



March 31, 2007

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President and CEO

Mr. Mark E. Recktenwald, Director
Department of Commerce and Consumer Affairs
State of Hawaii
335 Merchant Street
Honolulu, Hawaii 96813

Re: FOCUS 49 in the Community:
The Impact of 'ōlelo's Sixth Channel - Update

Dear Director Recktenwald:

Attached is the final component of 'ōlelo's report on our use of the sixth channel, FOCUS 49, that the DCCA awarded in February 2006. The upcoming RFP process makes it necessary for us to request that the proprietary information contained in this report (as well as all previous correspondence on this matter) be held in confidence and not be made public until after the PEG Access contract for O'ahu is awarded.

The report addresses the results of two surveys (one of viewers and the other of clients) conducted by Ward Research in late 2006 after FOCUS 49 had been in operation for about 9 months. The time taken since then to conduct and validate the surveys has also allowed 'ōlelo the opportunity to update the programming numbers and other information provided in the first part of our report (dated November 17, 2006) in order to better illustrate the impact of FOCUS 49.

Along with the information previously provided in 'ōlelo's initial request and the follow-up documents, the data in the reports is clear. The community has benefited from your decision to award the additional PEG Access channel capacity provided by FOCUS 49.

Because you are thoroughly familiar with the background of 'ōlelo's request for a sixth channel, we believe the community would be best served if you make the decision to finalize the award of this important resource.

Sincerely,

Keali'i S. López
President & CEO

Attachment

FOCUS 49 in the Community:
The Impact of 'Ōlelo's Sixth Channel
Update

March 31, 2007

'Ōlelo provides the following update to our November 17, 2006 report on FOCUS 49 in response to the reporting requirements of D&O 326. This update includes information from recently validated Ward Research Viewership and Client Surveys as well as an entire year of programming data for FOCUS 49. This report and the previous November 17, 2006 report should be read in tandem for a complete picture of the impact of the first year of FOCUS 49.

As background, we would like to briefly review some key points that 'Ōlelo made previously:

- In 1996, with a total of 2,855 hours of first-run programming, the last PEG Access Channel, TEACH, Channel 56 was activated. TEACH is designated primarily as an Educational Channel.
- By 2003, first run hours had increased to 4,260 a 49% increase from 1996 hours. The hours of increase do not include Educational programming hours from TEC and TEACH.
- By 2003, channel capacity had decreased to 3 from a high of 5 channels in 1996.
- The continually increasing gap between the lack of primetime channel availability and increasing programming hours, resulting in an inability to provide equitable airings for all programs, led 'Ōlelo to request an additional channel in October 2004.
- A sixth PEG Access channel was temporarily granted on February 10, 2006.

'Ōlelo's mission does not end with providing the resources and equipment for the creation of programming; we must also ensure that each program has the opportunity to be heard by the widest possible audience. Prior to the activation of FOCUS 49, the decrease in available primetime prevented equitable airings and resulted in long delays between clients' program submittals and premiere airings of long form programs. Additionally, due to the increasing quantity of long-form programming from the Legislature, many Public non-time sensitive programs were often pre-empted at the last minute. Due to their length, Government long-form time-sensitive programs regularly bumped a wide swath of airtimes for many different shorter "P" programs. These Public programs also offer important and valuable insights and deserve access to a primetime audience.

The timing of the request for information in D&O 326 did not allow ‘Ōlelo the opportunity to provide complete programming hours for 2006. In an effort to more fully understand the remarkable increase in programming hours over the years, ‘Ōlelo offers the following additional programming data with respect to 2006 hours:

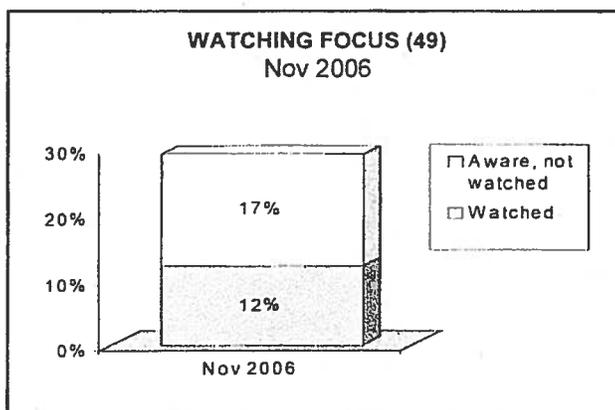
- From 1996 to 2006, first-run programming hours increased 72% to 4,913 (this number does not include Educational programming).
- From 1993 to 2006, first-run legislative hours increased 230%. In 1993, 132 Legislative program hours were cablecast. In 2006, 436 Legislative program hours were cablecast.

The lack of available hours for legislative programming was one of the major reasons for the initial request for the sixth channel. The inability to schedule legislative programs equitably and their enormous impact on the programming schedule continues to increase over the years.

