about the content of their products so that parents can make informed choices about what their kids see and hear.

The first panel today will lay the foundation for the subsequent discussions. We will hear from representatives of the Motion Picture Association of America, the Recording Industry Association of America and the Entertainment Software Rating Board.

The panelists will generally describe how each industry rates or labels its products to provide information to parents about the product's content. We



will be particularly interested in hearing about changes
to their systems that may have occurred since the
Commission issued its first report three years ago.

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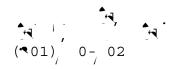
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A couple of housekeeping items, if you have cell phones or pagers, please turn them off and, also, please wear your ID badges at all times for security purposes.

Following the workshop, we will be accepting written comments. If you're interested, you can email comments to violenceworkshop -- that's violenceworkshop, one word -- @ftc.gov and your comment will then be placed on the public record of this proceeding and be available for viewing on the FTC's website.

And now, it's my pleasure to introduce the members of the first panel. Jack Valenti. Mr. Valenti is President and CEO of the Motion Picture Association of America, a position he has held since 1966. Mr. Valenti developed the motion picture ratings system, which went into effect in 1968, and he has presided over its implementation and occasional modifications since that time.

Mitch Bainwol. Mr. Bainwol is Chairman and CEO of the Recording Industry Association of America, a position he assumed last month. Before joining RIAA, he led the Bainwol Group, a lobbying firm here in



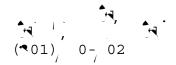
Washington, D.C. He previously served as Chief of Staff for Senate Majority Leader Bill Frist and over the years has held several leadership positions on the Hill.

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Patricia Vance. Pat Vance is President of the Entertainment Software Rating Board, a self-regulatory body established in 1994 to apply and enforce ratings, advertising principles and online privacy principles.

Ms. Vance came to the ESRB last year from the Princeton Review where she served as Executive Vice President and General Manager for Admission Services. Previously, she



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But I found out quickly that nature, politics and the movie industry abhor vacuums and two motion pictures then intruded on my young tenure. One was, Who's Afraid of Virginia Wolf, directed by Mike Nichols, Burton and Taylor the stars, and for the first time you heard on the screen language which had never been heard during the Hayes Code, which literally governed what you could and could not do.

For example, in the Hayes Code it says, if a couple were married and in bed and they wanted to become affectionate, they would have to each put one foot on the floor which means you had to be Nadia Comaneci, the Olympic gymnast, in order to show affection for spouses. But Virginia Woolf had the language.

And then the next picture which burst on the scene was by the celebrated film maker, Michelangelo Antonioni. The film was called BlowUp, starring Vanessa Redgrave and David Hemmings, and you saw for the first time, for about 30 seconds, two teenyboppers naked running around on the screen. And I realized that I had to do something in order to try to find some way to find a middle ground. And I tried to think of -- I wanted to be sure that the screen was free for film makers.

I do not believe anybody -- anyone ought to

intrude on the right of a creative person to compose a song, tell a story, do a visual image the way he or she chooses to do it. The First Amendment says I have a right to speak my mind, but it also says you have a right not to listen or to watch.

And so, I thought we also had an obligation to parents, to make sure that we gave parents advance cautionary warnings so they could make their own judgments about what movies they wanted their children to see and not to see. I raised three children, my wife and I, under that precept. Not my neighbor or my government telling me how to conduct the lives of our children, but my wife and myself.

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And so, on November 1st, 1968, in partnership with the National Association of Theater Owners, we unveiled the voluntary motion picture rating system. It is unconstitutional for the Government, under the cloak of all of its strength, to have any kind of compulsory rating systems of any kind. So, we made ours voluntary which gives us legal strength. No one is compelled to do anything. Therefore, if you don't want to rate your film, you don't have to. But about 98 percent of the films are rated.

This rating system started in -- it will be 35 years old on November 1st, 35 years old. I don't believe

anything lasts that long in this brutal and explosive
marketplace, unless it is providing some kind of a
benefit to the people that it aims to serve, in this
case, parents of America.

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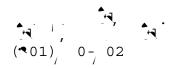
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So, what we have today, after all these years, are five categories and we give reasons for the ratings. It's usually in ads a fourth of a page larger. We have the reasons for the ratings at filmratings.com, which is — the theater owners of America put out various little folders as you come in. We have what we call point-of-sale displays about the rating system, and let me just show you something. I hope I can show you one chart. That's not it.

I need one chart that shows every year since 19 -- there we go. Let me just -- I want you to see -- I think you can hear me now. I want you to know, this is 1969. This line is people who have never heard of the ratings system. At one time, it was almost 40 percent. Today, only 2 percent of all the people in America have not heard of the ratings system. Ninety-eight percent recognition. Unbelievable.

This is the line that says, I don't think the ratings system is worth it, and here is 21 percent of the people believe that. On the other hand, this is what's -- by the way, this is for -- actually it's for



parents with children under 13. This survey is 2,600 people under rigorous market research protocol, randomly sampled socioeconomic levels, and you can see at the top, of all the parents in America with children under 13, you have here -- for the last -- I think for the last 20 years, it's been in the 70 level. Now, it's 76 percent of all parents with children under 13 say this ratings system is very useful to fairly useful in helping me decide what pictures my children ought to see.

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I just believe that if someone is to condemn something in the marketplace, whatever it is, there ought to be some substantive evidence behind your declarations. I said, the Opinion Research Corporation of Princeton, New Jersey has conducted these surveys and it will be 35 -- well, 34 years because we didn't conduct it in the first year. We started one year after the system was in effect.

So, what I put before you is as follows: We're trying to help parents make their own judgments about what movies they want their children to see or not to see. We give them advance cautionary warnings. And when we say an R picture, we say this picture should not -- you should not bring your young children and they can't get in unless they're accompanied by a parent or a guardian. You say, well, they slip in. The Federal

Trade Commission, just a week ago, complimented and lauded the National Association of Theater Owners, of the 36,000 screens in this country, and they said, you're doing a good job. I think about 65 percent in their secret surveys, or 66 percent, something like that, are really enforcing this ratings system.

There is no law passed by man or woman that is perfect. We have drug laws. People violate them every day. We have speeding laws. People violate them every day. And the newspapers are full of the sordid stories of the avarice of corporate chieftains, who lied and cheated their stockholders and their employees, and I think they all ought to be put not in jail, but under the jail.

So that nothing you do -- nothing you do is perfect. With the possible exception of my three nearly 0 perflect-children, I(140)n't 2knlow that guthing 0,000ern.

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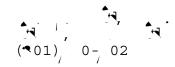
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So, how do they get their music? They get it from their friends and they get it from the internet.

Increasingly kids will get music from one or more of the new internet sites that have popped up. A dynamic competition has taken off right now and that's great news.

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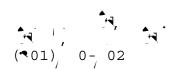
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For instance, over the last five months, Apple iTunes has sold something like 14 million downloads. There's a new and legitimate Napster that's in the news today. Other sites include Music Now, Rhapsody, Music Watch, Music Match, buymusic.com and AOL's MusicNet, more on the way from great American brand names like Wal*Mart, Amazon, Dell and Microsoft.

But for now, as a practical matter, the music kids get most often comes not from stores and not from these great new legitimate sites. Rather, kids are getting their music by downloading from P2P networks by Kazaa and Grokster, iMesh, Morpheus and Blubster. Lots of downloads, some say 2.6 billion -- billion with a B -- downloads per month. At a zero price point, it turns out that demand is pretty high, especially for kids.

According to an independent analysis by
Palisades, 99 percent of the audio files downloaded are
either copyrighted works illegally downloaded or
pornographic. Ninety-nine percent. Forget for the



moment, though, the lesson that gets learned from theft 1 of intellectual property on the internet and forget, for a moment, also, the computer security and privacy issues that arise from going onto these P2P networks. Let's focus instead only on content questions and three issues pop up.

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First, there is no labeling on Kazaa or the other P2P networks, no parental advisory, nothing. With billions of downloads occurring each month, that blows a gaping hole through the labeling regime that we're talking about today. Some say it's almost irrelevant.

Second, there is no point of sale and, therefore, no one or nothing poses a barrier to the acquisition of the product. No parent, no clerk, no retail establishment thinking about a community standard, nothing.

And third, in the P2P world, anyone can attach anything to any file by any artist, and they do that in a big way and they deceive kids in that fashion. As the GAO observed this spring in their stunning report, when you type in Britney Spears or Pokemon or the Olsen Twins, more than half of the product you get is pornographic.

Let's look at slide two and as we call it up, why don't you digest that a bit? I apologize. pretty graphic. This was a search that was done last

Friday afternoon at 4:56 in the afternoon, so it's contemporary. This has not been doctored in any way other than to make some of the language a little less offensive. It demonstrates very powerfully how our artists are being highjacked, their reputations are being highjacked and they're being used to lure kids.

I'd also like to point out that this is music that in the physical world would not be stickered. So, it's really a huge problem.

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Let's call up slide three. Slide three compares the online world, which is how kids are getting music -- and in the green zone you'll see the legitimate sites. In the red zone, you'll see the illegitimate sites like Kazaa. And look at the vertical columns. Column one is, is there a parent filter; column two, is there a parental advisory; column three, are the edited versions of the music readily labeled for the parent; and

businesses must be brought under the policy, regulatory and legal microscope. They've got to be. The folks who make money by driving advertising with a zero cost structure have an obligation to match their fancy words with deeds.

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It also means as my industry, the music industry, continues to refine, enhance and improve how we administer the parental advisory system, we are missing an enormous piece of the puzzle.

In contrast to P2P businesses, for almost two decades, the music industry has helped parents make the right judgments for the kids. The voluntary parental advisory program was established in 1985, about 20 years after Jack did his, but nevertheless almost 20 years ago, and it's been refined and enhanced a number of times in 1990, in 1995, in 2000, and again in 2002.

Throughout the years, the motivation underlying this program has been to provide a clear heads-up, a heads-up to all consumers that a recording contains explicit content. By most accounts, the program works very well, much like the movie industry's. For artists, for consumers, and for parents, with some 35,000 albums released each year, about a half a million songs, that's an enormous accomplishment.

Yet, we live in a dynamic world. We know that.

The current program is not written in stone and it
shouldn't be written in stone. We do need to refine it.
We certainly will continue to listen carefully to
parents, to the FTC, at workshops like this to make sure
that what we're doing is appropriate in a world that's
increasingly moving to a digitally-centered distribution
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Accordingly, I'm proud to announce that the RIAA will be revising our parental advisory again in three ways. First, we'll encourage parental control filters. Our revised guidelines will encourage online download sites to provide parents with the option to filter effectively or prevent the download of works with explicit content. Two of the current services do that now. I spoke to Steve Jobbs yesterday with Apple iTunes. They are moving in that direction. We think everybody should do that as a matter of course.

Two, we will reinforce the importance of consistent descriptors for the download sites. As you can see from that chart, in the fourth column there's a variety of language that's being used, and we think it would be useful to harmonize that. So, we've already called for that. We will tighten that language.

And, three, we're going to work closely with the FTC and our partners in the entertainment industry to

2 resource for parents. It can be strengthened and

improved and we intend to do that.

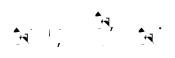
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In the interest of time, I'll leave it there, and again, I appreciate the opportunity, Mary, to make a statement. Thank you.

MS. ENGLE: Ms. Vance.

MS. VANCE: Thank you, Mary. Before I start my opening remarks, I just want to make a couple of comments as a follow-up to the Congressmen's comments earlier today.

First of all, all the games that were shown this morning carry prominent labels with rating symbols



range from edu-tainment, which describes educational content in an entertainment setting, to intense violence, which indicates the presence of graphic and realistic depictions of physical conflict.

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Recently, the ESRB took several proactive steps to ensure that consumers are using the rating system effectively. One step was to add several new content descriptors to give consumers greater insight into the specific type of violence in a product, be it cartoon violence, fantasy violence or intense violence.

A second action was to increase the visibility of the content descriptors on the back of every game box, by repeating the rating symbols that's on the front of the box and placing it next to the content descriptors in an authoritative seal. All games shipping to stores today carry the new seal.

Another step the ESRB took to ensure that

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Furthermore, it's important to know that parents overwhelmingly agree with the ratings that are applied. Each year, ESRB commissions Peter Hart Research, a nationally-renowned independent opinion research firm, to conduct market tests on randomly selected video games. In a nutshell, we show parents clips of actual game footage and ask what rating they would apply. Then, we compare their responses to the actual rating assigned by the ESRB. Each year, the research has shown that the majority of parents agreed with the ESRB, and when they disagree, they're just as likely to think we're being too strict as they think we're being too lenient.

ESRB ratings will never achieve 100 percent agreement, considering the breadth of opinions, beliefs and personal taste of the American public. However, it's clear that ESRB ratings are well within the American mainstream, and that's exactly where we want to be.

Other opinion polls conducted by Hart Research

show that American parents not only agree with specific ESRB ratings, but 90 percent of them say the ESRB rating system provides the kind of information they need.

Seventy-five percent say it's an effective tool that helps parents shield their children from inappropriate game content.

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In my final few minutes, I want to move away from the rating system itself and talk about some of the other mission critical activities of the ESRB.

As the FTC has noted in its recent reports, we diligently enforce an advertising code of conduct, which includes not just ensuring that rating symbols and content descriptors are properly applied to packaging, but the industry's advertising and marketing practices are responsible. Responsible means several things.

First of all, it means that the rating information is visible and legible in all advertising materials. Secondly, it means that advertising is appropriately targeted, prohibiting publishers from targeting advertisements of M-rated games to minors. And thirdly, responsible means the content of the ads must be truthful and not cause widespread offense to the average consumer.

In the event that a game publisher inappropriately labels or advertises a product, the ESRB

is empowered to force corrective actions and impose a wide range of sanctions, including levying monetary fines, relabeling packaging and ultimately revoking a rating, and this system is strictly enforced.

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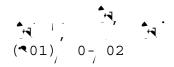
Finally, I want to share with you the extent of our efforts to raise consumer awareness of the rating system. ESRB faced, and continues to face, the difficult task of educating consumers about the rating system. In its past reports on entertainment industry marketing practices, the FTC has reported favorably on ESRB's public education efforts.

For example, we recruited such celebrities as Tiger Woods, Regis Philbin and Derek Jeter for PSAs, which have been distributed to TV networks and local stations across the country, as well as to retailers for in-store display. We've recently renewed this effort and look forward to getting more air time as we head into the holidays. And here's a sample of one of those spots.

Can we run the video?

(Video segment played.)

MS. VANCE: Our outreach efforts to date have yielded significant results. When ESRB launched its public education effort in 1999, fewer than half of all parents had heard of the system. Today, that awareness level has increased to almost three-quarters. But that



doesn't go far enough. Our goal going forward is not
only to further increase awareness but also to make sure
that parents fully understand how to use the ESRB system,
both its rating symbols and content descriptors.

To that end, the ESRB has recently launched a new print public service ad campaign that will begin appearing this holiday season in consumer magazines, especially those that target parents. This public service campaign has been adapted for retail use with a broad range of point of sale, training and online materials that retailers can utilize. Here are a couple of the new in-store components.

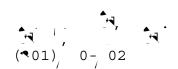
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In fact, in time for this holiday season, six major retailers will be installing all new ratings awareness signage in their stores and more will be joining them in 2004.

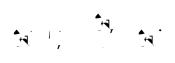
I'd like to add that we could use any help we can get from the FTC and consumer groups to encourage media outlets to run our PSAs and to distribute ratings awareness information. In the past, we sought to partner with groups like the American Academy of Pediatrics to no avail. I can think of no better place to distribute ratings awareness materials than pediatricians' offices across the U.S. I'm hopeful that we can build partnerships with organizations like the AAP at the



workshop today.

Senator Joseph Lieberman has described the ESRB as the best rating system in existence, and we at the ESRB consider that high praise. ESRB ratings are thorough, credible and trusted by American consumers, but that doesn't mean our work is done. We're always looking

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Executive Officer of PSV Ratings, which offers a single content-based ratings system for film, music, games and television, as well as the internet. Mr. Kinney is a graduate of Harvard University, where he earned a B.A. in Economics.

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Lara Mahaney is Director of External Affairs at Parents Television Council, where she oversees the Council's efforts to encourage the entertainment industry to act responsibly with its messages and to develop entertainment choices for the entire family. Ms. Mahaney has spoken on behalf of the Parents Television Council at numerous forums and in numerous places.

Nell Minow, the Movie Mom, is here representing Common Sense Media. Her movie reviews appear at Common Sense's website and at Yahoo. Her articles about children in media have appeared in numerous publications. Her book, the Movie Mom's Guide to Family Movies, was featured in Ann Landers' column and in its fourth printing.

Vicky Rideout is the Vice President of the
Kaiser Family Foundation and Director of the Foundation's
Programs for the Study of Entertainment, Media and
Health, where she oversees the Foundation's research
agenda on the impact of the entertainment media. Ms.
Rideout graduated with Honors from Harvard, has a

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Master's Degree in American History from American
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Dr. David Walsh is the founder and President of the National Institute on Media and the Family. He leads the Institute's efforts to provide information about media to parents, teachers and other concerned adults to education, research and advocacy. A licensed psychologist, Dr. Walsh is on the faculty of the University of St. Thomas and the University of Minnesota.

And then there's Daphne White. Daphne is the founder and the Executive Director of the Lion and Lamb Project. A former journalist, Ms. White founded Lion and Lamb in 1995, as a national grassroots organization dedicated to stopping the marketing of violence to children. She is the author of the award-winning Parent Action Kit for parents concerned about the violence issue, and each year, Lion and Lamb puts out the Top 20 list and the Dirty Dozen list of toys.

We're going to begin our discussions by having brief presentations by each of our new panelists and then we'll take a very brief break to begin a dialogue. We're going to start with Vicky Rideout from Kaiser Family Foundation.

MS. RIDEOUT: Thanks. First of all, briefly, let me introduce you to the Kaiser Family Foundation. We

are a research organization. We're interested in health issues. We're not an advocacy group, so we have no position on ratings in general or any specific rating systems, but what we try to do is conduct research about media, about parents' views of media, about kids and about the rating systems to try to help inform parents, inform the policy-making process and so on.

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And so, what I'm going to do is really just

Parents are deeply concerned about the issue of media violence. In the study that we released yesterday, we found that they see their kids imitate behaviors from TV and videos. They are much more likely to see them imitate positive behaviors than aggressive behaviors among the very young kids. But by the time they're in the four to six age range, half of the kids have copied some kind of aggressive behavior, like kicking or hitting, from a TV show.

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Many parents are making use of media ratings. More than 80 percent say they've used the movie ratings from our studies. Roughly half have used the music, video game and TV ratings and a quarter of parents say they use the TV ratings often.

A couple of years ago, which was our most recent study, only 7 percent had used the V-chip. Of those who knew they had a V-chip in their TV, who had a new TV with a V-chip and knew about it, a third of them were choosing to use the V-chip.

Most parents do find the ratings useful. About half of parents who have used them say that the ratings for movies, video games, music and TV are very useful. With regard to the TV ratings, a lot of parents don't understand them well at all, and I think that's really an issue that's going to need to be addressed. The majority

of parents of young children don't know what the child ratings mean and especially not the rating for violence in children's programming.

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So, to the extent that we're concerned about the littlest kid and to the extent that we're concerned about the issue of violence, I think the issue of the FV rating -- which many people in the room may not have even heard of -- which is the one -- it's the only rating that tells you about violence in little kids' programming, the vast majority of parents do not have any idea what it means. Only 14 percent know what it means and many of them believe it means something like family viewing. So, there's work to do there.

By and large, we find that parents prefer content ratings to age-based ratings, but the reality is that at least, vis-a-vis the TV ratings, they get and understand the age-based ratings better than they do the content-based ratings. And that's just where we stand now and I think that's largely, you know, thanks to Mr. Valenti and the many years of the movie ratings.

As far as obstacles in the path of more parents making use of the ratings, I think the biggest area has to do with TV ratings and V-chip. I think that most parents don't know that their TV has a V-chip in it. If they do know, it's a little bit hard for them to find it,

it's hard for them to understand how to use it. You have to go through a lot of different screens. If you miss a particular step, it's null and void and you'd have to start the process all over again. The ratings are, compared to all the other stuff that appears on screen, are relatively invisible. So, I think those are areas where those who want to promote more use of the ratings might want to concentrate their attentions.

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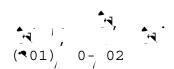
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MR. KELLY: Daphne White from Lion and Lamb.

MS. WHITE: Hi, my name is Daphne White. I'm Executive Director of The Lion and Lamb Project. I have a lot to say so I'll try to say it very quickly. If I go too quickly, just tell me you don't understand. I'm from New York, I used to be.

So, Lion and Lamb works to stop the marketing of violent entertainment to children and we're very concerned about marketing issues. A lot of parents who are members of our organization came here today. They came today taking time from their work or taking care of their children because they're very frustrated, they feel helpless and they feel angry because really there is no one to listen to us when we feel frustrated about what's marketed to our children. Although, I have to say I was very heartened to hear Mr. Bainwol saying he's here to listen. That's good to hear.



I want to say that the issue for parents today is the marketing of violence to children, which is the title of this workshop. The issue is not industry self-regulation. The entertainment industry has been calling for self-regulation since the 1970s and you see where it's gotten us. Self-regulation has not worked. It's not working for the financial industry; it didn't work for the accounting industry; it didn't work for the energy field; it doesn't work in the field of entertainment either.

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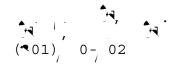
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And there's a simple reason why self-regulation does not work. There's too much money at stake selling violence to children. The bottom line for these industries is the bottom line. It's not, and it's not been, the welfare of America's children. As you'll see in this afternoon's marketing panel, children are the prime demographics for music, movies and video games. These companies rely on children and teens for a good deal of their income.

Children now spend \$33 billion a year -- that's just children under 12 -- on all products. And teens spend \$155 billion a year. And as you'll hear on the afternoon panel, a lot of what they spend their money on is entertainment products, video games, movies and music.

So, because of this, I will critique in one



second the rating system, but I believe that the rating system, as they are now constituted, completely controlled and paid for by the industry groups, for the industry groups. Just to talk about the rating systems and how we can make minor adjustments here and there is like rearranging the chairs on the Titanic. It's not going to get us there. We need a total overhaul. We need people who really understand children and child development making these decisions.

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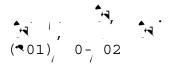
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So, I support Congressman Wolf's call for some action on the part of the Federal Trade Commission to do some regulating and legislating, because otherwise, Kill Bill will soon be shown alongside The Transformers as afterschool children's programming because that's what's been happening with ratings creep.

So, let's look at some big issues of how the ratings are failing parents, and then I'll go to a quick critique. The rating systems are not transparent. Only these industries know what R means, where the line is between PG-13 and PG, where the line is between Teen and Mature. The criteria is secret. We don't know how they arrive at these decisions and these are made by industry, not child advocates.

So, let me do a really quick critique -- if I could have the first slide now, please -- of the video



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we'll skip over that because she already explained that.

So, let's look at these violence descriptors. That's supposed to help us understand more. She said there are 30 different descriptors. About nine or ten of them describe violence, animated blood, blood, blood and gore, fantasy violence. What does it mean? Next slide, please.

So, we have descriptors describing the descriptors. Now, I'm wondering how many of you think Column A matches Column B or can you tell? How many of you think we have these in the right order? How many of you think we have these messed up? How many of you can't tell the difference?

Having three kinds of blood descriptors is like the Eskimos having 30 words for snow. You can see that blood is really important in video games. So, let's continue to the next slide.

There's also discontinued descriptors on their website. I think it's interesting, some of them were actually honest enough, the ones they don't use anymore, to say unsafe or violent situations, to say blood or the

mutilation of body parts. There's mutilation, there's decapitation. You'll see a longer version of the video Congressman Wolf showed. You will see people's heads being chopped off with axes. None of that is visible in these descriptors, which are supposed to be reliable and helpful. They're very vague and don't say much. Okay, let's move on to the next one.

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What would you think is more violent? Here's
The Hulk. It's a video game based on a PG-13 movie.
There's an E-rated version for Everyone. The descriptor
says violence. Okay. The Teen-rated version says mild
violence. I don't know about you, but I'm a little
confused. Not only why is there one called E for
Everyone of a PG-13 product, but the ratings seem to be a
bit mixed up. This is, by the way, off the ESRB website.
We did not scramble these. Next one, please.

Another confusing thing is the R-rated movies for which there are companion Teen-rated video games.

The Matrix, The Terminator are just two examples.

So, there's more violence in these games. I'll run through this really quick. There's an issue of ratings creep. You can do the next slide.

Mature-rated games are the fastest-growing segments. Even though only 8 percent are rated mature, something like 30 percent of all games sold now for

consoles are mature. So, the ratings is different than what is popular. Next slide.

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Ninety-five percent of teenage boys play video games. When the industry says 83 percent or whatever are purchased by adults, let's think of the population. More than 80 percent of the population is adults. But teens are a huge demographic in who plays games. Next slide.

Forty percent of those who play Mature-rated games are under 18. Again, our concern is the marketing of these violent games to children, not the fact that a lot of women play solitaire on their computers, which is what the industry mucks up the figures with. And children under 18 comprise less than 20 percent of the U.S. population. Next slide.

The same -- this is an older slide from movies, but it shows you that with movies, as they go along, the death toll rises. These are actual corpses. This isn't some kind of vague definition of violence. George Gerbin (phonetic) who went and counted the number of dead bodies in these movies, they go up. Current movies, they go up. Video games, they go up.

Kill Bill, which is now rated R; Texas Chainsaw Massacre, rated R, would have been X or NC-17 just a few years ago. And we actually have released a list of rotten ratings today to show problems with the rating

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Is there another slide? Okay, that's just a picture from Postal 2, which you'll see more of later.

So, I will offer some recommendations in the last panel of the day about a uniform labeling system. But as Congressman Wolf said, labeling is just the beginning. We need regulation, legislation and possibly more lawsuits because these ratings are not working and we cannot count on industry to do any better than they've done in 30 years. Thank you very much.

MR. KELLY: Thank you, Daphne. I didn't know we were going to have a quiz.

Dr. David Walsh from the National Institute on Media and the Family.

DR. WALSH: Thank you. I'd like to start by giving you a little bit of an overview of the work that we do because even though whenever I come to Washington it's about policy and advocacy issues, most of the work that we do is actually on another key variable in this discussion that's come up a number of times today.

What you see up on the screen is the mission, and I just want to make the point that we are not an anti-media group. We believe that the media are powerful, probably more powerful than most people realize, and I also think more powerful than most parents

realize. And so, what we try to do is to maximize the benefits while minimizing the harm.

> And the reason for that has to do -- if you'd go to the next slide, please -- with the power of media. I think whoever tells the stories defines the culture, and I don't think that's new. I think it's been true for thousands of years. But for this generation of children, more so than any other before it, the dominant storytellers are now on the screen, and so, that has a very, very large impact on the behavior of children particularly with the growing role of media in children's Screen time, because of the evolution of new lives. screens, screen time is up 25 percent since 1990, not because kids are watching more television. actually watching a little bit less, but they're playing more video games, internet, computer, et cetera. screen time is now a major role in their lives.

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And the reason that that becomes very, very important is because we can't expect the companies that produce the stories to have children's welfare as a priority. Their priority is profit. With some exceptions, the overwhelming priority is profit.

Lester Thoreau, the MIT economist, wrote not too long ago that values are not and will not be inculcated in either the present or the future by

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brings a gun to school, there are millions of kids who

we're trying to do is build awareness, knowledge and action and trying to get parents to start to become aware. If you'd go to the last slide. Or things like this, if you believe Sesame Street taught your four-year-old something, then you better believe MTV is teaching your 14-year-old something. And so, we have to help parents become aware because all of the systems that we're going to be talking about -- and we are critical of some of the systems and we'll be talking about those specifically. But I really think that we really have to

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sensitive house. And my father now says that the media is more like a toxic waste dump, and that provides a greater challenge than he had raising my sisters and me, you know, worried about whether we should watch I Dream of Jeannie than, you know, today's parents wondering whether their kids should be watching Fear Factor or Joe Millionaire.

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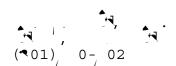
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I, like Jack Valenti, am the world's biggest fan of the First Amendment. I'm delighted to be here using my First Amendment right to express my views. And so, I really want to make it clear that we're not talking about any infringement of the First Amendment. I think that the MPAA has been a wonderful leader in this area, but I think it could do a better job, and I want to talk a little bit about the movie rating system since I'm a movie critic and write about these issues and that's my area of expertise.

I think it is a mistake to have the system completely controlled by the industry and they have always felt that they wanted to have just a parent #ep&esentative onTf-11sbiertt tt

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But I think my primary concern is that the descriptors, which are a big advance over where they used to be, are still sort of Delphic to the point of being intentionally obfuscatory, sort of the butterfly ballot of the rating system. My all-time favorite rating was for the Majestic which was rated PG for mild thematic elements. Now, you know, you're going to need a Ph.D. in semiotics to figure that one out.

I think that the ratings board watches so many movies that they get a little numb, in the title of a movie I liked very much, Dazed and Confused. After you see a movie like Kill Bill, everything else ratchets down. And we have a PG-rated Star Wars where a child picks up a helmet and finds his father's severed head in it. But because you don't see any blood -- blood is a very big issue in ratings -- it's still a PG. And because a lot of the people killed are robots -- if I can say the people killed -- a lot of the entities annihilated are robots, you stick with a PG.

Last week, I'm proud to say that in America the number one movie, the biggest opening in October ever, was Scary Movie 3, a truly dreadful movie, but you know who went to this. It was teenagers. It was rated PG-13. The website screenit.com has 13 pages of parental

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In the recent PG-13 S.W.A.T., one concern I had, again not very bloody, but a lot of things blown up, you had suicide portrayed as an honorable response to having made a terrible mistake. That's an issue that really is very important to me in terms of what we communicate to kids.

You know, the MPAA rating system just gives a get out of jail free card to comedy and allows a lot of things through PG-13 that would be an R in a drama. And there's something wrong with a world in which Billy Elliott and Kill Bill both get R ratings.

The Center for Media and Public Affairs, on whose board I serve, in their last survey of the most violent films, 1998, 5 out of the top 10 and 9 out of the top 20 were PG-13. So, I think we could do a better job of giving parents the information they need about violence.

Parents need better information, consistent across all platforms. We've got a survey at Common Sense Media that says that. Parents say we want to understand the ratings better. I think we have heard some very

interesting things about the different ways that the
different media approach ratings and we can find some
solution that is across the board that provides clear and
understandable information.

When my son was five he once said to me, how

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2 Lara Mahaney from Parents Television Council.

MS. MAHANEY: Hi, what we want to talk about today is a study that the PTC did. What we did is we watch everything on the prime time broadcast networks and we log for sex, violence, bad language, that type of thing, but then we also log who's advertising. So, we recently did a study of the M-rated video games and the R-rated movies on between 8:00 and 10:00 at night.

Now, when we refer to the family hour, that's the first hour of prime time or 8:00.

Three years after the FTC 2000 report was published, one has to wonder if anything has really changed at all. Advertisements for the Eight Mile DVD, which was rated R, ran repeatedly on Fox's American Idol, which at the time was the highest rated show on television among children ages 2 to 17. The PTC study revealed that rather than getting better, several of the networks are actually getting worse, putting more advertisements for adult-rated entertainment during the first hour of prime time when children are most likely to be watching them.

The PTC's most recent analysis shows that Fox is, by far, the worst network. Sixty-three percent of the ads for M-rated video games and 36 percent of all ads

for R-rated movies that aired during the family hour ran on that network. Two out of every three ads for M-rated video games and nearly one out of every three ads for R-rated films that aired during the second hour of prime time aired on Fox. These are just a few of our findings.

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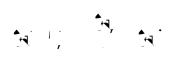
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Fox, WB and UPN continue to be the only networks to air ads for M-rated video games during the family hour or the 8:00 hour. Fifty-six percent of video games advertised on UPN and 43 percent of games advertised on FOX during the family hour were for M-rated video games. We have our study outside, so if some of these numbers are confusing, you can look it up after that.

When it comes to movies, not only are NBC, Fox and UPN still airing the most ads for R-rated films during the family hour, they've gotten worse. We had a study, also, in 2002 and it showed actually those three networks went up about 5 to 8 percent. On a good note, only 9 percent of ABC's family hour movie ads were for R-rated films. Ninety-one percent of all movie ads that aired on ABC during the family hour were for films rated G, PG or PG-13.

Another problem that we've noticed with films in particular is that they'll run ads and say, not yet rated, and I know there are sometimes where there may be

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show for 2 to 17-year-olds, had films like Identity, kind of a horror film, Old School and Final Destination. MTV is a popular entertainment vehicle for M-rated video games, but also films like Jackass, which was R-rated, and then also, too, during the baseball playoffs, Kill Bill was being advertised. And what was even disturbing about that was the fact Quentin Tarantino, the director, said that 12-year-olds should be taken to see this movie and that your parents, if they're cool, they'll take you to see it.

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Now, I don't think that was the position of Miramax, but, you know, I think there is a responsibility from those within the entertainment industry. They do really well about talking about smoking and its effects and how people do what they see in the movies. But they aren't doing it when it comes to sex, violence or language.

MR. KELLY: Thank you, Lara. Warren Buckleitner from Children's Software Revue.

MR. BUCKLEITNER: Thank you. I thought I was going to be last, so it's a nice surprise. I'm glad to be alive today. I drove down with my nephew from New Jersey, who has played all the way through Grand Theft Auto, and we hit some traffic and around Maryland he said, Uncle Warren, do you want me to get you there. I

said -- so, I was torn. I had a decision I had to make.

I said, you know, it's getting tight, go ahead, hit it,

 $exttt{?}$ and I saw some driving that I couldn't believe.

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If you want to talk to him, he's back there, and I'm embarrassing him. But he has played all the way through Grand Theft Auto. I played the first level and he told me that -- some things about the content that's inside Grand Theft Auto that every parent should know that you can't tell if you go to Amazon.com. Type Toysrus.com, go to Amazon, it jumps right in there. Scroll through the games, click on the Adventure category. One of the options is this really cool car thing. There's a message there that says, not for children under 17. I'm a kid under 17. I'm really interested now. There are no ESRB descriptors on the Amazon.com Toys "R" Us entry from Grand Theft Auto.

Now, talking to my nephew, I didn't get to the level where you actually can purchase a pornography studio. That's one of the things you can do. And there's a video that shows some actual scenes. Now, it's nothing you can actually see, and we've looked for that; however, the themes of prostitution and pornography and the F word are very big in that game.

Now, we publish a publication on children's interactive media. We have a column in here called

Parents Video Game Advisor. We started after working for Boys Life Magazine. So, we watch and listen a lot to real kids and what they do, okay? They're playing Grand Theft Auto.

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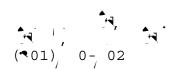
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My question is, why do Toys "R" Us, a company that's got the word "toy" in its name, sell something that I doubt the executives or buyers would want for their own children?

Secondly, we look at the ESRB ratings. They do a great job. We have yet to be surprised, after 10 years of looking at video games, if it's an E or a T, it's spot on. The descriptors are far more useful. Parents don't know what Mature means. I've had parents of second graders come in and say, yeah, my kid's really mature. Parents are also desensitized to violence, like Star Wars gets a T rating. I don't know why because it's got so much shooting. Parents don't worry about that stuff.

So, those big symbols don't really jive with what parents need to know, but the descriptors are good. However, they're on the back and I think those things should be right up in front at the point of sale so parents can make a better choice.

If you go into Blockbuster, they've actually stickered over, in our store in Flemington, New Jersey, some of those descriptors.



Anyway, I'm glad to be alive today, and if you'd like to speak to a kid who's played through Grand Theft Auto, he's back there. I don't think that this media makes bad kids. I think that we, as adults, classically underestimate the ability of children to make decisions. So, I don't see the research linkage and I look forward to listening to everybody today.

Thank you.

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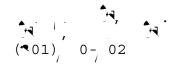
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MR. KELLY: We'll now hear from David G. Kinney from PSV Ratings.

MR. KINNEY: Thank you, Dick Kelly. It's an honor to be here among so many concerned citizens and people who truly care about the impact that media is having on our children and, hopefully, plan on working together to take positive actions to protect our children.

I am David Kinney. I'm the founder and President of PSV Ratings and I want to emphasize that our guiding principles are that we respect the right of artists, producers, directors, performers to express themselves in any way they choose. We also respect the rights of parents and other child caregivers to make informed decisions before they purchase or rent any entertainment media.

We do not believe that freedom of expression



should be curtailed in any way, but we do believe that freedom of expression has to be balanced with freedom of information.

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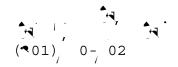
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Can I have the first slide? So, as such, we are a private sector solution to the dilemma that families confront as they attempt to determine what is appropriate content for their children to consume. Our mission is to provide parents and all consumers with objective facts, not subjective judgments, about media content so that they determine appropriateness based upon their own individual standards of suitability.

We are a content, not an age-based system. Our system does not use subjective measures to assess the media we audit. In fact, we train our auditors to report the factual incidences of profanity, sex and violence and that information is analyzed by a proprietary technology designed specifically to ensure objectivity. Next slide, please.

In spring of 2003, we commissioned a focus group study of parents across the United States. Our goal was to conduct qualitative research with as diverse a group of parents as possible about the impact of media on their children and their sentiments about existing ratings systems. Parents in the focus groups were carefully selected to ensure diversity by location, the



age groups of their children. We ensured that we had a variety of household incomes, different race and ethnic groups, and a mixture of education levels. Next, please.

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Our objectives were, again, to obtain parental views of the impact of media on their children, that is to say all media, including movies, television, music and video games, and we wanted to know parents' satisfaction levels with established industry rating systems and the demand for alternative rating systems. Next, please.

What we found was that parents with children less than six years of age were less concerned about the impact of media on their children than the 6 to 15-year-old group because they thought their children had not yet begun to show an interest in the type of content that would cause them concern. As per the Kaiser Family Foundation Forum yesterday, evidently, they should be concerned.

Parents with children ages 6 to 15 have very serious concerns about media for three primary reasons. Children mimic what they see and hear in the media.

Parents find that many scenes frighten their younger children and parents disagree with many of the values being portrayed in movies, music and other media.

Parents with teens over 15 years of age feel they have less influence over what their children watch

- in media and that they can less effectively monitor their
- children as they age. Thus, they had the least interest
- in alternative rating systems. Next, please.

information than the current systems do. Next, please.

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Given that parents said they were willing to make extra effort to find alternative ratings, we wanted to know when and where they would access them. The majority of parents, roughly two-thirds, wanted to see these ratings in advance. They did not want to get stuck at a store or at a movie theater and have their child ask them on the spot if they could have a certain media product. They wanted advance information so they could study the content issues and make their decision about what to purchase.

Approximately one-third of the parents told us they simply do not have time to do this advance research and these parents specified that they would only be able to utilize the information at the point of sale.

So, in conclusion, our research demonstrated for us that parents do want to decide for themselves what content is appropriate for their children. They want to be the gatekeepers of content for the children. They want more facts and information about the content. They want a universal rating system that simplifies their choices and clearly there is a demand for alternative rating systems that serve the needs of parents by filling the void in the marketplace for the information they seek.

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2 MR. KELLY: Thank you very much. Because Mr. Valenti has to leave, he wanted to make a few comments

and he's also going to stay for just a few minutes for questions from the panelists before he goes.

Mr. Valenti.

MR. VALENTI: First, I want to make one overarching opening comment. There's an old phrase for Texas that says, any jackass can kick a barn down, it takes a darn good carpenter to build one. The movie industry is such a fat, inviting target and you can imagine in the 35 years of this rating system, I've heard just about every comment you can possibly imagine. So, nothing I've heard today is new.

Let me make some comments. Number one -- I made some notes during this, so I want to be sure I get it right. We're not dealing here with Euclidian geometry. This is not Boyle's Law of Gases where all the equations are pristine and pure and they always come out exact. We're dealing with a vapory air of subjectivity and everybody in this room will admit it.

When I look at a picture, I may say, this is a piece of junk and you say, that's an Ellsworth Kelly that's worth \$300,000. I may hear a song that I find just dreadful and you say, I love it. I love hip-hop,

but I can't understand what they're saying, so I don't
know how to deal with that. Everyone looks at life
through their own lens. Sometimes that lens is
apocalyptic, sometimes it is golden and glowing, but
we're all looking at the same thing. And that's what
we're dealing with here.

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In the beginning of this rating system, I hired, at some expense, a number of child behavioral experts and social scientists from some fine universities on the East Coast and West Coast, and I said, please do for me, here are these categories, give me specific demarcation lines. What is too much violence? What is enough? William Blake said, enough is when it's more than enough, and that's how he said it.

They labored for maybe six months on this, and when they came back, they had to agree they failed

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eyes of a parent, just plain, ordinary parents, so they ask themselves a question, is the rating I'm about to put on this movie or to vote for one that most parents in America would judge to be accurate.

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Now, you're dealing again with subjectivity.

How do you know that? With all due respect, a focus group, you can't extrapolate from a focus group. Every market research scientist will tell you that. You can only extrapolate from strict market research protocols.

So, what you get from one focus group may not be what you can from another and you cannot project the rest of the community on that. God, I've tried them all.

The Supreme Court, the highest court in this land, at this very hour cannot define what pornography is. Isn't that awful? And they say, you have to -- it violates the community standards. Well, what the hell is that? Again, you're dealing with wispy definitions. You can't do that.

And by the way, with all the cries for federal legislation, any time the Federal Government tries to interfere and designate anything that's protected by the First Amendment, it's unconstitutional. We know that on the face of it. What the Government can do is pass resolutions and that sort of thing, but they can't go beyond that.