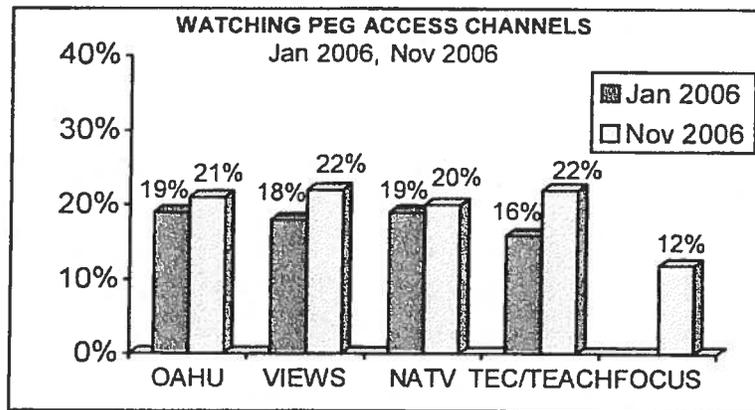
Viewership Survey

Although D&O 326 requested the viewership information provided in this follow-up report, ‘Ōlelo does not believe that the data should play a role in determining the necessity or effectiveness of PEG access channels. In November 2006, Ward Research conducted a Viewership Survey of O’ahu cable subscribers that found:

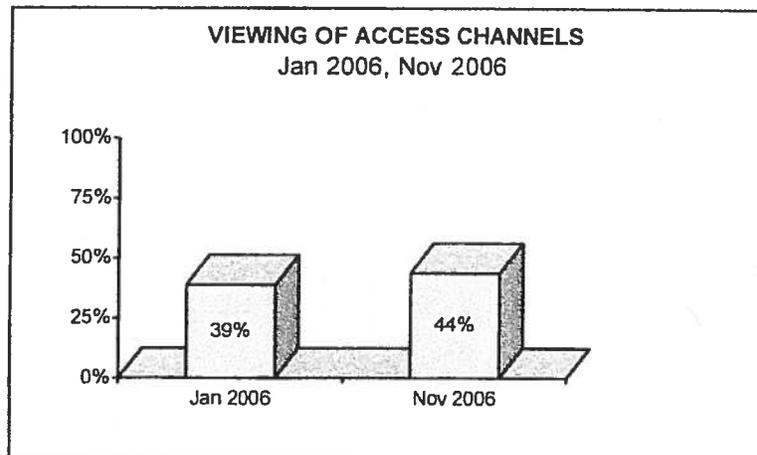
- **Support for PEG Access Television**
Eighty percent of cable viewers agree that PEG Access programs are valuable to the community.
- **Watching FOCUS 49**
By November 2006, less than nine months after activation, FOCUS 49 garnered a 12% viewing rate. Another 17% of cable subscribers were aware of FOCUS 49, resulting in a combined awareness level of 29%.
After only nine months, relying largely on grassroots efforts and word of mouth, a 12% viewership level is very respectable, especially when taking into account the number of channels (300+ digital, 76 analog) currently available via Oceanic Time Warner.



- Watching PEG Access Channels – Viewership by Channel**
All of the PEG Access channels showed an increase in viewership levels since January 2006. FOCUS 49 was activated in February 2006.
 Although FOCUS 49 currently has the lowest viewership level among the PEG access channels, it is important to understand that this level was accomplished in nine months without the benefit of large-scale promotions.



- Viewing of Access Channels – Combined**
After FOCUS 49 was activated, viewership for all the PEG Access Channels increased to 44% in November 2006 from 39% in January 2006.
 These numbers indicate that the activation of FOCUS 49 has expanded the overall viewership for all the PEG access channels.



In summary, from the standpoint of viewers, it is clear that FOCUS 49 has made an impact on the combined viewership of all the PEG access channels as well as on its own.

Repeat Programming

As an aside, the Viewership Survey also supported ‘Ōlelo’s assertion in the November 17, 2006 report that our repeat programming procedures are in line with viewing habits and PEG access clients’ needs. The survey found that the majority of cable viewers (72%) valued more choices in opportunities when viewing programs on PEG access channels. ‘Ōlelo contends that repeating programming benefits both the producer/speaker with more opportunities to be heard, and viewers with more opportunities to be informed. Since more viewers watch programming during prime time, this is when these viewing opportunities are most meaningful.

Updated Programming Numbers

In the November 17, 2006 report, finalized programming numbers for 2006 were not available. An update of Table A from page 3 of that report is provided here with 2006 numbers. Of special note are the 72% increase in first-run programming since 1996 and the 74% increase in the number of individual programs submitted.

**Table A
 Updated Annual Program Growth – 1996 to 2006**

	1996	2003	Change	% Change 1996/2003	2006	Change 1996/2006	% Change 1996/2006
Total First-Run Hours	2,855	4,260	+1,405	+49%	4,913	2,058	72%
Total Programs	3,945	5,517	+1,572	+40%	6,852	2,907	74%

Table B from page 3 of the November 17, 2006 report outlined the nine-month comparative program growth for FOCUS 49. We update that table here to include programming during the first year of FOCUS 49, along with previous years’ matching periods.