By the way, I laud all these additional rating systems that you've heard about. We ask parents to look at every source of information. We're not the Delphic Oracle at all. Of course we don't -- as a matter of fact, I will tell you quite honestly, infrequently, I disagree with a rating every now and then and I think, I think they blew it that time, I don't agree with that rating. But what do I know? I'm just one individual. I'm looking at it through my own eyes.

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So, if the Supreme Court can't define it, how is anybody else going to define it? Again, you come back -- I hate to keep using these words, but that's what it is, Nell, it's subjectivity. I love Nell Minow and I adore her father. I think he's one of the great icons of this country. But what Nell has given you is Nell Minow's opinion which summons respect from all of us. But it is not the final opinion. That comes from parents. They make their own judgments about that.

samplings, socioeconomic levels, so that when you get a survey like that, the error of probability is plus or minus 3 percent.

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Now, if somebody can offer me other things like that, I'd be glad to look at it. But these parents are saying, we find this rating system for the movies very useful to fairly useful in helping me decide the movies of my children. Now, I guess maybe you can come up with another survey, maybe this one is wrong, I don't know. But under the market research protocols, I have to say, I think it's right, and a 98 percent recognition factor. As I said earlier, how can anything last 35 years unless it's delivering some kind of a benefit? It has to be. Otherwise, it would have decayed earlier than this.

Now, the TV ratings -- by the way, somebody said we need advance information. We give advance cautionary warnings, for goodness sakes. Now, if a parent doesn't read it, if a parent chooses to take a child in willy-nilly to an R-rated movie, you can't blame the rating system.

Now, on TV ratings, I disagree with whoever said that TV ratings -- I think the TV ratings are not good. Do you know why? What I wanted to have as chairman of a group with the National Association of Broadcasting and the Cable Association, I wanted to have

a simple rating system. Anything that is mired in complexity will fail. Many people can't program their VCRs. Why? It's too god-darn complicated, which is why I love my Tivo, it's so simple to use.

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So, I'm saying to you, I said I wanted a simple rating system. But we were beset by a lot of child advocacy groups and the Psychiatric Association, the Psychological Association and you name it, seven to ten groups, and we met with them relentlessly and constantly and exhaustively. And what came out, in my judgment, was

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MR. KELLY: Can you stay for just a couple, Mr. Valenti?

MR. VALENTI: Yes.

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MR. KELLY: And I think certainly all these groups -- I think one of the interests here is to try to turn some of those parents who find the MPAA system somewhat useful into saying it's very useful. I think that's at least part of this focus.

Who has a question? Go ahead, Dave.

MR. KINNEY: I just wanted to say that I was specifically asked to present focus group research here today. I put a million dollars of my own money into the development of the company that I have, specifically because I saw a void in the marketplace and a demand for the information.

I believe, as you do, Mr. Valenti, that the values should come from family, church and school, but there are thousands of studies that prove conclusively that children today are brought up by the media. And, again, in no way -- every single person -- I mean, I'm only at a point now where I get to speak to Congressional and Senate aides. But in every instance, I have presented us as a robust supplement to the MPAA. I've

never said anything negative about the MPAA system. I said in my remarks today that parents do find it useful.

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I simply am saying that the reason we're all here is because parents need more information, and it's not just for the MPAA system, it's across the board. Parents need to have the information they need to determine for themselves what's suitable for their children.

I may have a 13-year-old that I choose to raise differently than you raise your 13-year-old. Morever, I may have two 13-year-old twins that have different sensitivities to sex, violence or anything else. What we're advocating as far as PSV Ratings is concerned, that parents be given the objective information they need. Our traffic light symbol is merely a guide to a chart that references a series of rules in our database. But, again, we just simply tell them here's what's in the movie. We make no judgment whatsoever about the movie or the MPAA rating system or anything else.

rating system and how difficult they are to do and how there are fog and wispy definitions. I don't understand how parents are supposed to understand or trust a system that has no criteria. I thought this panel was about the rating systems, how they work, what the criteria are. I didn't hear a single criteria. I don't know what to

expect when I take my son to see a PG-13 movie anymore.

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I went to see S.W.A.T. recently with my son.

It was heavily advertised. I walked in there -- how many of you have seen S.W.A.T.? Anybody seen that movie?

That's another issue. Parents, you know, think they see R-rated movies which are romantic comedies and they think PG-13 is better than that. PG-13 is a whole different category with tons of violence. S.W.A.T. had non-stop machine gun fire from beginning to end almost. It was a fine movie, a fine R-rated movie. I did not think it was PG-13.

I went to see Matchstick Men, PG-13, took my son. They had pole dancing in there.

I went to see Kill Bill, which clearly is an NC-17 movie. I haven't had the pleasure of seeing Texas Chainsaw Massacre yet, although it's on my homework list.

I don't know what the criteria are. I do not know what to expect. And PG movies, PG-13 or R, you haven't explained it to me. Yes, it's subjective. But I

think if you say your system is accountable, you owe it to explain to parents what are the criteria you use to come up with these ratings. Just telling us it's wispy and since the Supreme Court can't do it, the MPAA is doing it -- you keep saying it's lasted for 30 years. I think that's because of the force of your personality and the size of your checkbook.

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But I'm interested in hearing criteria so that I and other parents can understand your system.

MR. VALENTI: Well, if I just said -- if you could write it down for me, I'd be overjoyed.

MS. WHITE: I'm not the one with the rating system, you are. You need to write it down for me.

MR. VALENTI: No, I'm saying to you that if you'd write down for me what you think the criteria ought to be. Social scientists can't do it. It's easy to say it, but it's hard to put down because there are 100 ways to show violence.

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ad has the reasons for the rating. Filmratings.com will give you the ratings for thousands of movies and tell you more about it. I cannot put a bayonet to your back and force you to read those reasons, nor can I force you to go to filmratings.com.

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By the way, go to all these other -- your rating system, I think it's terrific. What Nell Minow says, read what she says. Read what all the others have said. We urge parents to do that. We don't think that we are the final repositories of all wisdom. We do the very best we can.

And, by the way, I have a survey that 34 times -- 34 years we've done this with an accredited market research organization. I'm giving you the playback of what parents said. Right now, the highly useful to fairly useful is divided about 50/50. I'd like to make it 75/25. We're doing the best we can. But what parents are telling us is they trust it and they use it. Some sparingly use it, some heavily use it. But each person makes those decisions. We do label these things. We're telling you now the reasons for the ratings. I don't know what else more you can do.

You can't -- oh, by the way, I've written every major newspaper in the country saying, when you review a movie, put down at the bottom of your review, for family

viewers, here's what's in this movie, and you can do a
whole paragraph on it. We can't do it. We don't have
the space for it, but you can do it. I think the New
York Times does it, the L.A. Times does it, another
source of wisdom about movie ratings.

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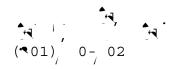
MR. KELLY: We have time for one more question from a panelist we haven't heard from. Warren?

MR. BUCKLEITNER: Way down on the end. Thank you for this opportunity. Again, I never met you and enjoyed what you had to say.

I agree with the complexity of this whole thing and the opinions --

MR. VALENTI: That's your good luck, by the way.

MR. BUCKLEITNER: Yeah, it is. I'm just glad to be alive, frankly. The subjectivity issue is huge. And one obvious solution that I think might work for all of us is to turn the monster on itself with the internet. I know on Amazon.com you can read end user reviews of all these things and if we can gather that information of parents who have just been to a movie -- and what I like about Amazon, there's nuts there, people you agree with, people you don't agree with, left, right, everybody. And you can kind of see and you can say, oh, they're affiliated with the industry or they're --



MS. MINOW: Common Sense Media does that. We do that for all of our movie reviews. We enable parents and kids to put their reviews on and to respond to the MPAA and to what I have to say and for exactly that reason.

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MR. BUCKLEITNER: Yeah. So, it's giving people a voice, and I think the internet can do that. But maybe it's making more conduits so that that gets to the point of sale or gets to the decision points that might help us all.

MR. VALENTI: I think that's terrific, but keep in mind these ratings are done long before they go into the marketplace because the distributors have to know the ratings so they can put the information on there. So, this is long before the Amazon.com people see it. But before you go to a movie, why not go to Amazon.com? You don't have to trust our ratings, go to .com, go to your ratings, read Nell's. All the people up here, they are sources of information and we urge parents to look at that information and take it to heart.

MR. KINNEY: Is there any possibility, though, that those of us who do this, the biggest difficulty is getting screeners of these movies in order to provide the information in advance, and I know that's a piracy thing that we --

1 MR. KELLY: I don't know that we have enough 2 time to respond to the screener question.

MR. KINNEY: Between that and the fact of that --

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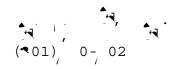
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MR. VALENTI: Oh, you drove a stiletto in my heart.

MR. KINNEY: Between that and the fact that the National Association of Theater Owners basically only recognizes the MPAA system, it does make it difficult, and that's why we've tried to contact -- we're trying to work with everybody in a collaborative way just so that we can provide this information. But it -- again, we've tried to call your office and we'll continue to do that, but we're just trying to get information so we can provide information.

MR. VALENTI: Well, I will tell you this, don't wait for those screeners. I will tell you why. Every year for the last 12 years, the motion picture companies have sent out screeners to just about every person in the known Western World, several hundred thousand, 68 titles were sent out last year.

Now, we have a sophisticated anti-piracy department in the MPAA and they came to me and showed me that of those 68 titles, 34 were pirated, wound up in Asia and in Russia, stamped onto counterfeit DVDs and



hurled around the world. None of those people who
received those screenings are doing the piracy. But they
did like I do. You give them to relatives, you give them
to friends and they give them to friends and they give
them to friends and somewhere along in that daisy chain,
the pirates pounced on it.

So, right now, first I banned all screeners and we're going to send screeners to the 55 members of the Academy of Motion Picture Arts and Sciences. But they must now sign a paper -- I just signed mine yesterday. I 0 . signed my signature and I pledged they will stay in my --

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organization, I'll just throw out the tobacco question.

I'm just wondering if you were convinced that -- and I know you had a lot of skepticism about the research, but if you were convinced that seeing a lot of movies with a lot of attractive characters smoking did increase the likelihood of young people smoking, would it then make

sense to you to give such movies an R rating?

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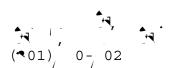
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MR. VALENTI: Two things. First, we rate for illegal drugs. Anything that's illegal, we rate for. So far, the Government has not seen fit to declare tobacco, which kills more people than any drug, an illegal drug. They don't do it. Meanwhile, last week, myself and Van Stephenson and others of my association, we met with seven Attorney Generals of seven states, including a doctor from the Dartmouth Medical Group which gave us a survey. We had over a two-hour meeting with those Attorney Generals and now we're going to have a follow-up meeting in Hollywood, where I'm setting up a roundtable with directors and writers and producers, as well as the production executives in the movie companies, so that we can have a roundtable to talk about this.

We have not included smoking in the ratings for the simple reason that I offered before. Once you start rating for legal material, you're going to have to rate for a lot. Environmentalists, Society for the Prevention



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So, I'm saying to the Attorney Generals that, at this moment, we're not rating for tobacco. We don't rate for alcohol because they're not illegal. Anything that's illegal in this country and it's used in a movie, we rate for it.

UNIDENTIFIED FEMALE: Violence is legal, profanity is legal and you rate for those.

MR. VALENTI: I didn't hear you. I'm sorry.

MS. RIDEOUT: She's saying that violence is legal, profanity is legal, sexual content is legal and those are categories that you rate for.

MR. VALENTI: I'm not aware that guns are illegal. Where are they illegal? There are certain states, but I can go to Virginia right now and buy all the guns I want, Maryland, too.

MS. RIDEOUT: I think she's saying that you do rate, if I understand you correctly, that you rate movies based on content.

MR. VALENTI: Sure. Murder is illegal and we rate for murder.

MS. RIDEOUT: I think others acts of violence or sexual content or saying obscene words factor into your ratings and those don't necessarily have to rise to

the standard of being illegal.

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MR. VALENTI: But that's behavior and that's not a substance. There's a big difference. By the way, Professor Graebener of the University of Pennsylvania, somebody mentioned his research. He's a wonderful man and I like him a lot. But under his methodology of a violent act, the most violent program on television or movies was the Three Stooges because they were slapping and every time they slapped he counted that an act of violence. When you add up what happens in the Three Stooges, the most violent piece of visual narrative you could possibly imagine. I'll let you ponder that for a moment.

MR. KELLY: We need to move on with the program. Mr. Valenti will be back this afternoon for our last panel. Right now, I'm sure the RIAA and the ESRB have been very happy with the discussion so far. We're going to take a two-minute in place stretch break and then come back for some discussion about the other two rating systems. Thank you.

(Whereupon, a brief recess was taken.)

MR. KELLY: Let me tell you what we're going to do because, obviously, we're already a little behind schedule here. We're going to continue the panel discussion for about 15 more minutes and then open it up

| 1 | for about 10 minutes of questions from the audience. So |
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| 2 | that means we should be able to convene and break for |
| • | lunch by 12:15 and that is the goal and desire. |

We, obviously, had several areas we wanted to discuss, but I think for the interest of time, I sort of want to ask the panelists to focus discussion on the basic issues about parent views of the rating and labeling systems. I want to talk about the research that some of us have already mentioned in our remarks that has been done, what that research suggests about parents' likes and dislikes of the various rating and labeling systems. Obviously, we have still with us the Entertainment Software Rating Board and the RIAA. So, if we could focus those discussions on those points, at least initially, that would be quite useful.

But since we are making a transcript of this proceeding, any comment that you want to make or question or concern that you want to raise about the MPAA is certainly fair game as well.

I'd ask if you have a question or a comment, if you would just lift the card to the side, then I'll recognize you.

Nell Minow?

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MS. MINOW: Thank you. I would like to just mention a couple of statistics from the survey that

Common Sense Media did since Jack talked about his survey and mentioned that his statistic includes people who are sort of somewhat satisfied and very satisfied. to be a little more specific.

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What we found is that 78 percent of the parents that we polled said that they would like to have one uniform system across all media and that while people did feel that they were getting something out of the current ratings, that they could be better, and I think that that's what I would really like everyone to talk to today, and that they generally preferred not -- we had 70 percent who said that they would rather have some more 2independent 1500 20ce. allong 100 1e 1 ines of what the softword 2) 1 12 -- 1. 1(12)

I think the simplicity of that actually has some value.

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This discussion today clearly demonstrates that the second you get into gradations, you run into challenges of interpretation that really are vexing. I think what the movies do, in terms of the rating system, clearly has value, but I had my own experience this week where we watched a movie and my wife and I watched it in the context of the decision about whether or not our kids were going to watch the same movie, and it was PG-13 so we thought perhaps that might work. We watched it and we didn't agree with the assessment of the rating. Had it simply said, be really, really careful on this one, we probably would have been just as informed and maybe better informed.

In the context of music, we say explicit, and if a parent wants to exercise responsibility here, you see explicit, you don't buy the music. It's an easy call and that's something that I think really does reside with the parent.

MR. KELLY: One question I have for you. One of the things we're going to be talking about this afternoon in the retail area is store practices. The question of the age-based -- the fact that your system isn't age-based. Could you just talk very briefly about why you sort of made that judgment not to have an age-

based system for the recording industry?

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MR. BAINWOL: Well, again, this judgment was reached back in '85 when the system was launched, and I think when you think about media, you have to reflect on their differences and what's being communicated. If you think of a spectrum, on one hand you have books and poetry, on the other hand you have multimedia with images and words and music and context, and clearly the more information you have with music, videos, context established, it is easier to do those kinds of things, where more like books, more like poetry, it's very, very hard.

Different people of different ages and different communities, different family backgrounds, will view music and hear the same thing in a very different way. The industry reached the conclusion that the simplest thing to do and the most effective thing to do was to say, yellow light, watch out, this is explicit, you make the call.

MR. KELLY: I'm going to ask -- Dr. Walsh has a question, and while Dr. Walsh is asking his question and getting a response, if we could cue up the video that Daphne White wants to play, I'd appreciate it.

DR. WALSH: It's actually not a question, Dick.

I'd like to comment on some of the research that we've

done on the accuracy of the ratings. Comments have been made about the usefulness of the ratings and I think there's a difference between market studies and also an attempt to really try to identify the accuracy of the ratings.

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We did a study which was peer-reviewed and published in Pediatrics, in which we asked parents to take a look at specific media products. And when we talk about overall levels of agreement that mask some of the areas of disagreement -- and if you take a look at overall ratings agreement across all of the different media, the statistics that Jack and others have talked about, parents will say that's fairly useful, when you ask them specifically about media products. Where the disagreement comes is in that particular area between teenagers and the -- parents never disagree with a strict rating. If a movie is rated R, then practically 100 percent of parents will say that's appropriately rated. If a video game is rated M, 100 percent of parents will say it's appropriate. So, that masks some of the gradations.

When you get into specific things, by and large, parents disagreement has to do with that the rating was too lax. And so, I think that's an overall kind of finding when you ask parents -- not in a market

study, but in trying to make it as scientific as possible.

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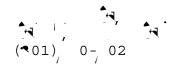
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Secondly, I'd like to make some comments because MPAA is gone and I'd like to preface this by saying that I think that the ESRB rating system has been the most responsive to trying to listen to parent input and they've made changes and they -- I really think that they are making a very good faith effort. I was in a two-and-a-half-hour phone call with Pat and her colleagues this spring trying to improve that system. So, what I'm going to say now needs to be in that context.

I think one of the specific things that the ESRB should look at is the AO rating. As far as I can tell, they don't use it. And so, if a rating is never used, then it's not useful. And if you look at the descriptor of AO, it's hard for me to understand -- and I think many parents don't understand -- why a game like Grand Theft Auto Vice City would not get an AO rating. Now, my belief is because that has a commercial impact. Major retailers will not carry an AO game. Major retailers will not carry an NC-17 video by and large. And so, when the ratings verge into commercial impact, that's where I think they get inaccurate.

MR. KELLY: Why don't we cue Ms. White's video



and then ask Pat to respond? Go ahead.

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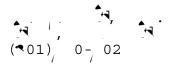
MS. WHITE: This video highlights some of what Dr. Walsh said. Several videos on this videotape rated M, we also believe should have been rated Adults Only, and I was asked to warn you that some of this is going to be pretty explicit. I think it's interesting that when I show this to an adult audience, everyone is very squeamish. There's going to be some pornographic content, some -- all kinds of content, so be warned. Some of this is the same, but a lot of it's new.

(Video segment played.)

MR. KELLY: To refocus the discussion here, but to pick up on what Mr. Bainwol said and I know Ms. White is raising, it is this basic issue of ratings accuracy and at what level does certain content in a video game or in a movie or even content that might justify a parental advisory level, at what level does that content need to be? And I guess we're also hearing here from some panelists the basic concern or question whether when you're making those judgments whether those judgments are accurate and useful to parents.

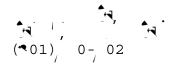
MS. VANCE: There's a lot to respond to, a lot of comments in the last half-hour and I'm, hopefully, going to be able to respond to most of them.

Bottom line is, we do apply the AO rating from



time to time. It doesn't happen often, but we do. It is always at the option of the publisher. If they want to make changes to a product and resubmit it to raters to get a different rating, they can certainly do so, and certainly there are commercial ramifications for doing that.

That being said, unfortunately, we live in a violent society and our society has a fairly high threshold for violence, and it's proven out in our research when we go out and we test. We've tested 3,200 games in 10 different markets in this country and, as David Walsh himself says, the M-rated games that you see up there, regardless of whether or not, Daphne, you would bring it home or I would bring it home, that is



informed as possible. We're not the only source that they should be using.

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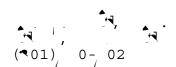
But I think simplicity is absolutely critical.

One of the reasons why the TV rating system has been criticized is because it's too difficult to understand. It's alphabet soup. People don't know what those descriptors are. So, I beg to differ, I think most people know what blood and gore is or blood or violence, and certainly, the way that we apply content descriptors is appropriate for the rating category and for the age in which we apply it. So, I don't think there's a lot of confusion about what we do.

But, ultimately, it's got to be simple, it's got to be standardized and we do it in what we believe, and the research proves out to be a pretty consistent, effective way that is certainly well within the American mainstream.

You know, there were lots of other comments made which I can try to respond to, but I think that's basically it.

DR. WALSH: I'd just like to respond to one thing, Pat. I think that most parents are not aware that there is an AO rating, and so, I think if you'd ask parents if that should get an M rating, I think most parents would say yes because your own data showed you



didn't rate anything AO out of all of the games that you rated in 2002. And so, what my experience is is that parents have no idea there's an AO rating. If you were to ask parents whether a game like Grand Theft Auto Vice City should be M or AO, you might get a different answer.

What I would suggest --

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MS. VANCE: We do ask. We provide all five rating categories, we ask them what category they would put it in, and as our research indicated, they are as likely to rate it less restrictively as they are more restrictively, but the majority rate it how we rate it. So, we do offer them an opportunity to apply an AO if they want.

DR. WALSH: That was true in our study, too.

The majority -- that was the study that we published in

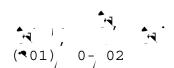
Pediatrics. The majority agreed. However, there's a

sizeable, it was out to 35 percent, that would agree that

certain things were too loosely rated.

MR. KELLY: Lara?

MS. MAHANEY: Two quick comments for just the folks from the video game industry and even I wish Mr. Valenti were here, but we know that parents -- it's up to them to help their kids out. But I think there should be an equal amount of pressure applied to retailers -- I know you guys are going to address this later on today --



to not sell those products to kids or to a five-year-old, that type of thing. And I know some retailers have a register prompt, but they're not even enforcing their own register prompt. So, if there could be more from your associations and from the industry itself.

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And then also, too, when it just comes to advertising to kids, reviewing where they're placing their products. We don't have a study on music, but we do with the video games. I think most parents would say, it's unreasonable to be advertising, un-American, I don't want the R-rated films. I don't think it's too much for parents to say, don't market it to my kid. So, those are just something I hope that you guys can take away from this.

MS. VANCE: There's no one in this room that has worked more this year with retailers to try to get ratings awareness information, where the product is displayed, to train store associates, and to make sure the policies are being enforced and the rating system is

Is it ever going to be perfect? No. It can't be perfect because ultimately what it comes down to is a store associate who has potentially 13, 14 people waiting in line to get through. And are there going to be some who might not use the system? Certainly. But I think the retailers are trying and putting a great effort into it and I would certainly want to pose those types of questions to the panel later.

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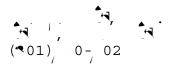
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That being said, on the targeting side -- you know, it's up to what you define as targeting. Our rules are fairly strict. You cannot put M-rated game advertising in media vehicles, if it's television that has an audience of 35 percent or more kids and in print it's 45 percent. So, using vehicles -- like American Idol, I know what the demos are, but I'll tell you, the largest vehicle -- the program that has reached the most teens or under 18 viewers this past year was the Superbowl. But that's 15 percent of the viewers. The same thing with the Grammys. It's 15 percent. Those are the vehicles that you're going to be reaching mass numbers of teens. Survivor, you know, if you look at the top five shows, Survivor is number two and four. You know, Survivor is less than 15 percent certainly.

So, where do you go? Where do you set the guidelines and how do you define targeting? Because the



reality is, we're not targeting messages to kids. Kids
are exposed to a variety of media and they may be exposed
to an ad, but the ad's not being targeted to them.

MS. MAHANEY: Well, I think the litmus test for 35 percent is way too high because you're right when it comes to prime time ratings. No show really meets that. But, again, it comes back to what Daphne had to say, that 80 percent of the population are adults. But, also, too, when you look at Survivor, it does 21 million every week. Well, one million of those are kids from 2 to 17. That's a pretty significant number when it is one of the highest-rated shows that kids are watching. So, I recognize that it's debatable all day long, but I think those are simple steps people could take.

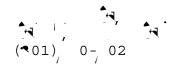
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I mean, how many people watched the World Series? The World Series is a huge audience for teens. Eight percent of the audience was under 18. How do you measure it? We're trying hard and we do a great job in terms of monitoring and going after publishers who are inappropriately target marketing their product. But, you know, at a certain point you say, look, we live in a society that has a variety of different media outlets, most of which don't target kids and publishers should be able to use those media vehicles to promote product.

MR. BAINWOL: I'd like to add just one notion.



The question of retailers, at least there is a point of sale, there's a transaction and there's a capacity to question what's going on, and that's a good thing. This issue is very complex. But on the music side, most kids are getting their music in a forum in which there is no retailer and there is no block, there is no filter, there's no nothing. And in terms of the core question that this workshop is designed to address, there is a mammoth gap there and that is a huge problem.

MR. KELLY: On the question of where you draw the line in terms of setting standards for where you can advertise or not, the Commission, in its reports, has asked all three industries to look at that, for the RIAA to consider adopting some standard and the other two industries to look at the levels they have. It's been a consistent.

So, everybody knows what we're doing here, we're going to go to the remaining questions from the panel and then open it up to the audience.

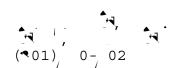
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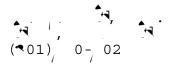
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MR. KINNEY: I'll be very brief. I just simply want to say that, obviously, the industry, each one, is doing their best and they consistently improve. Being a capitalist country, a market-driven country, though, part of the way it's going to be fulfilled is through the



private sector. And I don't want these remarks to be
self-serving, so let me say be it Common Sense Media, PSV
Ratings, ScreenIt, Kids in Mind, all of the other people
out there who are trying to do something. I think part
of what we need is to have the access.

And as a businessman, I respect the concerns about piracy. But, again, even if it were that we had to go to a screening room somewhere with our auditors or whatever, the whole idea here is access. We've got



friend's house, their teenager's playing it, they're looking over their shoulder.

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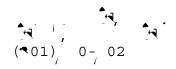
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The ESRB rating system, I think, is the least worst system out there. I think that -- if you've ever tried to review a video game, and I have, it's really, really hard. Harry Potter came out -- or Finding Nemo. There are seven different platforms that you got to consider made by different studios. The GameBoy Advance version is made by one in the UK. The GameCube is made by another one. It's very difficult and expensive to accurately get your head around all of that information. ESRB has yet to surprise us. Their ratings and descriptors are always good.

But when I was on Amazon and I clicked on the ESRB icon, it just went to this generic thing. That didn't help me as a consumer. We have to explore ways -- and I don't know what that way is -- but we have to explore ways to get the -- I believe it was the fourth user review on Grand Theft Auto that was the most useful to me. One guy said, it's a great way if you're stressed out, go play it, you'll feel great after you finish.

Another guy said, keep this one away from the kids. And that's what I -- I'd like to see the ESRB reviewer notes, like what are they really thinking when they see it. We all take notes when we review. That's the stuff that I



1 think helps people make decisions.

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The last thing I'll leave with is it's good to look at other industries. I think the wine industry has given us a good lesson because they have those little review things right on the shelves and you can tell if it goes good with fish or whatever. I think we could do more with, you know, sending a PDF review of different opinions, putting it where consumers are -- when they need the help.

MR. KELLY: Leave it to Warren to bring up food just before lunch. Before we open it up to questions from the audience -- and what we'll do is people can come up there to ask questions -- I certainly want to thank the panel very much for being part of this today and for all of you making the trips you had to make to be here to join in this discussion. So, thank you very much.

Does anyone have some questions for the panelists? If you'd just say your name and then your question, please. Try to make it questions rather than long comments, please. Thank you.

MS. KERR: Hi, Jennifer Kerr with the Associated Press. This is for Daphne White and maybe Nell. If you could just tell me -- obviously, you don't think that self-regulation works. What should be the plan of action going forward? And, specifically, I'm

interested in knowing, do you think the Government's

doing enough and what would you like to see the

Government do from here on in?

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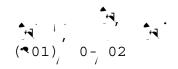
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MS. WHITE: Well, the Government is not doing anything right now really. I mean, they're holding this workshop, they've done reports. But as far as, you know, helping parents, I don't think that anything is being done at the moment. Everyone is hiding behind this cloak of the First Amendment. But if you looked at some -- to us, to parents, it's a matter of marketing. It's what is being marketed to children. That's what has to be regulated, not the content. So, we're not opposed to any of these video games being made or marketed to adults only.

The sense I get from the panel this morning, both from Patricia Vance and from Jack Valenti, basically, is I feel like they're kind of throwing up their hands and basically saying, don't use our ratings, just go on the web and find whatever you want there, just use anything. I mean, I don't see any standards, I don't see any guidelines, I don't see any definitions from any of them about what's in these.

I think parents need labeling. I think one thing the Government can do without any First Amendment infringement is come up with labels so that if a parent



goes to get a game like Postal 2, it would -- right now it says, blood and gore, mature humor, strong language, use of drugs, violence. Does that cover for you what we saw? Does that even give you a hint? That's rather mild language, I think. It's very generic and bland. I would like it to say decapitation, racism, chopping off of people's head with axes, urinating on people's corpses, blowing dead people up, you know, just like you said with wine or food labels.

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And the same -- you know, music, it should be easier for parents to find out what is in music content. I applaud what you say about the web, but my staff has been going on the website and looking at websites of legitimate artists for the members of your association, Eminem, 50-Cent, people like that, there's pornography and worse right on the lyrics that you sanction. So, I don't think you have to go looking on Amazon.

Parents, unfortunately, live kind of in a different culture than kids do. My husband drives my son to the car pool every morning and hears unbelievable stuff on drive time on the radio that is bought and paid for by radio stations. So, I think clear labeling is a start, but I think there has to be some regulation of the marketing of these products.

I think Patricia Vance mentioned about retail

- and how hard it is to deal with clerks and get them to
- enforce it, but we manage as a country to do fine with
- alcohol, pornography and tobacco. We have the same

things to offer to our children. But on the flip side, what I'm concerned about is, I worked for Hughes Aircraft out of El Segundo, California and I worked in their labs that had simulators, flight simulators for Navy pilots and also Marine pilots, and what I'm starting to see is I'm starting to see these video games becoming simulators for these kids, and I think it's a matter of national security because I think that we're breeding urban terrorism. I think we're breeding terrorism in our urban areas, in our communities and I think it's very unsafe.

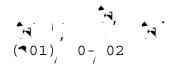
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I represent about 40,000 people, so I would put it to the panelists, how do we address this problem whereas these children are emulating these things in these entertainment games and they're carrying them out very exact to what the game is actually designed to do? How do we, as local elected officials, deal with that problem dealing with the fiscal constraints that this country has, particularly in Iraq, at the federal level and at the state level and at the local level?

MS. VANCE: Well, I'll echo some of Jack
Valenti's comments. At the end of the day -- you know,
we can't replace good parenting. We're here to provide
information so consumers can make educated purchase
decisions.



And I'd echo what he says that, you know, there are many, many factors that play into whether or not a human being might commit a criminal act. Although you may intuitively believe that there is some kind of causal link, the reality is that, you know, according to the Surgeon General, according to the State of Washington, according to the Government of Australia, there are plenty of authoritative sources that say, when you look at that long list, video games aren't the top reasons for those types of acts. It's an easy-out, but it's certainly not -- you know, our job is merely just to provide the information, make sure that advertising is responsible, make sure that there's information available to consumers so that they can make an educated purchase decision. That's our job.

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MR. KELLY: We're going to take a break now.

Let's take one hour for lunch. If I understand

correctly, you will need to go back through security when

you come back from lunch. So, don't take your badges

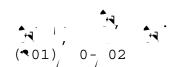
off, your name tags, or at least put them back on. We'll

try to be back in here to start our next panel at 1:25.

We're going to continue in that panel with some more

marketing discussion. Thank you very much.

(Whereupon, at 12:25 p.m., a luncheon recess was taken.)



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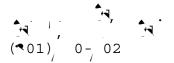
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(1:34 p.m.)

AFTERNOON SESSION

MR. KELLY: I hope you all found a place to



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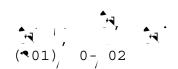
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But from a different perspective and a slightly different goal, our focus is to discuss the impact of such cross promotions on parents and whether those effects suggest the need for increased attention by industry self-regulatory bodies.

We continue to be joined by a distinguished group of panelists, many of whom you met this morning. Mitch Bainwol will be here in a minute, I imagine, from the Recording Industry Association of America. Patricia Vance is here from the Entertainment Software Rating Board. Dr. Walsh is here from the National Institute of Media and the Family and Daphne White from The Lion and Lamb Project.

Substituting for Mr. Valenti is Fritz Attaway, who is an Executive Vice President of MPAA, has been at MPAA for several decades and have served as Executive VP for five years.

But we have two brand new members to you today that I'd like to briefly introduce. Michele Erskine is Vice President of the Solutions Research Group. SRG is a research-based consulting firm with three key practice areas, media and entertainment, marketing research and youth. Ms. Erskine has been consulted on youth marketing issues by companies such as Coke and Frito Lay and by



1 government organizations, such as Health Canada.

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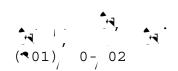
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Then we have Pete Snyder. Pete Snyder is the founder and CEO of New Media Strategies, based here in D.C. Using technology to tap into the power of the internet, NMS helps leading corporations and causes promote and protect their brands and bottom lines. Mr. Snyder is a former political media consultant and pollster and has served as a marketing and political expert on a number of news programs.

I want to begin with a short presentation that will simply remind us about how big the teen and 'tween markets are to these industries.

These are pretty self-explanatory, but it shows you the size of the teen population in the United States. And teens spent \$170 billion in 2002 and the cost, at least in one of these studies, an average of \$101 per week. Next.

9.5 billion box office revenues in 2003 for the industry. Teens represent about 16 percent of that total, though they only represent, I believe, about 11 percent of the population. Moviegoers are more likely to be teens than any other group and teens see an average of just over two movies per month. Now, maybe we all have kids and maybe that's a wrong statistic, maybe it's a lot more.



For the video game industry, we had \$60.9

billion in sales in 2002. A recent survey said that 92

percent of children and teens 2 to 17, obviously, like

video games and play them. Thirty-eight percent of game

players are under 18 and, according to this one survey,

45 percent of children age eight plus have a video game

player in their bedroom.

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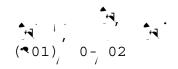
The music industry, \$13 billion plus in sales.

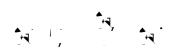
Keep going. Here we're getting -- go back one if you can. Stop. What that's showing is obviously just statistics of the degree to which music purchasers are teenagers, and in some sense, particularly younger teens, 8.5 percent were age 10 to 14.

I'd like to turn to Michele Erskine for a presentation. She'll talk a little bit more about this teen and 'tween market. Michele.

MS. ERSKINE: Thank you. Thank you for bringing me in. I appreciate being invited down to the U.S. I'm here as a youth marketing researcher. I'm going to try to contain my comments within that context, but as so many others who have spoken, I am also a parent, so I'll reference that a little bit.

The difference in perspective that I may be able to offer here is because of my work, I'm more familiar with pop culture than most moms. I'm an active





There's significant interest, significant enough that there are companies that are devoted to youth research, youth marketing, youth promotions and guerilla tactics in reaching in youth because the traditional media are not working. Kids aren't using traditional media as much as their parents and as teens used to.

Because the traditional media are not dominant, they're looking at innovative new media and marketing strategies. There are a lot of people out there helping them do that, including myself, frankly.

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Next slide, please. Here we go. Some stats. I can only show you Canadian statistics from my own company, but I did, in preparing for coming here, fact check this against some of the U.S. statistics and it's fairly comparable. I mean, it's the trend that we're looking at.

In the first column you'll see time spent daily by the total population, 12 plus, with traditional media. First, reading newspapers, an hour, 32 minutes; listening to radio, two hours, 28 minutes; watching TV, two hours, two minutes; listening to prerecorded music, an hour and 65; and then you look at 12 to 14-year-olds and 15 to 19-year-olds and you'll see that the totals are somewhat less, particularly for watching TV, it's a little less. So, you see quite a bit of media about the fact that kids

marketing practice, standard to take a layered approach to try and communicate with kids, and that's what we'll talk about here.

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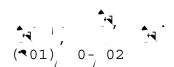
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The thing that I didn't hear this morning that I was a little concerned about as a parent and as a youth expert is the point of distinction in recognizing -- and I showed that in the slide before -- these industries are not all the same and it's not their fault. For the same reason that marketers are confused about how to reach kids because they're not watching traditional TV as much, parents are confused because the one thing that they don't do as well as their kids is play video games. A lot of them just aren't comfortable doing it.

Now, I do play video games so my son sort of relies on -- I think it's a good thing to let them know that you do play games even if you don't. He certainly thinks I'm better at it than I am. But it is very difficult to go through a game and see all of the contents. You become very reliant on the rating. The parents are reliant on the rating.

I can go to the movies with him and I will choose sometimes to disregard what the rating for a movie is. For instance, Billy Elliott, that was an amazing movie and I chose to take him to it, but explained to him that the profanity and some of the other stuff was not



appropriate for him. It's very difficult to do that with a game. I can't get through all the levels and he knows that. Even though I'm not half bad, he knows that I suck when it comes to video games, and so, I have to rely more on other information.

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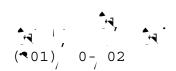
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Within that, I would say it's not the rating system. There somehow needs to be recognition that parents aren't as able to look at what their kids are playing on games as they are with movies and some of the other industries. Thank you.

MR. KELLY: Thank you. Dean, you want to come forward, Dean Garfield? Dean's going to sit in for Mitch Bainwol. Dean is from the RIAA.

Leslie, could you put up the convergence slide, please, the multi products slide? Thank you.

The reason why we put together this slide was, again, to focus our discussion and to highlight the wide variety of cross promotions that are out there. These are, obviously, just some recent examples. And the question or the issue that is presented is that we have a variety of products arguably being marketed to different age groups, tied under a similar brand name. So, you might have a movie that may have an R rating, a video game that has a teen rating, you might have a music soundtrack with or without a parental advisory on it.



You might have an action figure perhaps labeled for eight-year-olds, perhaps labeled for 17, perhaps labeled for four. It varies. But the issue that's presented there is what does all of this cross-marketing mean for parents and for the self-regulatory groups.

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I've asked Pete Snyder to talk just a little bit about some surveys and studies he's done online about a potential value of some of these tie-ins.

MR. SNYDER: Thank you, Dick. I'm happy to be here today. Just as Michele talked about her background as an expert in kids marketing, but also with the background of a parent, my background -- I'm speaking today as an expert in marketing trends and crossover marketing trends in the entertainment industry, but also, as Dick alluded to, in my past life, I was a Republican media consultant and pollster and a little bit more right of center. So, that's kind of the spectrum that I see things in. It doesn't impact the work that I'm doing, nor do I want that to impact my statements here.

But I get the question from time to time, Pete, you worked in Republican politics and you're conservative, how the hell are you working with Hollywood and video games? And I tell people, oh, they don't know; otherwise, they'd run me out of town. But just all kind of kidding aside on that, as Fritz can vouch and as you

can pick up People magazine, we all know that marriages
in Hollywood don't really last that long. But one
marriage and one union that's really growing stronger
every day is the video game industry and Hollywood. And
why is that?

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Well, Hollywood had one of its biggest years ever last year, its biggest year in the history of the industry, and the video game nearly doubled those revenues. There's massive, huge growth going on -- growing on. Video games is one of the most explosive markets in our economy. Game makers put out and produce probably about 10 to 12 times more titles than your average Hollywood studio. So, what's really happening here is the market's being saturated with an ocean of really unknown titles out there in video games. It's little wonder that the brand names, like skateboard icon Tony Hawk or Hollywood franchise tie-ins like the Matrix or Spiderman or James Bond, tend to be the biggest sellers for video games.

Earlier this spring, my company, New Video
Strategies, conducted a survey of 450 video game
consumers on the internet and really found that 67
percent of video game consumers were more likely to buy a
video game due to the Hollywood tie-in than one that
didn't have a tie-in. And, you know, that seems to make

sense for the sheer factor of why does Crest sell more
toothpaste than the smaller brands out there? Well,
Crest is a known quantity. The Matrix is a known
quantity, the Hulk is a known quantity, Spiderman is a
known quantity and video games. So, some of the smaller
titles don't get gobbled up as quickly.

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And this marriage is really becoming -- what started out with the power in Hollywood is really becoming a marriage of equals, each side wanting what the other one has, meaning the film industry definitely wants -- your average consumer goes and spends probably an hour and 51 minutes watching a particular film but the video game industry has consumers playing for 40 to 60 hours on a particular title or a franchise. That's huge.

The gaming industry, on the other hand, wants to have the power of those brands and the glitz of Hollywood. So, that's really kind of what's going on on the side.

My company also did a study just recently -just last week after Dick tapped me for this panel and we
looked at 350 teens and 'tweens on the internet, and we
found that 55 percent of these teens and 'tweens are more
likely to buy an M, if they can buy it, a Mature-rated
video game than not. There's no surprise there. Getting
and having what we desire has been -- or trying to get

what is forbidden has been around since Adam and Eve. I mean, there's really no shock in the fact that 55 percent of teens and 'tweens want to have or would be more likely to buy a video game based on the M rating.

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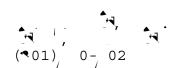
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But what is really interesting and what we find firsthand in working with different game producers is you might have a Matrix, which is rated R, but the video game producers will edit and curb out a lot of that violence and a lot of the content there so that it can be marketed under a T for Teen category.

So, while my study is showing that 55 percent of teens and 'tweens, if they could buy these things are more likely to, the industry, itself, chooses not to go down that path, chooses to edit out a good amount of the violence and profanity, and we can debate and discuss exactly what that is and who should be setting the line. But the industry chooses to go the other path and to edit the stuff out and make it teen.

I can speak from firsthand experience working with different studios and different game producers -- and, again, I say this with my background as a conservative Republican consultant before this industry -- we've never had an experience where X, Y or Z studio wants my company to market in areas that they shouldn't be. Let's say for an R-rated film, marketing



to teens or going into 'tween online communities and marketing these things. The studios do a pretty good job of making sure that they're not crossing the line.

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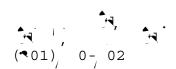
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Are lines crossed? Of course they are sometimes. But we've never had firsthand experience with game producers or film studios actively trying to cross those lines.

What we also did in this most recent survey is we looked at the behavior of parents and where the parents are spending their time with their kids and we gave the choices out there of books, of video games, of watching TV, and we found -- this should be no surprise either -- a bit of a digital divide. That parents were 40 percent much less likely to spend time with their kids playing video games or watching video games than they were reading or watching TV. For parents, this is an explosive industry. You need to be able to understand what your kids are doing there. Parents need to be able to -- whether you're not a good gamer like Michele may be, you need to at least watch and see what's happening out there.

Thank you.

MR. KELLY: In looking at this slide, one of the interesting things when you look at some of the promotions that occur between the products, you do find



situations where a video game might have a trailer for a movie or the DVD sale of the movie might have a coupon for the game or merchandise, that's an action figure might be marketed as official movie merchandise. So, you see at least the beginnings of some interconnections where there seems to be some effort in an overall part of setting out promotions where one product is helping the other.

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With that point, let me turn to Daphne White and Dr. Walsh to sort of talk about why this kind of situation might be of concern to parents. Why don't we start with Dr. Walsh and then we'll go to Daphne who has a presentation.

DR. WALSH: I think, generally speaking, all of the decisions that are going to be made in terms of cross-marketing and how to do that are going to be made for business reasons. How to cross-merchandise or cross-market a program is, of course, going to be made. How can we maximize the profits on this particular product, whatever it is? And child welfare or the impact on child development is not going to be part of that calculus in most instances.

Because of the power of marketing and because of the power of advertising, products that are cross-marketed that are really cross-marketed in very different

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As media convergence takes place, there's going to be more and more cross-merchandising. I mean, I was at a conference seven years ago when marketers were predicting that every media product from the concept stage will include all the cross-marketing opportunities. And the more cross-marketing opportunities there are, then the more likely that project is going to get green-lighted.

So, somewhere in this, or else we're just going to have more of the same, there has to be some way to inject the issue as to what is the impact on kids in all of this, and that's what I think is missing and we need to figure out how to get that into the calculation.

- teens and selling the Hulk and toys for age four and up
 were willing to come and speak to us today. This would
 have been a unique opportunity for them to use their
 First Amendment rights to explain to parents and to the
 Federal Trade Commission why they do it, how they do it,
 how they make their choices. They choose not to come,
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mentioned before, suggested that 11 and 12-year-olds should see Kill Bill, which would have been rated X a few years ago, and Jack Valenti seconded it saying -- this is a Jack Valenti quote -- "I think even an impressionable child would go in and say they've seen worse on Wiley E. Coyote than they saw in Kill Bill." That's what KAGOY is all about and that's what parents are up against.

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So, we believe that there is a pervasive and aggressive marketing of violent products to children still three years after the landmark FTC report. I think things are getting worse, not better, and I hope the FTC will continue to conduct really aggressive investigations and speak to the specific marketers who are marketing and cross-marketing these products. Next slide.

So, children are leaving traditional toys at younger ages in favor of electronic entertainment. As you saw in the video earlier, these products are getting more violent. That's a picture from Postal 2, which we saw before. Next slide.

Another reason it's difficult for parents to deal with this media is because the lines between entertainment and education are blurring, as one of the marketers said before. This is a very dangerous trend when we're selling entertainment products as educational. Next slide.

entertainment product that's cross-marketed to kids.

This is actually the back of this box, which we scanned it. It's by Toy Biz, which actually now owns Marvel, the comic book company, which sold the licensing rights for the PG-13 movie, this toy is for ages three and up, marketing and branding the Hulk, which is an adult product. Let me show you how this works, by the way, just to help your toddler get their aggression out. It says here, try me, squeeze my tummy. Squeezing doesn't help, you got to punch him. So, that's what this toy is.

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But on the back, if you read the copy here, they've got this really adorable copy about easily excited by sunny days, weekends and ice cream trucks, Bruce Banner turns into a green playing machine known as the Hulk. The Hulk -- this is my favorite -- likes to jump, lift things and has a unique ability to heal quickly. As any of you know who actually know the Hulk brand, this is a character who suffers from episodes of rage and unleashes his inner beast. You can see that on some of the other toys I have with me.

So, this is the kind of stuff that's marketed down to children as young as three based on a PG-13 movie, which a few years ago might have been rated R. That's what parents are dealing with every day in the toy

store, and I'm going to get to some other places where they are marketing this. Next slide, please.

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So, another thing I just learned this weekend from the New York Times Sunday Magazine about branding and the amazing power that brands have -- because I think one of the other panelists said, oh, the video game industry is so responsible, they tone down the violence to make it acceptable, it's all about brand. So, I don't know how many of you read this article, but they talked about -- this researcher -- the whole article is about neuroscience and measuring people's responses in the brain.

Basically, he found that Pepsi stimulates more pleasure in the brain when you actually measure pleasure, but people say they like Coke better. So, what he did was he gave people Pepsi to drink and told them they're drinking Coke and they liked the Pepsi better if they thought it was Coke. When he reversed it, when he gave them Coke and said it's Pepsi, they liked the Pepsi less. So, he -- if you want to get the whole thing, you have to read the article. But he -- the researcher was amazed by the power of Coke's brand to override our taste buds and our brain chemistry. That is how powerful it is and that is what we're doing to kids. Next slide, please.

So, Hollywood, the video game industry, the

music industry, all these entertainment industries are
very aware of the power of branding, licensing,
advertising. I mean, that's how we pick presidents and
congressmen in this country. It's all based on ads and
messages that we see for 30 seconds on TV, but these
products take hours of kids' time.

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This is just a slide to show how production costs are going down while marketing costs are going up. So, for them to -- for these companies to say that marketing to kids is a parent's issue is a little disingenuous when they keep putting more and more money into it. They would not be spending more money, they wouldn't be increasing their marketing dollars if they didn't have to. Obviously, marketing works and marketing to young children works even more easily because they're not aware consumers. Next slide, please.

This is an example of what parents are up against in the branding. Promotional partners for X-Men II, rated PG-13, include an ice cream. We put in a quote from a marketer who said it's a really broad audience from kids to adults. I don't think by kids he meant 13 and up. I think he meant little kids.

Kraft Tang -- I mean, when you go to the ice cream store, when you go to the grocery store -- can I have the next slide, please -- this is more promotional

partners for just one PG-13 rated violent movie, Ritz

Bitz, Chocolate Cream Oreos -- I'm getting hungry -
Chips A'Hoy, Cheese Nips, and even Wal*Mart. Imagine
going with your child to Wal*Mart and saying, no, you
can't have the X-Men videotape or game, even though
they're doing promotions, you can't have the food.

There's just so much parents have to say no to all the
time. It's really not an even kind of situation. Next
slide.

This is another quote about the importance of licensing, again, from the video game industry that often markets these adult-rated products to children with the "violence" taken out. They're selling the brand and the product, Doug Lowenstein told Variety magazine, which is an industry magazine. He's the head of the video game

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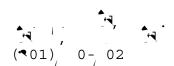
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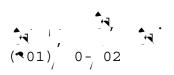
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1 Hulk that I showed you were for three and four-year-olds.

So, branding is powerful. They're branding

these products, they're marketing them down and then they tell parents just say no. That's the issue for parents.

Thank you.

MR. KELLY: Thank you. Let's turn to the selfregulatory groups. I wanted to first go to the 1 enforced.

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That being said, we also want to make sure that game publishers don't cross-promote M-rated games on T or E product, and you can't put a demo of an M-rated game on a T or an E product, you can't cross-market those products to a young audience. If you want to create, say, a sampler disk or an ad that includes a number of different games, that ad cannot be targeted at a young audience, and we do -- we monitor everything very closely. So, we're very careful about where we can cross-promote, particularly, M-rated games, but also to a certain extent, T-rated games.

MR. KELLY: Fritz, do you want to talk a little bit about whether MPAA looks at this issue in its 12-point program?

MR. ATTAWAY: One of the 12 points in our 12point program is that the studios will review its
marketing and advertising practices in order to further
the goal of not inappropriately specifically targeting
children in its advertising of films. And I believe that
each studio does exactly that with respect to all of its
advertising and marketing. If merchandising is part of
the promotional activities for a motion picture, I have
to assume that each studio is reviewing what it does to
ensure compliance with our guideline. I'm not aware of

any specific instance where someone has raised an issue in that regard.

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I am -- I was interested in the illustrations that I saw up here on the screen of Hulk, Spiderman, X-men -- there is one more that I'm not remembering. But all of those are based on preexisting figures. Now, the Hulk I remember was a TV show, which I assume would -- if it were rated, would have been rated G for general audiences. Spiderman, I've been reading in the comics my entire life.

I don't understand why the presumption is that action figures based on Spiderman entice children to see the movie any more than the comic strip does, which came out long before the movie did. I think there's a lot of jumping to erroneous conclusions when it comes to marketing these action figures, particularly when they relate to figures or characters that were brought into the market long before these films were ever conceived.

MS. WHITE: Can I say something about that?

MR. KELLY: Yes, you've got 45 seconds left.

MS. WHITE: Okay, sure. I just want to say that those action figures were going nowhere before they made movies about them. There's a whole book that just came out called Comic Book Wars about Toy Biz, the company that makes the toys, and Marvel, and the Toy Biz

bought Marvel specifically so they could make movies
because everybody had forgotten the comic books, nobody
was reading them.

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They needed the movies to sell the action figures. You didn't see those in the stores before the movies came out. The action figures are tied to the movies, which have high degrees of violence in them.

They're no longer tied to the comic books you read as a child. It's been a long time.

MR. KELLY: One of the things we've noticed in our monitoring of practices by industry members, particularly in the video game industry and increasingly so in the movie industry, that there are a number of studios and game companies that in their licensing arrangements have put requirements in, especially if it's

noticed those examples for the PG-13 product or
necessarily for the teen product, which is certainly one
of the questions of whether -- and there were some
examples placed up here of where, in connection with the
PG-13 product -- and it may well be the case with the
teen product, I don't know -- that there are some
products that are being associated under the brand that
are intended for very young audiences.

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Why don't we turn a little bit to the RIAA. In terms of the licensing issue in particular, have you noticed anything, Dean, in how music recording artists are dealing with the licensing issue? We have, for example, seen a great increase in the extent to which music groups are showing up in video games, for example, and we've always seen the connection to movie soundtracks.

MR. GARFIELD: I think this issue is very new, and so, I think it will largely be driven by license relationships and the negotiation between the various entities involved. Our guidelines do not speak to this.

consistency between a movie that happens to have a soundtrack. They may be completely different.

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The second presumption, which I think underlies a lot of the discussion, is that there's some attempt to target to deceive parents in luring them into purchasing a game or buying a CD. And as it relates to the music industry, there is none of that. I mean, our albums are clearly labeled. They're labeled in advertising and we try to make sure that that's done in a clear and consistent way.

MR. KELLY: Go ahead and we'll -- we can open up for questions now.

MS. VANCE: I just want to follow up a little on what Dean said. I agree that -- you know, there's an underlying theme that there's some kind of conspiracy. The reality is thesa5t001 Tppmy.7 sa5o00pnuceconsnede ppmy.7 sa5super heroes or whatevera5o00y're licenses and o00y go to the hig00pt bidder and then thopnucecpanies go out and creat Tppmy.7 s based on the license. And in the case of video gamesa5o0opnuppmy.7 s come to the ESRB, we rat Tthem. W Ttypically don't have a clue what the m001 rating is at the time we get the game. It never would play into how we rat Ta game because we have to rat based on the content that we see and that gets submitted.

The idea that thepnucecpanies edit down the

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product is kind of outrageous. The companies are
creating a game that's going to sell. In the case of the
Matrix, there was no footage from the movie in the
Matrix. The selling point of the Matrix is that they
created all this original footage for the video game.

You know, it didn't -- it wasn't about editing the movie
down for the video game, it was about creating a video
game in its own right that would stand on its own.

The Matrix is an example that we rated it less, 1 but I have many examples where we've rated it more, you know, more restrictively than the movie. So, again, it doesn't kind of play into the -- you know, there's this nasty conspiracy.

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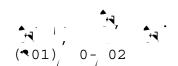
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DR. WALSH: I'd like to actually follow up exactly what Pat just said. I also have no belief that there's no conspiracy. I don't think there's anything conspiratorial about it. I think the entire motivation is what I said earlier. It's to maximize profits. And so, I don't think anybody's about to subvert.

I do think that there is -- if we work towards solutions, I think that there's a solution and I think the solution is -- I'm both a critic and a fan of the video game industry because I think that the video game industry has been the most responsive and I think what Pat suggested earlier, that the policy of ESRB is that there's no down-marketing of a video game, should be something that should be adopted across all the entertainment platforms because that's the way it would work.

So that you, as part of your code of conduct,



that is aimed at kids. So, you can't have Duke Nuke'Em

action figures. I think that that standard, which

already exists, should be voluntarily accepted by all of
the other media sectors. I think that would go a long
way to solving the dilemma.

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MR. KELLY: Daphne, you want to go ahead and then Pete?

MS. WHITE: Sure. I just want to say I never used the word "conspiracy," Pat. I don't think there's a conspiracy. I think the word is "convergence." Dick talked about the conflicts. He showed a slide. It's about convergence and it's about the highest bidder. There is a marriage between Hollywood and the video game industry. As one of the speakers said, branded products sell better. Everybody knows that. Brand is important.

To say that your raters had no idea that the Matrix was rated R or that the Terminator is rated R is a little hard for me to believe. I don't know. Maybe your raters are in this box that Jack Valenti talks about that you should keep your kids in where they won't see any media. There was film footage shot from the Matrix movie for the video games so that people could -- who played the game could get to scenes which weren't in the movie. It was very closely tied to the movie.

The scenes, which even we showed, are almost

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indistinguishable from a chase scene that was in the
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         movie. It was the same actors, the same director. It
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         took you places the movie didn't, let you do things the
         movie didn't. So, it was even more -- there was even
         more violence in it. You saw the screen at the end that
         said how many people you shot, how many you killed, what
         your accuracy was, things you couldn't do in the movie.
         And at the end of this video game, there is a trailer, a
         promotion which I think is against your guidelines, for
         the next Matrix movie which is rated R.
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                   So, to say that your games, like a Duke
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version that's created for the handheld is not as violent and not as graphic and realistic as the console product then it should be accurately rated for consumers. The idea that you kind of disregard the content in a product and just use the -- you know, the original license's ratings is just, I think, a disservice to consumers, and I wouldn't do it.

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MS. WHITE: Well, I think there should be a middle ground between disregarding brands, which is what you're doing -- and maybe you think I'm disregarding content, but there's got to be a middle ground where you cannot sell an adult-rated brand. It's like they take R-rated movies and put them on TV at 8:00. I saw Scream, which was a very scary R-rated movie on Fox TV at 8:00, during the family hour, and they said, oh, it's less scary. I never saw the original, but the one I saw on TV was quite incredibly nightmare-provoking for me. You know, and they do this on airplanes, too. They'll take a movie, take out a few scenes and they'll say, oh, it's acceptable now. It's the same product.

Duke Nuke'Em, as you know, has prostitutes in it, has strip bars. I don't care what you take out of it, it's a brand. If it's no longer Duke Nuke'Em, call it something else. That's what I'm saying. If it's a game, it's not the Matrix, it's some other thing, call it

something else. Don't call it the Matrix anymore. If
you're selling the Matrix brand or the Duke Nuke'Em brand
or the Resident Evil brand, it's the brand. And that's
why I showed that slide about the neurons in the brain
and how, you know, branding can override what even people
like.

MR. KELLY: I was gratified to hear Dr. Walsh talk about possible solutions as well. So, Pete, you have a comment.

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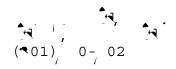
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MR. SNYDER: I just wanted to take exception to just two things that Daphne said. Daphne White had some very good comments. First and foremost, I market films and video games and you said that no one who markets those or no one who maybe produces them are here, but I'm on this panel and I'm proud of the work that we do and we've never had an instance where we worked with a studio or a video game producer where we were crossing those lines or marketing down.

Secondly, you also said that action figures didn't exist before the movies. I used to play with the Hulk action figure.

MS. WHITE: I said they weren't moving recently before the movies.

MR. SNYDER: They existed and I used to play with them and for my fourth grade Halloween, I went as



| 1 | the Hulk with the blow-up muscles, and they were around. |
|---|---|
| 2 | It's been a part of our culture. Again, I think you've |
| • | added some very good points that were on mark, but I take |
| | exception with one saying that people who work in the |
| | industry aren't here and, secondly, that those things |
| • | didn't exist pre-movies. They've been part of our |
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culture for 50 years.

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MS. WHITE: Well, I apologize, I'm sorry. You are here and I wasn't sure who was going to be here as of yesterday. So, I apologize for that.

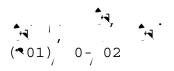
As far as the action figures, yeah, they were here, but it was a different time. They were comic books. It was a different product. What you and the person from the MPAA are remembering are the comic books and -- I recommend this book to all of you called Comic Book Wars.

MR. SNYDER: I've read it. It's about Mick Andrews Forbes and Ron Perlman, the gist of it.

MS. WHITE: And why they bought the movie company and the rights to the comic books.

MR. KELLY: All right, let's move on to the next question. Michele?

MS. ERSKINE: Just a couple of comments. One was a lot of the marketers I work with who are looking for cross-marketing opportunities sort of self-monitor



themselves. And even though I'll tell them, it's not a recommendation that they link with some of these people, but they'll say, well, who are the hot artists, who are the hot bands. And Eminem is a good example of this, incredibly hot with teens. But a lot of marketers know that they can't link with Eminem and I think Eminem doesn't necessarily want to be sponsored by Kraft either. So, these things are happening and they're aware of the power of these opportunities.

And a lot of the brands with powerful franchises do exert strong control with how these brands are used in licensed product or brand extensions. These tend to be the ones of a vested interest and serve long term protecting their franchise. And I find that they're the ones that exert the most control.

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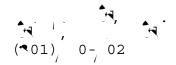
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interaction between the marketing of these products. So,
you have merchandise that's the official movie
merchandise. What does that mean in terms of, is that

any inkling that people should be looking at the movie?

We have coupons in one industry's product to buy something in another industry's product. We have trailers on games encouraging people to go to a movie. There is this interconnection that has occurred. The ESRB, in fact, has provisions that deal with some of this. Individual industry members have adopted provisions, as well, in both the movie and the video game industries to begin to address the issue and there have been some changes in the marketplace where it is now, at least, common for action figures that are based upon R-rated movies or M-rated products to be labeled as appropriate for 17-year-old people.

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So, it seemed like an appropriate issue to raise, and particularly, because it is a growing and

1 very much and thank you all for being part of this.

(Applause.)

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(Whereupon, a brief recess was taken.)

MR. EICHORN: Why don't we go ahead and get started? My name is Mark Eichorn and I'll be the moderator for this panel. I actually do not have children, so maybe I'm the silent minority here. I may not be qualified as a speaker, but hopefully I can moderate. But you all will decide that.

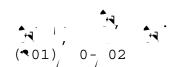
We heard this morning from the associations that developed the rating systems and labeling systems and it's up to the retailers, the job of enforcing those systems and so, we're going to be talking about that for the next hour and 15 minutes or so.

We've got a great group of panelists. I'll go ahead and introduce each of them really very briefly.

Their bios are provided in your materials in more detail.

At this end on the right, Sean Bersell has directed the government affairs programs of the VSDA, the Video Software Dealers Association, since 1999. That's the trade association for video retailers in the home video industry. And, currently, he's Vice President of Public Affairs for VSDA.

Jim Donio is next to him. He's currently the Executive Vice President of the National Association of



Recording Merchandisers, a position that he has held
since June of 2000. He's responsible for overseeing
NARM's day-to-day operations and managing the
professional staff headquartered in Marlton, New Jersey.

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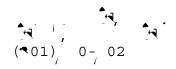
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John Fithian is President of the National
Association of Theatre Owners, or NATO. As President of
NATO, Mr. Fithian serves as the Chief Public Spokesperson
for theater owners before public officials and the press.

Hal Halpin is next to me. He's the founder and President of the Interactive Entertainment Merchants
Association, the video and computer game industries retail trade association. The IEMA member companies account for over 80 percent of the sector's business.

Next to me is Jule Polonetsky on the left. He joined America Online as Vice President for Integrity and Assurance in May of 1992. He oversees the integrity of the user experience, consumer protection, online safety, accessibility, community standards and policy areas. He's also responsible for setting internal standards and practices for all of the AOL brands in several areas, including parental controls.

Next to Jules is Jonathan Potter -- actually no, Beverly Porway is next to Jules. She's Regulatory and Litigation Counsel at Toys "R" Us, Incorporated, parent company of Babies "R" Us, Kids "R" Us,



Imaginarium, Geoffrey and several internet sites,

including toysrus.com. She has been with Toys "R" Us

since 1997 and she's responsible for providing legal
counseling on advertising, marketing, regulatory and
operational standards and practices.

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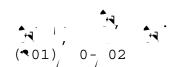
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Jonathan Potter is Executive Director of the Digital Media Association. He's responsible for DMA's public policy and industry advocacy activities in the United States and internationally.

And, finally, Raymond L. Smith is Senior Vice President, Human Resources Counsel for the Legal Entertainment Group and is responsible for the company's general litigation, security, risk management, human resources, training and payroll functions. He's the company rating compliance officer and member of the NATO Board of Directors and various committees.

I really want to thank all the panelists for coming and especially the individual retailers for coming this afternoon.

To begin, we'll start with some statements from the retailer trade associations, but I wanted to just highlight briefly some results of the Mystery Shopper Survey that we conducted in 2003 and that we released a couple of weeks ago. This was the third in a series of the surveys that we've conducted and we send 13 to 16-



year-olds unaccompanied to theaters and stores around the country and have them try to purchase product at stores and theaters. Then we report on the practices.

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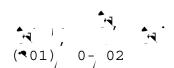
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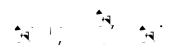
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This time we looked at 899 theaters and stores around the country and we found that on the purchase question, whether the teens were able to purchase, 69 percent of the teenage shoppers were able to buy M-rated electronic games, 83 percent were able to buy explicitlabeled recordings, 36 percent were successful in purchasing R-rated movie tickets, and 81 percent were successful in buying R-rated DVDs. That's an industry we surveyed for the first time in this survey.

These results indicate that from a statistical standpoint, each of the industries had improved since our last survey in 2001, though, obviously, there's still room for improvement in each category, even if you're not going for a perfection standard. Just based on what Mitch Bainwol mentioned earlier today that kids, for example, can get anything they want from file sharing, but five out of six of them can buy it from a music store clerk or get a DVD from a clerk.

We also asked a couple of questions about whether the stores provided rating information and whether they asked age, whether the shopper was asked their age. For each of those questions, we found that





actively enforced by video stores through their point-ofsale systems.

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As I mentioned, video stores also educate parents through in-store signage, posters, brochures, shelf talkers, kiosks and the like. Placement of these may vary within particular stores, but they're all prominently displayed so that they can be noticed and used by parents. And some retailers even add their own descriptors and advisories.

These programs apply both to videos and to video games. They apply to rental, they apply to sale, they apply to the websites and they apply to members and non-members. And video store employees are trained on ratings education and enforcement and it's part of the culture of video retailers and it's something that is constantly reinforced to their employees.

We at VSDA are satisfied that these programs, which we call parental empowerment programs, are working well, and nothing in any of the FTC reports that have been issued thus far suggest otherwise. We believe that there's no better place than in a home video store for parents to control the content of the movies and video games to which their children have access.

Now, there's always room for improvement, and in 2001, we at VSDA saw the need to institutionalize our

periodic reminders to retailers regarding the use of ratings education and voluntary ratings enforcement in their stores. We also saw the need to educate consumers about these rating systems and how they can be used in video stores. So, in 2001, we instituted something called Ratings Awareness Month, and now, every June, we declare June to be Ratings Awareness Month and we undertake public education campaigns through the media to educate parents, and we also use that opportunity to educate retailers and remind retailers about the need to have these programs active in their stores.

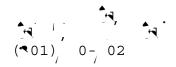
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We've also been responsive to the prior FTC recommendations on this topic. At the suggestion of the FTC, we adopted advertising and marketing guidelines for our member retailers, and we've taken a look at the usage of that by our members and those spot checks indicate that those are being complied with.

I would just like to end with one thought, and that is that video rental stores are family-friendly neighborhood institutions. They and their employees are part of the communities in which they're located. They often know their customers by name. They know what's acceptable and what is not acceptable in their communities. They take pride in the entertainment they bring into people's homes and they rely on repeat



business. In a sense, they put their reputations and their livelihoods on the line every time they rent or sell a video or a video game. And I can assure you, they would not deliberately put their businesses at risk by providing to children videos and video games that their parents don't want them to have.

Thank you.

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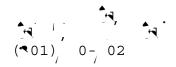
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MR. EICHORN: Thank you, Sean. Jim.

MR. DONIO: Thanks. I wanted to say thanks to Dick Kelly and to the FTC staff for inviting us to participate today and also to say that we welcome the continued information that's shared with us about how we're doing and how our sister industries and organizations are doing to help improve as much as we can.

NARM is a not-for-profit trade association. We've been around for going on 50 years now serving the music retailing community. Our members represent about 80 percent of the industry, including retailers, wholesalers, distributors, suppliers of products and services, as well as individual industry professionals and educators.

To echo what Mitch Bainwol said this morning, we've always been supportive of balance and think that that's an important ingredient in all the discussions



today, the balance between the artist's right to free expression, the parent's right to be aware of entertainment with explicit content, and the retailer's right to handle this explicit content according to how each believes they can best meet the needs of their company and the communities in which they have their businesses.

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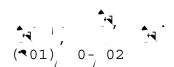
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I certainly applaud the refinements that Mitch announced this morning and the efforts with regard to anti-piracy because of the lack of information on the illegal sites, but I would add that while online and the online businesses are growing, to be sure, music stores are still here and they're alive and well.

NARM has long supported this program and has worked closely with the RIAA to improve and standardize the parental advisory logo and to make posters and counter cards available, such as this card, for use in stores. And they are available to our member retailers free of charge.

NARM continues to support this program because it is a useful tool and that's very important. Parents need to determine what music is appropriate for their children.

To be clear and to reiterate what Mitch said this morning, the parental advisory program is not a



ratings program, it's not age-based and it's not an indicator that a recording that displays the logo is inappropriate for a minor. Retailers may add their own rules, their own guidelines and choose to employ and adopt the program in a variety of ways, which I'll speak about in a minute. And even with all the diverse approaches, the common thread among all NARM members is that they support this program.

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Retailers, as I said, display the counter cards and the posters. They're designed to promote and explain that this is a notice that parental discretion is advised. But retailers know that there's no such thing as a typical consumer. Therefore, stores stock thousands of titles to please as many different musical tastes as possible.

And let me review some of the ways that retailers use the program. Some stores choose simply not to stock the parental advisory product. Some stores let their parental advisory speak for itself. Some retailers do add an age-based sales policy on their own. Some retailers do check IDs when they suspect that a customer may be too young or may not have parental permission to buy a certain recording. Some retailers incorporate a prompt to check ID in a store's POS system that appears on the computer screen when the clerk scans the barcode.

Some retailers choose not to interfere at all with the parenting decisions and sell entertainment products without regard to age.

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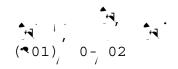
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Retailers stock product and create sales policies from music displaying a parental advisory label based on market considerations and the composition of the customer base and the community in which the store is located. This variety of approaches by retailers means that parents can and should choose to shop at stores that best meet their family's needs.

Retailers do a lot in terms of training, as well, with their employees. They incorporate information about the parental advisory program in new employee training manuals so they can inform parents about what it means and they also make it part of the formal orientation session with new employees. Most retailers inform employees that if a parent calls or returns to the store with a complaint about their child buying a labeled CD, they are to be offered a refund with no questions asked.

In addition to the retailers' initiatives, NARM also posts information, which is available to all visitors to our site, about the program. And we provide a link to the RIAA site for additional information about the logo, the specs, the usage and who and how to



determine what gets the label, and also a link to the parentalguide.org site.

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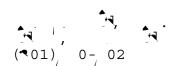
Store clerks talk about the parental advisory label and music displaying the logo with parents and explain, in certain cases, that the recording could have strong language or lyrics about drugs or sex or violence. Clerks inform consumers that, in many cases, there is an edited version of the same recording available, and this promotes choice.

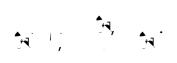
Some retailers instruct their clerks to provide parents, also, with a telephone number of the corporate headquarters in the event they have other questions or they have a problem with the CD or the store's sales policy that they want to pursue further.

Clerks also encourage parents to talk with their children about the parental advisory and to teach them about the subjects which come up in the lyrics.

We have really received no reports of retailers getting complaints from consumers about the parental advisory or store sales policy. Feedback is certainly always welcomed, but most of the studies that we have done indicate that parents are satisfied with this program and they find that it's helpful.

Children mature at different ages. Not all families have the same concerns. Some are more concerned





owners and operators about what they do with the ratings compliance methods, we have several of our members here today to help you out.

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I want to start by thanking the Federal Trade Commission. I think that today's dialogue has been extremely useful and not just the panel presentations, which have been very useful, but also the individual conversations in the hallway. In contact with the various advocacy groups, I have learned a great deal about suggestions that our industry can incorporate and we look forward to incorporating those. I encourage all the representatives of the advocacy groups not to discontinue the dialogue today, but to follow up with us as we hope to follow up with you so that we can continue to make progress as we use and modify our rating systems.

I also want to thank the FTC for its history of respecting an important balance, a balance between encouraging all of us in the industry to use and improve our voluntary rating systems, while at the same time respecting the voluntary nature of those systems. And I'm delighted today that with a very few exceptions, what panelists across the day have not been calling for ihave not been calling

towards a more productive, more constitutional focus and we're delighted to participate in that balance.

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NATO has been participating in the movie rating system from its inception. I want to thank Jack Valenti and his team at the MPAA for involving us as partners, as we have been for the past 35 years. But I also want to emphasize the importance of another partnership and that's a partnership that we all need to improve and that's the partnership with America's parents. Our ratings enforcement numbers are good. Our ratings enforcement numbers are improving, as the most recently released survey shows. But we can never have truly satisfactory ratings enforcement numbers unless we have a true partnership with America's parents and we've had some good discussion today about how to improve that.

I would even suggest that at future FTC workshops, we focus more on having parents' groups talk about how they can help educate their members and how we can help supply them with information to educate their members because like another speaker earlier today, we, too, have reached out to some of these groups and have not found a satisfactory partnership yet in finding ways to educate America's parents.

So, let's talk about what theater owners are doing to enforce our rating system, and, first, I want to

emphasize that number that Mark described at the beginning because we're kind of proud of it. Our ratings enforcement number now is 64 percent. That means that 64 percent of these kids that attempted to buy tickets to R-rated movies were denied those tickets. To me, that's the most important question that the FTC asks, whether or not we do that by asking them their age, asking for ID or just spotting the fact that they are too young, a secondary question is not as important to me. The question that's fundamental to me is how many of them actually were able to buy the tickets to R-rated movies and we shut out 64 percent of them. That's up from 52 percent in the previous survey.

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We're not satisfied. Even though we're at twothirds, we hope to get a lot higher and we continue to implement new mechanisms every year to continue to drive those enforcement numbers up.

Somebody earlier today said, it's all about the money. It's not all about the money. When you turn away 64 percent of kids attempting to buy tickets to movies, it means that we are turning away hundreds of millions of dollars a year to enforce our voluntary rating system.

So, I beg to differ. America's theater owners consider this effort not just important for our business, but important for the communities in which we operate and we

check, which we announced as a national policy in 1999.

This means that any time any one of our members believes a potential patron at the box office to be too young to buy a ticket for an R-rated movie, they are instructed to ask for that person's ID, and we reinforce this policy in a number of ways. This is just one way. When we send out the membership stickers to our members to be displayed in box office windows, we combine it with a reminder about the carding program. Next slide.

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It may be difficult to read from the back, but

I'll explain what this is. I think it's very

important -- and this has been discussed earlier today -
not just to give the ratings, but to give explanations

for the ratings. I also welcome the constructive

suggestions today on how to improve the language to

explain the ratings. I'm sure Jack and I will be

discussing that.

We currently take all the explanations for the movie ratings and distribute them in a number of ways.

attendants can be conversant in the various films if they get asked questions by parents in the course of selling tickets. Next slide, please.

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We produced a training tape which is too long to show today, but it's extremely informative for our members on how to train their box office attendants and other employees how to enforce the rating system and I brought a copy of it here today. I'll give it to the Federal Trade Commission for their record. But it gives them real case examples, what to do when you see two people coming to the box office who appear to be of a certain age, how to ask for an ID, how to post information in the theater complex that explains the ID check so that patrons are not surprised when they get to the front of the line. All those types of questions are answered in our training video, again, distributed to members upon request free of charge. Next slide.

This is just to show that we do this also online in addition to in-person. All the materials are available to our members online. They can go online, order them and seek additional copies.

And then very quickly we'll just run through the last four slides. These are individual posters explaining the rating system which we encourage all of our members to post at their theater complexes and which

we have an increasing rate of participation in this part of the program as well. Okay, go ahead to the last slide, please.

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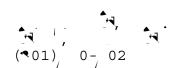
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And, again, the placard. Many of our companies have their own placards with their company brand name included so that they can reinforce the fact that their particular theater complex uses an ID check program and we encourage and applaud that. Nonetheless, we still distribute a generic placard for all of our members who don't have the resources to develop their own.

One important part of our program that's difficult to show in slides is our ratings compliance officer program. We decided as part of our 12-point initiative that each of our companies should appoint a senior managerial employee who has, as part of their job description, enforcement of the ratings. Randy is the Compliance Officer for Regal. We have other compliance officers in the audience, and these are very active jobs.

Twice a year, we bring together all the compliance officers from around the country into one location so that we can share information about what's working and what's not in ratings compliance. In addition to that, we have an email distribution system so that additional suggestions or ideas or reports that come up during the course of the year are fed back to our



1 compliance officers electronically.

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When the media calls and says, we did a sting operation in City X and three of our kids got in and six didn't, we ask for identification of who did and who didn't and we contact the compliance officers for those companies so they can follow up with the locations reported.

Similarly, when the Federal Trade Commission completes its surveys -- and we will do it again with the raw data from this survey -- from their mystery shoppers, we take each individual piece of that data, each mystery shopper that visited every one of our theaters, we identify the time of the visit and the location and take that back to our theater companies who work with the managers within their organizations. All of our companies have policies on this, all of our companies train their own employees. It doesn't mean that every single one of our theater managers or employees follow those policies.

So, any time we get raw data about sitespecific location action, either from the media or from
the Federal Trade Commission or from our own experience,
we take it back to our members. And, again, thank you
for the opportunity to participate today.

MR. EICHORN: Thanks. Hal Halpin.

of game purchases, we believe that the role of the 1 retailer should be to provide them with the necessary tools to make informed decisions about the appropriateness of the video game for their child. partnering with the ESRB, we have been actively involved in improving in-store education of the rating system by updating and increasing in-store signage at the store level.

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These consumer educational efforts, which will include various in-store displays and materials explaining the ESRB rating system, will vary from retailer to retailer based upon in-store layouts and other factors. Ultimately, the parental empowerment program is in place to educate consumers about video game ratings, allow parents to make intelligent entertainment choices for their families, placing the power to police children's video game playing where it belongs, with the parents.

Additionally, several of our retail members will or are already using other channels to promote the ESRB rating system which include ratings, information on their own advertisements, in-store merchandising and on their websites.

Some of our retail members have made other extraordinary efforts, such as incorporating the rating

system into sales associate training and national
managers conferences aimed at better educating staff
about the ratings.

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I'd like to conclude by stating that the IEMA and its members remain committed to working cooperatively with the FTC, members of Congress and the entire community to make sure that adults have the information they need to make informed choices for our children.

I understand that some have raised concerns about retailers' role in keeping age-inappropriate entertainment out of children's hands. Let me assure you that we are taking proactive steps to educate parents, consumers and employees about the rating system and the need to enforce the rating system to stem minor's access to M-rated games. In fact, we will launch a new initiative before the busy holiday shopping season to strengthen educational enforcement efforts. We look forward to announcing the details in the near future.

Our goal is to have greater awareness among consumers reflected in the FTC's annual report card. In just one year's time, we have seen a 10 percent drop in sales of M-rated games to minors. We recognize that this is not enough, but it is a step forward and we must continue to build upon this success.

We commend the FTC for doing an annual audit.

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It is rightly the responsibility of a federal agency. We must now all join together, industry, parents, adults who shop for and take children to the stores, government officials and everyone else concerned about this issue, to make it a joint goal to increase education and awareness. Thanks, Mark.

MR. EICHORN: Jonathan.

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MR. POTTER: Thank you, Mark. I'm pleased to be here today on behalf of America's leading online music and media services. The Digital Media Association was founded in 1998 to support the development of a healthy, competitive commercial marketplace for digitally performed and distributed entertainment. DMA's goal is

enjoying and acquiring music and related product. Many are also offering consumers music videos and other forms of entertainment video services. These services suggest that DMA companies are similar to the record stores, video stores and movie theaters represented by my colleagues on this panel.

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However, DMA companies generally have no physical interaction with our customers, so we cannot demand picture ID before sale or ensure that underage consumers are accompanied by an adult. In that regard, our companies address the same challenges of online service providers, such as Yahoo, AOL, Microsoft and Earthlink.

For several years, these companies have successfully provided parents with education, tools and information about how to affect and monitor their kids behavior online. These services do a terrific job promoting parental involvement and empowerment opportunities. Parents, however, ultimately decide whether and how to utilize these opportunities.

Online media companies are in the same position and must also help America's parents make smart decisions with and on behalf of their kids. An additional challenge facing online media companies is the relative youth of our industry. Technology is still being

developed, business models continue to change rapidly and consumer adoption is just beginning.

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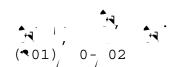
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The good news is that in the last several months, our member services have gained a strong toehold with American consumers who have expressed enthusiasm for today's offerings and the continuing adaptations being developed. Morever, there's a clear difference that parents will recognize and appreciate between our member companies' managed offerings and so-called competitors that provide unmanaged networks and do not filter or label content for violence or pornography or ensure payment of royalties to creators.

Although DMA, as an industry organization, has not previously focused on the issues we are addressing today, our members companies, independently, have been quite focused and have incorporated several tools to empower parents. Several of our companies are also internet service providers, and to the extent that music and media services are tightly intertwined with the provision of internet service that these companies offer, notably companies like America Online and Microsoft, they provide tools that assist parents in establishing restrictions on the content that child may access.

For example, AOL Radio has a modified interface and channel selection and separate programming for kids



and for young teens and mature teens. They provide only
edited versions of a song. The process is seamless to a
young subscriber because the parent has already
determined the appropriate level of filtering when first
signing up for the service.

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As you can appreciate, the process is not as simple when the music and media service is offered by an independent competitor that is reaching consumers through an open browser. Nevertheless, some independent services are working hard to help parents make wise choices with their kids.

Napster, for example, is relaunching today and has included several layers of parental options. When initially signing up for the Napster service, a subscriber has the option of excluding all songs that are from albums labeled with parental advisories by the recording industry. This filter will exclude songs that otherwise would be performed on Napster radio or that would be downloaded in response to a user-directed search.

A more sophisticated option is also offered.

Based on conversations with our member companies in preparation for today's workshop, it is my understanding that all are indicating to consumers when a song made available for on-demand listening or for download is from an album carrying a parental advisory.

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As DMA companies continue to support parents' ability to make good choices, we look forward to keeping the Commission apprised of our progress. In particular, we note three areas that may require additional attention and, perhaps, collaboration with our partner industries.

First, we should strive for parental advisories that better match new models for content distribution. Current parental advisory designations for sound recordings are made only on a whole album basis. In effect, if one track on a CD warrants the parental advisory, all tracks get it because the CD package is labeled. One significant consumer advantage of the online music market is the opportunity to hear and acquire individual songs rather than only whole albums. Therefore, we in the recording industry need to be able to convey parental advisory warnings on a more granular, song-specific basis which has not traditionally been done.

This enhancement to the current advisory labeling system will require time and resources, but is

necessary to maintain the marketplace utility of important consumer information. Our concern is that if a child demonstrates that a parental advisory labeled song does not contain content consistent with the parental advisory, the parent may lose faith in the labeling system and stop filtering the child's online music access. In that home, regrettably, the value of the advisory labeling system will be eliminated.

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Second, the recording industry has never extended the parental advisory designation and labeling system to music videos. If, in the future, music videos are rated, it is likely that online and offline stores and services would share this information with parents and enable parents to limit their kids' access to unsuitable content.

Third, online music providers often get their music and editorial material from third parties. These industry participants must be included in the discussion as they are critical participants in a successful parental empowerment system.

Finally, as you've heard earlier today, it is important to note that our company's greatest competition comes not from one another, but from unmanaged,

virtually unlimited quantities and selection of any kind of content whatsoever to anyone that joins that network.

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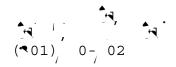
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As studies have recently shown, a staggering percentage of that content is inappropriate and there is no way to prevent any user, no matter how young, from accessing such content deliberately or inadvertently. We urge you, parents, advocacy groups and the FTC, to help us educate America's parents that free is definitely not better when the content being made available to children is unfiltered, unlabeled and inappropriate.

In closing, I thank the Commission for inviting DMA to participate in this important workshop. We appreciate the years of experience that other industries can share with us as the online media industries implement our commitment to empower America's parents.

MR. EICHORN: Thank you, Jonathan. I'd like to start phase two of the panel now, which is the discussion part, and I'll try to direct questions to one or two people, but anyone on the panel is welcome to chime in. If you want to put your table tent up, that would help me. But, otherwise, just yell at me if I don't see you.

I first want to talk about enforcement and what you all have learned from your experiences. Enforcement measures that particularly work or maybe that don't work, including the cash register system, Beverly, I'd wish



you'd address, and, Randy, if you'd talk about your enforcement experience in the theaters.

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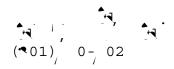
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But, Beverly, why don't you start?

MS. PORWAY: I also want to thank Mark and the FTC for inviting Toys "R" Us to participate. I understand in some of the past workshops, retailers haven't had as much of a voice and we've relied on some of our partners in groups that are represented here, and we're very happy to be here and to talk about what we've been doing to try and help out with the sale of mature video games.

As a company, we're deeply committed to strong values and to family values, and that's why we've adopted certain very strict policies that are black-and-white policies that we actually enforce in our stores and we do in our stores. And the first one, as Mark mentioned, is our register prompt system, which is a point-of-purchase system that's intended to automatically detect the rating of a game through the barcode. If the game being purchased is an M-rated game, our cashiers are instructed and trained to ask two questions. If the person looks like they're under the age of 25 -- and we use 25 because some of our cashiers are 16 themselves. So, if we say 17, which is really the age, a 16-year-old may not be able to recognize whether somebody is 17. So, we've



raised the bar and we've told them that we want to use the age of 25.

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They're to ask for identification. If the individual does not have identification, we won't sell the game to them. And we've recently, within the last year, adopted a zero tolerance policy with regard to that process.

We also ask, if mom buys the game, if they know whether or not it's an M-rated game and we explain what an M-rated game is because there are many times that mom and dad will come in and their kids will say, oh, I want to buy Vice City, and mom goes out to buy it and then when we explain, well, do you know this is an M-rated game, this contains violence, et cetera, many times mom won't buy the game.

We've found that it's a very successful program. It's been working well for us and we've taken it one step further. We post, and I have -- I, unfortunately didn't do a PowerPoint, but I do have an example of the cards that we post in our stores that describe the policy, that specifically states, it's the policy of Toys "R" Us not to sell M-rated video games to individuals under the age of 17. We have the ESRB rating M here. Cashiers may ask for proof of age if a guest appears to be under the age of 17 and we reserve the

right to refuse to sell that game if a guest cannot produce legitimate identification.

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So, we have the cashier system, which will ring it up. We let people know up front, and on the back end, we train our employees on the system. We have them -- as part of the enforcement, we have them sign an acknowledgment that says they know about the M-rated system, they know about the proof of purchase system.

In the event they don't comply with it and we find out through either, you know, one of the FTC's actions that they don't comply with it, they acknowledge that we may take disciplinary action against them. We also post, in our breakrooms, the policy and we periodically distribute from our operations team, reminding everybody that we do have a zero tolerance policy and what we do to employees and what we can do in reminding them of what our policy is.

MR. EICHORN: Thank you. I did want to add that based on an analysis that we've done of the mystery shopper data, we're continuing to do these analyses, but one that we have done shows that the companies that have policies to restrict sale -- Toys "R" Us is one of them in the game industry -- of the six that we looked at that we know have policies, they did about 20 percent better than the others on these type of questions, the age

purchase question and as to whether the shopper noticed rating information.

Anyway, Randy, do you want to talk about the theaters?

MR. SMITH: Sure. You know, carrying the theme today, I am also a parent and, fortunately for all of you, I don't have time to tell you what each of my children have done to put these gray hairs on my head. But in addition to that, I'm a firm believer and advocate of the First Amendment and I'm also a firm believer of regulating what children see and do. The only difference with some of the panelists earlier is that I truly believe that that's my wife and I's sole responsibility when it comes to my children.

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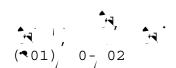
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That being said, with respect to the theater industry, we certainly are pleased to be here today and welcome the opportunity to talk about what we've done, because we consider what we've done to have taken on a method on our part as well as our trade association to respect and fill our role with respect to the youths of America.

What the theater industry does and particularly what Regal does is kind of a three-fold or four-fold attack on this issue. First, we take the time to identify that any advertising in our theaters is age-



appropriate to the film being shown. We also take the time to ascertain that the trailers being shown during any particular film are appropriate with respect to the content and who they're being marketed to with respect to the feature film being shown on that particular day.

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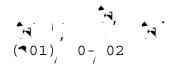
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The third thing we do is we make certain that the individuals coming to see these films are actually age-appropriate, meaning that we make certain that they follow the rating. If they are not 17 or older, they do not get into R-rated movies unless they have a parent or adult guardian attend the movie with them.

The fourth thing we recently began doing is monitoring and making certain that we have certain types of video games in our facility or conversely certain types of video games are not in our facility. And the reason we take these efforts is we are in the family entertainment business and we intend to maintain that image and we intend to fulfill our obligations with respect to these ratings.

Now, how we do that specifically is that we have designed certain policies and procedures to ensure that these things are monitored and controlled.

Primarily, we begin with an education process and that requires a two-fold approach. We have to educate our public and we have to educate our employees. We educate



- the public, primarily, by posting the information at the box office so that if you walk up to one of our
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As a member of the public, you certainly have the right to decide what you want to see. That's your First Amendment right and we respect that, but we want them to understand, at least primarily up front, what they're saying. We also advertise the ratings in our newspaper ads; we also advertise the ratings on our web pages. There is a plethora of information out there for the general public if they want to know what they're

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children of America are very creative and sometimes
they'll come in and they'll buy a ticket for a G movie
and then they go into that movie and they promptly jump
over to the R-rated movie they wanted to go see because
they couldn't buy the ticket. So, our ushers are trained
to watch for that.

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In addition to that, some of our box office personnel, when you have a minor come up to the facility, many times they'll think that they look old enough to buy one of these tickets, so they'll come up and they'll say I want a ticket to Kill Bill and they'll promptly be carded and be denied a ticket. So, they'll buy another ticket. Well, typically what we do in a situation like that is when that minor purchases a ticket, we flag the ticket. There is a mark that's put on the ticket specifically to notify the usher that this person needs to be monitored while they're in the facility because a large percentage of time these indiau 1 oeds

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patrons accountable and we hold our employees

accountable. If an individual sneaks into one of our

facilities or buys a ticket and then sneaks into an

auditorium they shouldn't be in, then they are removed

from the facility, and that's how we hold the public

accountable.

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We also hold the public accountable by requiring adults to attend the movies with their minors. They cannot simply purchase the ticket and allow their children to go into our facilities. They must attend with them.

As far as our employees, it's quite simple. They violate the policy, they're disciplined, and sometimes to the extent of termination.

I was telling a story to John at lunchtime. It's a challenge every day. We've had an employee once making money on the side selling tickets to minors because they knew that they couldn't purchase them. We had an individual who was, I guess, running a business out of some of our Southern California theaters because she was going from theater to theater standing in front of a box office buying tickets for minors and I assume she's getting a fee for that because she keeps popping up and we keep denying her access to our facilities after that. But these are things you live and learn from.

The final comment I would make is I agree with John, this is not all about the almighty dollar, at least not with the theater business, certainly not with Regal Entertainment. We lose hundreds of thousands, if not millions, of dollars by denying access to this 60 plus percent portion of the population trying to get into these movies. We lose hundreds of thousands, if not millions, of dollars on some of these video games we have now moved out of our facilities.

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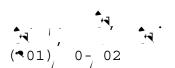
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I wanted to read a comment from an individual - I'm not going to tell you who -- but we receive
comments from people periodically in the mail. This
individual writes, in March of last year, yeah, you guys
need to make it easier to get into R-rated movies. If
you want to make more money, try lowering the age or make
it easier for a minor to get in. I think it's stupid
you're so strict in letting people under 17 into R
movies. No other theater is that strict. I doubt that's
the truth. Honestly, if you ever wondered why you went
bankrupt, that's it.

So, we're doing what we can and we certainly honor our responsibility to do it and we'll keep doing it. There's always room for improvement.

MR. EICHORN: Thanks, Randy. Jonathan talked briefly about the ways that the online world may be



different and present different opportunities and challenges. So, Jules, I'll ask you to talk about what AOL is doing.

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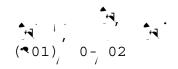
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MR. POLONETSKY: Well, I certainly hope that the strict policies that I'm going to describe don't put us in bankruptcy. I think that what parents expect from an online service is the opportunity to use tools to make sure that their kids are having a trustworthy experience, and so, we work very closely with the various labels and standards bodies that describe their practices here today to make sure that those guidelines are part of what we promote, but in addition, that our parents have the tools so that they can use those guidelines to make sure that their kids are encountering the kind of media that they want them to encounter.

So, let me start with music, perhaps. AOL Music Net is completely integrated with AOL's porno controls. So, when a parent opens up an account with a credit card and creates screen names, accounts for their kids or their teens, we ask how old is the user that you're creating an account for, and then depending on the age, we put them in an appropriate experience.

So, if I open up an account for a kid, for instance, I actually don't have access to Music Net.

Now, if I open up an account for a younger or mature



teen, I'm going to get a different version of Music Net
than the general adult access. Music Net will include,
as someone mentioned, both the parental advisory label of
a song, as well as a radio version, if it's available.
The teen version, however, shows only the radio edited
versions of those albums. We layer on top of that as
well a dirty word filter for the teen who wants to try to
be creative and just seek songs that have some profanity.
So, there's some limit to access for that as well.

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Radio@AOL, as Jonathan mentioned, is different for every level of the service. Kids actually have their own live radio show, and so, edited versions of songs are not played there at all. Certainly, the parental advisory, non-edited are not played. But if there is a song that has an edited version, for the youngest children, we'll actually assume that that's not necessarily appropriate as well. The teen radio, again, has its own version that will only play edited songs.

Our Music Search, which is another feature of the service outside Music Net, which is a premium service, always has parental advisory labels. If you click on the parental advisory label, you're taken to RIAA's site where you can find out any further information.

In addition, any of the advertisers -- so far

I've talked about the music that will play or that will stream or that will allow a user to download. The advertisers in areas of the service have to follow those same rules as well. So, an album with a PA label cannot be advertised in the teen's channel or, frankly, it can't be advertised anywhere on the service if the promotion appears to be geared towards a teen.

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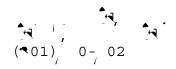
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When it comes to games, we work very closely with the ESRB and any of our games have to have labels and, again, depending on the area of the service, any game that's promoted or that exists in the teen's channel of our service has got to be rated appropriately, either teen, everyone or early childhood by ESRB. If you're in the kids' area of the service, again, you've got to follow the appropriate guidelines as well.

What we're actually working on now, as well, is ensuring that in addition to including the rating, a user can easily set a mouse over and have the rating information displayed and instantly available and then obviously clicking through to the ESRB site for more information as well.

When it comes to movies, similarly, we'll only allow appropriately rated movies to be promoted in the teen's channel. So, PG-13, PG and G-rated movies are allowed in teens, and similarly with regard to the kids



only area.

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We don't allow access to file-sharing sites because of the uncertainties about what can be downloaded and what's appropriate or what isn't appropriate. And so, one of the things I just want to flag is that, although we do an awful lot on the service to remind parents that it's their responsibility and they've got to take charge and they've got to have the computer in an area of the home where they can be involved, but we also recognize that parents are looking to us to give them some of the tools so that they can have a little bit of extra help, and in the areas where we've got the industry standards that we can look to, it's been incredibly useful to leverage off those so that we can make decisions about what's either on the service or what advertisers can promote onto the service.

MR. EICHORN: Thank you. Go ahead.

MR. PORWAY: I just wanted to add that I know this morning there was a little bit of discussion about toysrus.com and I want to just kind of clarify whether or not we have content descriptors and what we have on our website, because we do, in fact, have content descriptors. What we have is special messaging. The way that our site works is that when you go to home page or R Zone, which is where the video games are sold, on the

left-hand bar the first thing you'll see under Help Desk is ESRB rating guide. You click on that and you go right over to a page that's within toysrus.com that lists the ratings on all video games with the descriptors that ESRB has recommended. It tells you what early childhood is and goes through each one and what they are.

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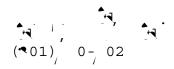
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We also have a special place on our website called Kid Zone -- Kid Safe Zone, where mom wants to go and not see any M-rated games or any T-rated games, there are only E and early childhood games. You can click on that and go there.

Every time you go to a game, you can click right back to the ESRB site. If you do go to a Mature-rated game -- for example, if you click on to Grand Theft Auto III, it will -- all mature and violent games will have a special message, for example, warning: violent content, mature themes make this game inappropriate for anyone under 17. Mob bosses need favors, gangs want you dead. It specifically says what the game is about.

Narrative driven, non-linear game play, hundreds of characters, 50 plus vehicles. It describes it so that you can't -- you know what's on the game. The other thing is that you cannot buy without a credit card on this website, so you have to be over the age of 18 to purchase anything on the toysrus.com website. But we



still go ahead and we describe exactly what's on the games and what's out there and we have a special area also for five to seven and three to four and exactly what's on the video games.

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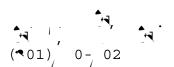
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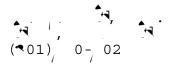
So, we also try to give as much information as you can on a website without having the interaction of being live and giving the information that we can, that mom needs to choose what she needs to choose for the family.

MR. EICHORN: Well, you've raised a point about special areas and maybe you can discuss it further in the brick-and-mortar context. Again, I know that the IEMA has encouraged retailers to move M-rated games up out of reach of smaller kids. But, Beverly, if you want to discuss what Toys "R" Us has been doing.

MS. PORWAY: If you've ever been -- Toys "R" Us has recently gone through a major change and we've redone our stores, and all of the video games are now located in an area that we call R Zone. To get in and out of R Zone, there's an electronic security device.

Within R Zone itself you'll find the M-rated posting I showed you before. You will find all the ESRB ratings. You will also find brochures that describe the ESRB. All of our advertising has the ESRB, and within R Zone, the M-rated games are right now -- we've instructed





guidelines about times of day, like don't show an R before 9:00 in the evening in the store. You may walk into a store at 10:00 at night when presumably it's an adult customer in there and see an R movie. That's possible. But the retailers that I'm aware of have policies in that regard.

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The question about the DVDs, DVDs are rated based on the rating of the movie originally and there may be additional content in it. The boxes say the additional content is not rated. Video retailers can only go by the rating that is provided and we enforce that rating that's provided on the product. It would be unrealistic for each video retailer to review every DVD that comes in for all the content on them. Some of these have 24 hours worth of content on them. So, we go by the rating that's provided by the MPAA and we'll enforce that rating.

And then the unrated, there are many retailers who -- including the major retailers, who will not bring unrated product into their store, in addition to not bringing in NC-17. So, there is -- as I say, the major retailers will not carry that unrated version. Other retailers will bring that in, but they will treat it as if it is NC-17.

MS. MINOW: Thank you very much.

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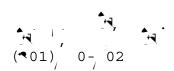
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MR. FITHIAN: We also have to deal with unrated movies occasionally. A small percentage of movies released to America's theaters are unrated. I have a suggestion to our colleague industries. Just treat them like a restricted product. People don't have to comply with the rating system on the production side. If they don't want to go through the MPAA's ratings, they don't have to.

What our policy is for our membership is, if we get sent unrated movies, fine, we'll play them, we treat it like an NC-17. So, no kids can be allowed in.

And, secondly, the policy of video stores of banning -- some videos of banning NC-17s is a problem for us because what it does is encourage producers of movies to avoid NC-17 like the plague and that rating needs to be used. There are producers and film makers that make movies that are wonderful but appropriate for adults only and NC-17 isn't being used enough, and part of the reason is a lot of video stores won't carry NC-17 product. This may sound counterintuitive, but please carry the NC-17 product and then enforce the age restrictions on it.

We'll enforce them at the theaters. Producers will be encouraged to use the appropriate ratings for their movies.



think that the retailers should look to the theater

owners as a way to do this because their results are so

much better, and I think the reason is, is I heard them

describe what they were doing. They take their

enforcement much more seriously. So, I think there's a

lot of room for improvement in this regard.

MR. HALPIN: Can I respond to that?

MR. EICHORN: Sure.

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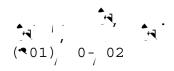
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MR. HALPIN: We believe that there isn't a lot of room for improvement and a 10 percent per year increase in the results that we've seen is significant and tangible.

One of the major differences -- and I've had a similar conversation with two senators that you're familiar with -- when they compare us to NATO and they say, well, if they can do it, why is it that your members can't just as easily, you need to keep in mind that we -- our members sell thousands of SKUs normally. I mean, they don't sell just one product, and so, therefore, the people who are getting trained need to understand this rating system. That's why we're working so closely with the ESRB in that process.

It takes a longer time, but if you'll notice, you'll see the trend over the last four years has been very positive.



MR. FITHIAN: And, also, in defense of our

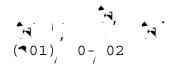
fellow industries, we've been doing this for 35 years and

we've had a rating system since the '60s and a lot of our

policies have been in place for quite a while. I'm very

encouraged to see that every single industry had

improvements in their rating enforcement over the course



Professor of Pediatrics at Harvard Medical School, an 1 Assistant Professor in Society Human Development and 2 Health at the Harvard School of Public Health. Dr. Rich is a member of the American Academy of Pediatrics Public Education Committee. He is also Director and co-founder on the Center on Media and Child Health at Children's Hospital in Boston, which is committed to improving the understanding of the effects of communications and entertainment media on child and adolescent health. Rich came to medicine after a 12-year career as a film 10 11 maker.

And Dr. Rich, I believe, has a PowerPoint presentation that he'd like to make before we get started.

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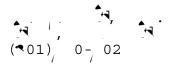
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DR. RICH: Thank you, Mary. If I could have the first slide.

As Mary said, I'm here representing not only the Center on Media and Child Health, which is trying to use the tools of evidence-based medicine in public health, rigorous objective scientific studies to better characterize and respond to the effects of media, both positive and negative on the physical and mental health of children and adolescents.

In addition, and perhaps with the most longevity, I'm here to represent the American Academy of



Pediatrics, which is 57,000 pediatricians across the U.S.

reprobably most of your kids' doctors -- that has been

concerned about the issue of media and its effects on

kids for over 25 years.

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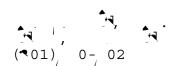
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I have to say, having done this a number of times, I really want to applaud the spirit that has been shown here today. I think this has been the most collegial, the most respectful and collaborative discussion we've had to date, and I'm also heartened by the technology that we've heard about that can allow the focused delivery of media content to appropriate audiences.

One thing I've been concerned about, actually, though, is a sense of fatalism about some of what we've



the recommendations to you and to other parents about what is best for your kids. You have the choice and the responsibility ultimately to make those choices. Our job is to put the tools at our disposal and the knowledge we have to your service in making that choice.

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I think that it is true what has been said here earlier that taste is subjective and, in fact, values and appropriate values are also subjective. But the physical and mental health outcomes that may be found in relationship to use of some of these materials are objective. They are quantifiable and they're very real. I, and many of my colleagues, have picked up the pieces, and importantly, we have tools to deal with this and to understand this better. Next slide.

I'm going to do a swoop back in history very quickly and look at child and adolescent morbidity and mortality, the things that kill kids and the things that make them sick into their adult life. A hundred years ago the things that were killing kids were infectious disease, birth defects and cancer. We could not cure them, we did not have the tools, and we found the cure for them in the prevention, by dealing with crowded housing, poor sanitation and pollution, social tools for public health.

Fast forward 100 years and the leading killers

and injuries to kids are unintended injuries, homicide
and suicide. The leading morbidities that they carry
into their adult life are substance use, sexual risktaking and nutrition. These are all outcomes of health
risk behaviors.

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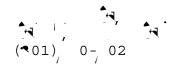
In trying to struggle with these, we are a cat trying to catch our tail and we have to understand that these health risk behaviors are learned and we need to learn from history and look to an environmental source.

Next.

So, we're investigating the epidemiology. We look at the issue of exposure, how are we infected, the effects, what happens to us, the mechanism, how does it work on us to change us, and what can we do to intervene. Next.

A study done at the turn of millennium by the Kaiser Family Foundation showed that, no surprise, essentially 100 percent of American homes have television. What it also showed was that more homes in the U.S. have five or more TVs than have one TV. It also showed that 32 percent of two to seven-year-olds and 65 percent of eight to 18-year-olds have TVs in their bedrooms. Those numbers, based on the study released by Kaiser yesterday, have gone up.

It showed that the average eight to 18-year-old



in this country used media for six hours and 32 minutes every day and that they multi-tasked, that they were using multiple media simultaneously, and when you roll those out in terms of cumulative effect, it was seven hours and 57 minutes of exposure. Next.

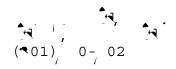
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I know it sounds like you're getting a test at the end of it. I just want to give you some key research that's out there and this is very solid legitimate research that has been studied over the years. These are tests -- there were people who went into a classroom in Western Canada, a small town, a town that did not have television, and looked at the aggressive behavior between first and second graders. The town introduced cable TV, they came back two years later and measured 160 percent increase in aggressive behavior between kids in the same community with the same groups of kids, obviously siblings because it was two years later, but no other factors were changed and everything was controlled for concerning that.

There is a study that was done in New York. I will jump over the studies in South Africa in the interest of time. In New York, that followed kids from the ages of 18 to 30, and bottom line is, with all other social factors controlled for, that they found that the highest levels of violence through the life span were



- those that had the cumulative, most exposure to television. Next, please.
- Two more studies in the last year basically showed the same thing, and this is not just early childhood exposure. This is exposure into adolescence.

 Next.

So, one of the things we have at our disposal

stuff there that is not that good. That also means there's some stuff there that's very good.

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The science is not perfect and it is not complete, but my reality and that of my pediatric colleagues is that every day we are faced with a two-year-old or an eight-year-old or a 15-year-old and their parents who are saying, you've got to give us your best assessment of the risk and benefit to my children. We have to make decisions every day on things like tobacco use, on things like safety belts and car seats as to what the best possible outcome we can determine is for this child. There's a need for standardization of measures and there's a need for a lot more research.

However, the overwhelming trend in the research to date indicates that there are three major effects of exposure to violence in media. That is, increased aggression and violent behavior, which we've heard about already; the mean world syndrome, the concept that media inflates the prevalence of violence in the world and makes kids afraid. Kids have sleep disturbances and nightmares. We have even seen kids with post traumatic stress disorder as if they were Vietnam vets simply from media exposure.

And, finally, desensitization, that is something that affects us all. And I think one of the

things we heard earlier today is these ratings are the ones parents give because we have a "high threshold in society for violence." From my perspective as someone who takes care of children, that's not a defense for the steady lowering of our restrictiveness on ratings. It is, in fact, an indictment of us as a society and an acknowledgment that desensitization has occurred. It really has occurred. Next slide, please.

and time again in varying ways with varying
methodologies. And this was done with television,
portrayals that are watched by kids. Video games are not
included in it. And early research in video game
violence indicates that children who not just watch
violence, but who become active players in it and become
people who are rewarded for violent behavior are
rehearsing behavioral scripts. They are learning to do
things.

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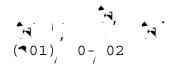
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And the questioner from the Milwaukee City
Council who came before and who talked about this as a
simulator, a violence simulator and a violence practicer,
is right on from our experience as child developmental
experts.

We have decided, as a society, that we want objective, valid information as to what is in the food that we feed our children's bodies. We want to pick up the can and read the content labels and we want to trust that that is a scientific and objective report of what we're feeding our kids' bodies. We do not have the same



- cigarette you will get lung cancer, but we can tell you
- what your chances are. We can do the same with media.
- Next.
- So, finally, how do we deal with this in our

them both confusing and overwhelming. There's just too much, it's not clean and they don't understand them.

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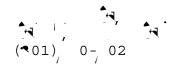
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Also, I would argue that both kids and parents are sophisticated consumers to the point where they distrust industry ratings because they lack objectivity from somebody who serves to profit from them. I don't think that you would like it if I recommended to you a certain medication for your child's pneumonia based on studies done by that pharmaceutical company. We need to have the equivalent of double-blind, randomly-controlled trials to understand what these media are doing to us.

And, finally, there are validity studies, one of them done by Dr. David Walsh who's on this panel, that reveal significant deficiencies in these rating systems when they are measured against scientific tools.

Finally, you know, I think that we need to work together, industry, consumers, doctors, children and children's advocates and parents toward an objective, content-based media labeling on the outside of the can, just as we do for our beef stew. And I'm really encouraged by the spirit of today and I think that this is a new level in collaboration and I hope that we will move forward from here for the benefit of all of our children. Thank you.

MS. ENGLE: Thank you, Dr. Rich. I'd like to



focus the discussion now on what we can do moving forward and, in particular, I think one thing everybody is pretty much agreed on today is that parents need more information, that parental involvement in this area is essential. And so, I thought it would be most helpful if we could talk about what's known about how parents get information in this area and how we can improve that.

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Dr. Rich mentioned the need for scientific measurements here, and I think, actually, that's something that's lacking. We, the FTC, have advocated for greater information in advertising and on labels. That's something that we advocate across the board, no matter what it is, to provide people with information when they're seeing ads and at the point of purchase. And so, that's a recommendation we made in our report to have more rating information in ads and it's something we're seeing as happening more.

Another thing was to provide parents with information. The industry established a website called parentalguide.org in 2000 and Id 0 TD0 Tc(16)Tj/TT2 1 Tf5.7 -2 TD-0.

four, music, movies, television and --

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MR. LOWENSTEIN: Mary, I actually -- I don't know the numbers on parentalguide.com, but I'd certainly be more than happy on behalf of our industry to work with the other industries and consumer groups and the FTC to look for creative ways to drive traffic to that site. I think it has a lot of good information on it. And no matter what the numbers are, I think we can all agree that the more we can drive people to places where they can get information, the better.

I think another thing that I'd like to see happen, at least from our industry, is we've heard a lot about common sense rating systems and about David Walsh's group. I think from ESA's standpoint, we would certainly encourage ESRB to put a link on its website to other rating system websites so that people can not just get the ESRB ratings, but if they're interested in getting

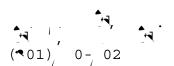
- suggestion, though, that we have our heads in the sand.
- We've made a lot of changes in this industry over 10
- years, we've changed a lot in our rating system. We
- haven't taken every piece of advice we've been given, but
 - we've certainly taken a lot of them and we remain open to
- all the advice and all the input.

include it as part of their anticipatory guidance with

parents and their children as to what to expect in this

coming year or coming period that the child will be going through to make sure that it is placed in perspective and relationship to the other health risks to the kids.

I think that to be perfectly honest it has had variable application among pediatricians. I think when I



issue it is, that it's truly an environmental health
issue now that we're in the information age. These kids
are saturated in media and we are seeing the outcomes,
unfortunately, in the emergency departments.

MS. ENGLE: Is it your sense, Dr. Rich, that parents have -- I mean, the title of your program was Media Matters -- that parents have a sense that it does matter. I mean, I was actually really shocked by the statistics that came out yesterday from the Kaiser Family Foundation that a quarter of kids under the age of two have a television in their bedroom. You're talking about babies and toddlers in diapers. So, I'm wondering if -- you know, hopefully they're watching Baby Mozart in there.

DR. RICH: Don't bet on it.

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1. MS. ENGLE: Given the amount of time that kids

(are spending witsc-11.17 OLTDO -TctTD1 T wasM of yme that kids11. 0

this, it's that there is this vague and growing sense of unease about what is this doing to my kid's head, what is this doing to my child, why is my child fat.

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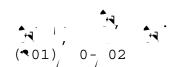
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But I think that they haven't yet formed a sense of a good way to respond to it, an effective way to parent their kids and to respond to that sense of unease and what they should do about it. That's why I think we need to bring the voice that we bring to bear on urinary tract infections and motor vehicle collisions and HIV to bear on this issue, to say, we do have the science, we have child development and child health experts, we have the social science tools to measure these things.

Can we apply them in a way that we can give you the data and we can give you the interventions that you, as an individual parent, and you in your communities can use to change this for your kids and replace that sense of unease with a sense of active response?

MS. ENGLE: Dr. Walsh.

DR. WALSH: I'd like to just comment on that as well. As Doug mentioned, he's been in this field for 10 years and that's about how long I've been specifically focused on the impact of media on children. I think over those 10 years, I think I've learned a lot and I have -- our organization has taken a major step back over the past year-and-a-half to refocus our efforts and I think



- that something is needed before parent education and I
- think -- and it's related to what Dr. Rich just said -- I

on that that we couldn't agree with. So, you know, I
think there is room to collaborate on these things, even
if we can -- you know, we might disagree at the margins
on some of these issues.

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MS. WHITE: I just want to add, Doug, that I would also like to put some more heat on you. I'm cold as well, but I'll send some your way whenever you'd like.

I want to say that I'm disappointed at the secret shopper survey. In the past two years, it only went down 10 percent, I believe. Five percent a year less kids are able to buy a Mature-rated video at retail. At this rate, you know, it's going to be 13 years before we get to zero. I don't think that's acceptable.

So, what I would like to ask you is, I do agree parents have to be responsible, but they're often not at retail with their children. I would like to know why you have been suing every different municipality -- we had someone from Milwaukee earlier, there's people here from the New York City Council. I'd like to know why you have been suing every city that has wanted to help parents just like with -- and with cigarettes and alcohol, we don't expect parents to be there at retail and stop their kids from doing a purchase, it's done at the store. So, I'm wondering if you're willing to work with us on that?

MR. LOWENSTEIN: Sure. I'll be happy to

respond to that, Daphne. First of all, I agree, the numbers are not where they should be. That's very disappointing to me. We've made that clear to the retailers that we think that they need to re-double and re-triple their efforts. I agree 10 percent improvement a year is better than no improvement --

MS. WHITE: In two years.

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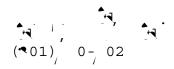
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MR. LOWENSTEIN: In two years is better than no improvement, but it's certainly not what it needs to be. And I can tell you that we have continued our efforts to encourage retailers to take more seriously their policies and their responsibilities in that area.

With respect to the lawsuits, it's really a simple matter. You know, the frustrating part about this to me is we really do agree on the objective of having retailers not sell games, but it is absolutely crystal clear that the laws are unconstitutional. That's what the courts keep ruling. Now, I believe in the Constitution. Jack made a very powerful presentation this morning on the First Amendment. I can't say it as eloquently, but it is an issue to me that if we start tolerating the enactment of laws that regulate the sale of content, that's a slippery slope. I don't believe it. It's not healthy, not only for our industry, I don't believe it's healthy for the country.



I would much prefer to get retail enforcement

up through voluntary means. We're going to work at it,

we're going to keep working at it, doing what we can.

I'll work with you at it. But we will continue to

litigate against laws that we believe infringe on the

First Amendment because I don't think they're healthy for

this country. Leave aside whether they're healthy for

this industry. I think they're bad policy and I think we

need to exalt the First Amendment, not run it over.

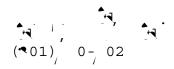
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MS. ENGLE: And, actually, I mean, I almost hesitate to raise the point, but setting aside even the First Amendment and so forth, you know, restrictions -- legal restrictions on purchases is not a panacea. I mean, I can understand how it could help. But it's not going to solve the problem. In the alcohol industry, 20 percent of the alcohol in this country is consumed by underage people even though there are age restrictions there, obviously, that are legally enforced. So, that's not going to solve the problem.

MS. WHITE: It's a start. I mean, there's a lot of -- we have to take a lot of different tactics. Obviously, there's the online sales. But I feel like we've got to take some strong steps somehow and I think the industry is sounding very reasonable and keeps saying, let's self-regulate, but the media industry, TV



in particular, has been talking about self-regulation for
30 years and it's been a very slippery slope into the
gutter, if I might say so, and the other industries are
following.

So, I just don't -- I mean, if there was more serious improvement, if it was more than 5 percent a year, you know, I'd say, let's go for it. But it's been a long time and they keep saying that. One other thing I'd like to say is whenever -- I've seen cases. When it's a choice between the First Amendment or a trademark or copyright infringement, industry always protects copyright and trademark first. First Amendment drops a little bit if it's a money issue. I really don't think these people are paid to protect the First Amendment. This is not the ACLU they're working for. I mean, it's the -- they're just hiding behind the First Amendment.

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And I used to be a journalist, I support it, too. I think it's very important. I'm using my First Amendment rights here and I'm very grateful for that. But I don't really believe that's what all these people are protecting.

MS. ENGLE: Well, Daphne, as the head of a grassroots organization, what's your experience been in terms of what's motivating parents and how to get parents

motivated to pay more attention to these issues and use
the information that's available? Because I think there
is -- certainly, there's information that's available.
It could be improved, more information could be made
available and we don't want search costs to be too high.
I mean, not everyone has access to the internet and you
don't necessarily want to have to go online every time to

just the rating, it's what's being marketed. You know,
whatever the rating is, there's not that many choices.

For example, a game like Grand Theft Auto Vice City, for
people who like to play video games, is a very
innovative, very creative, offered a lot of things that
other games didn't. But parents don't have another game
to take their children to to say, look, this game has the
same engine, can do the same creative things, but you're
not beating people over the head and killing prostitutes.
There's just not that many choices that are hyped that

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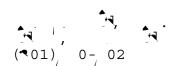
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There are sports games in which huge advertising budgets are put behind, skateboarding games. There are Mario games, there are Pokemon games. I mean, the volume of benign content out there is massive. Sims, SimCity, games that teach, games that challenge. There are plenty of choices out there and it's just simply not accurate to say that the industry doesn't promote anything but violent entertainment.

MS. VANCE: Just one more data point. We've actually had a 1-800 number, as well as a consumer online hotline available on our website for some time. We welcome consumer complaints, we encourage feedback from consumers, whether it's positive or negative on every single video game that gets rated or every computer game that gets rated. That 800 number has been available for years and our consumer online hotline has been available for at least a year. So, there's plenty of places that consumers can go if they're motivated.

MS. ENGLE: Dr. Walsh, I was wondering if you had any thoughts about -- I was intrigued to hear you say you're changing your focus in motivating parents to get them to care more and I was wondering --

DR. WALSH: I think part of what we're trying to do is increase motivation because I think, as I said



earlier, even though part of our role is to keep the heat on the industries, I think that the industries have responded. Could they respond more? Sure, absolutely. But I think there has been a lot of movement in recent years.

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And now, I think another major effort -- and I think it's a very, very big challenge -- is to motivate parents, not to give them the information because they won't use it unless they think it's important, and I think we have to motivate parents. Part of what we're trying to do is use some of the same techniques and things that media knows how to do to get people's attention. We've been adopted by a professional advertising agency to help get the message out, and it's not just violence, it's every other serious problem, like obesity. So, they're creating a series of messages like See Jane Not Run.

You know, because we have -- there are a lot of reasons for parents to pay attention to media besides the topic of our conversation today. And some of them are very, very serious health issues that Dr. Rich probably knows a lot more about than I do. And I think that we have to really get the word out. I mean, that's what we're really going to focus on. And we'll continue to do things, but we're really going to focus on trying to

create the media-wise movement, watch what your kids watch.

MS. ENGLE: Any other comments?

DR. RICH: I'd like to second what Dr. Walsh just said. I think we have proven time and time again as a society that we can wrestle with complex problems, with lots of gray areas, lots of confounders, lots of issues that play, and come up with a consensus response that is, first of all, you know, not perfect for everybody but better than what we had and is always dynamic, is always

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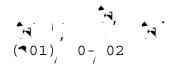
Trade Commission, quite properly, I think a week ago,

praised them for the work they've done. And I want to

salute John Fithian who's been a leader in that and he's

a full partner in the rating system. So, I salute you,

My final point, I think it's an absolute piece of insanity for parents to take five, six, seven, eight-year-olds to see R-rated movies. I just don't understand how they do it. They must be either dumb asses or they don't care. And I guess that's a -- and, certainly, I wouldn't take a child into a theater under five. You've got 1,000 wonderful video cassettes and DVDs for children to watch. God, I don't understand why you want to take them to a theater when you've got the most wholesome kind of things for children to watch. If that's what you want to do, you ought to be reading to them or have them in



child, and I backed off. What are you going to do with a parent like that?

We give parents information ahead of time, advance cautionary warnings and we say, please, please read this. And I have said many times, all of the other rating systems out there, look at them, examine them, digest them, then make your own judgments. But you can't force parents to do that. And so, when you say, Dr. Walsh, you want to move in on the parental area, I think that's the one vulnerable part there. I don't know what we can do besides warning parents. If a bottle has an X on there and a skull and bones and they leave it open for their child, what the hell are you going to do?

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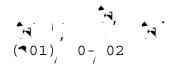
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So, we do the best we can. I think this rating system has held up for 35 years, I said, on November 1st, and it has to be providing some benefit to people or it wouldn't be around, and these surveys, on which Dr. Rich and I rely, wouldn't illuminate their reaction to it.

DR. WALSH: Mary, can I respond to Mr. Valenti?
MS. ENGLE: Certainly.

DR. WALSH: Because I think what you just said I certainly understand, parents don't want to be told. And I'd like to respond to maybe what we can do with a story of my own. I was doing a parent workshop down in Florida -- this was about three months ago -- and there



was a young couple that came in and I just saw them come 1 in and they sat in the back. Then afterward they came up 2 -- this was an hour-and-a-half workshop and the young woman introduced her husband and she had dragged him there and she said that. She said, I brought my husband here. And I didn't know what this was all about, so she said, the reason is is because he's been playing Grand Theft Auto Vice City with our three-year-old on his lap.

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And so, I just looked at him and I said, did anything I said make sense tonight? And he looked at me and he said, I am so ashamed of myself. He said, I had no idea what the impact was. And I say that because I think that's where we have to go back to. We can't just give parents the information, they have to be motivated to use it, and I think we have a job to teach parents the power of this and I would invite the professionals in the Stand he samiedial iandusetrash domeca used subratt Tsw (withful lytoou 'goe beac shoeo)dTmata.nd I said, did parents understand that.

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MR. LOWENSTEIN: I do think it's worth pointing out a couple things because these issues are really complex and I don't pretend to understand them all. I know that there is -- I was at a conference in Australia about a month ago and there were three scientists, no affiliation with the video game industry, who were roundly critical of some of the research that purports to show adverse effects.

The point I want to make here is, it's interesting, if you look at video games, for example, which is what I know best, all the games we're talking about here are sold all over the world, and it is of note that the incidence of violent crime, the incidence of murder, the incidence of gun violence in this country dwarfs those in other countries by a factor of 10, 20, 30 times. So, there are deeper issues.

I'm not saying we shouldn't be concerned about the games, I'm not saying there might not be impacts. But, you know, we had a gentleman in here this morning whose son drove him down who apparently was an avid Grand Theft Auto player, and my hunch is -- or his nephew -- is a very well-adjusted, very responsible, very bright young man. So, let's at least, as we have these discussions, not start from the premise automatically that they are

fundamentally destructive and harmful and destroying and decaying the youth of this country because there are a lot of wonderful young people that I know who play some of these games, whether it would be my choice that they play them or not. I'm sure there are wonderful young people who see R-rated movies and listen to rap music who are leading very healthy, productive, responsible lives.

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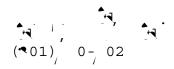
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MS. WHITE: Well, I agree that this country has the highest rate of violence of any country in the world, which is one reason I started this organization. I was shocked when I started. We have more people killed by gun violence in this country now per year than were killed at the height of the Vietnam War in Vietnam. So, we have a very high violence rate.

My concern, as a mother, is what do we want to do about it as a culture, and there are many reasons for this violence. It's not just video games, it's not just movies, it's not just television, it's not just action figures, it's not just arcade games, it's not just music. It's all of it plus many other things like a lot of other issues. This is one. The media can make it worse.

So, what I would like to work together on is I do agree with everyone on the panel that parents need to be more responsible, but I would also like to hear more specifics from industry about how they're going to be



more responsible in marketing. We've talked a lot about ratings and ratings information, but we have -- I would like to also know more specifically and some of the theaters, like Regal, I think, is doing a very good job, Toys "R" Us sounds like they're doing a good job. But, overall, the fact is this stuff is still being marketed to kids. It has an impact, as Dr. Rich said, and I think we all have to work together to be responsible rather than always pointing the finger at the other sector.

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MR. VALENTI: Let me make a point about marketing to children. We presented to the Federal Trade Commission three years ago a 12-point set of initiatives which we have adhered to and I think they do a good assay of this every year and they have been very complimentary of the movie industry and what we're doing.

But the whole idea that violence is something that you can monitor -- for example, I'll put to you three films, High Noon, Saving Private Ryan and Scarface. How would you judge these? There is murder, there's killing in all three. How would you deal with it? I happen to think that Saving Private Ryan should have been made a G-rated movie instead of R so that every young child in America could see the brutality and the inhumanity and the sordidness of war. As a former combat pilot, I know something about it. That's why I think war

| 1 | enlightening discussion. I'm hopeful that we can do as |
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| 2 | has been suggested and come together where we do have |
| • | common ground in finding ways to motivate and educate |
| | parents. |

I want to remind everybody that we will be holding the public comment period open for comments for 30 days. You can submit comments to violenceworkshop@ ftc.gov. And as a responsible parent who has to go pick up a child from day care, it's time to adjourn. Thank you very much.

(Whereupon, at 5:00 p.m., the workshop was concluded.)

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