**Table B
 One Year Comparative Program Growth
 February 10 to February 9, 2004-5, 2005-6, 2006-7**

	2/10/04 – 2/09/05	2/10/05 – 2/09/06	2/10/06 – 2/09/07	% Change 2/04 –2/05 to 2/05 –2/06	% Change 2/05 –2/06 to 2/06 –2/07	% Change 2/04 – 2/05 to 2/06 – 2/07
Total First-Run Hours	4,216	4,658	5,264	+10%	+13%	+25%
Total Programs	5,975	6,084	7,171	+2%	+18%	+20%

Although the large programming increases noted above are remarkable when we look at them in black and white, the statistics can make it easy to lose sight of the committed individuals and groups who create this programming with their most important resource—their time. If we could add another meaningful indicator to the list of reporting requirements, it would be the sheer number of hours volunteered to create the programming. In 2006 alone, 36,212 hours were volunteered. This number is only a portion of the total hours volunteered since some volunteers choose not to report their hours.

The total hours volunteered and personal effort involved in the creation of the programming should not be rewarded with inadequate airtimes and fewer plays. At the very least, numbers of plays for each original program should remain constant and not decrease over time. The addition of FOCUS 49 has only served to stem some of the loss of airtime. Even with FOCUS 49 in full use, ‘Ōlelo is still operating at a deficit of available airtime compared to pre-2003 levels.

Client Survey

‘Ōlelo is happy to report that the Client Survey data was finalized ahead of schedule and are now able to report on those findings.

In November 2006, Ward Research conducted a statistically valid survey of clients who submitted local series and non-series programs during the period 2004-2006. The survey dealt primarily with clients’ views regarding the benefits of the addition of FOCUS 49.

Improvements

- ***Improved Areas***

Half of the clients surveyed (49%) noticed improvements in the following areas as a result of adding FOCUS 49.

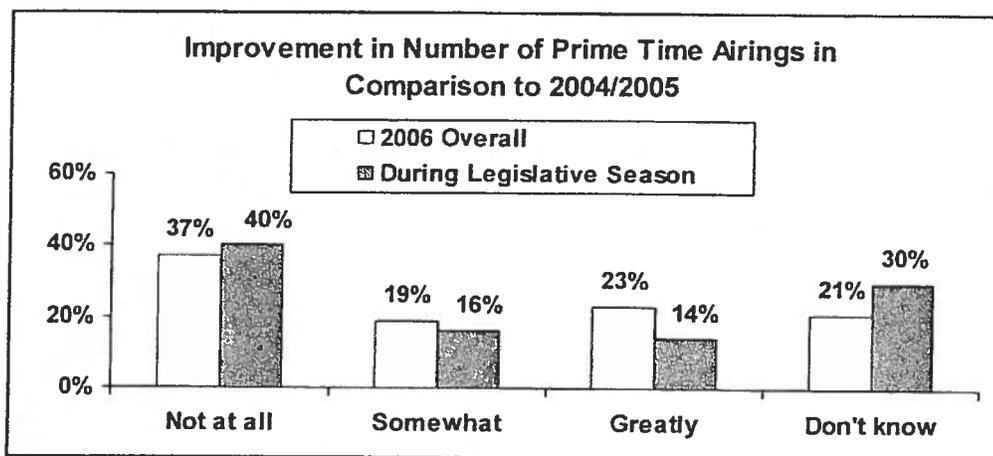
Respondents were able to choose more than one area of improvement. The numbers for the first three improvements noted by clients indicate that the activation of FOCUS 49 has resulted in more prime time, fewer pre-emptions and quicker turnaround times in receiving airdates, alleviating some of the issues created due to the loss of available channel time.

- More prime time airings (20% reported improvement in this area)
- Fewer pre-emptions (12%)
- Quicker turnaround time in receiving primetime airdates (12%)
- Staff more helpful/responsive (9%)
- More repeat airings in prime time (7%)
- More showings in general (6%)
- More repeat airings in non-prime time (5%)
- Other (12%)
- None (34%)
- Don’t know/Refused (17%)

Prime time

- **Improvement in Number of Prime Time Airings**

Forty-two percent of clients reported improvements in the number of prime time airings in 2006 compared to 2004 and 2005. Thirty percent of clients reported improvements in the number of prime time airings during the legislative season. This makes it clear that the additional airtime provided by FOCUS 49 benefits many clients by providing more prime time, even during the Legislative session.

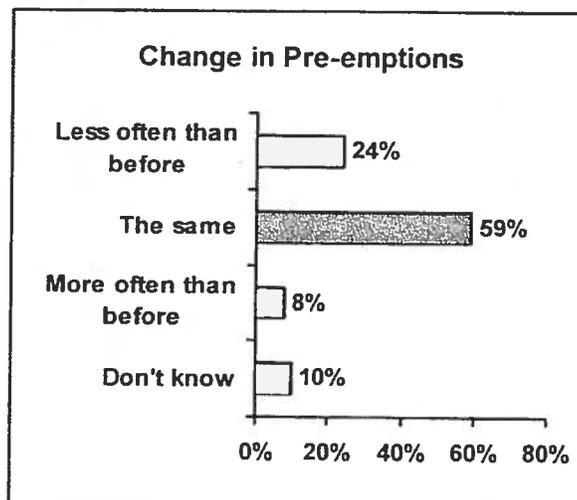


Pre-emptions

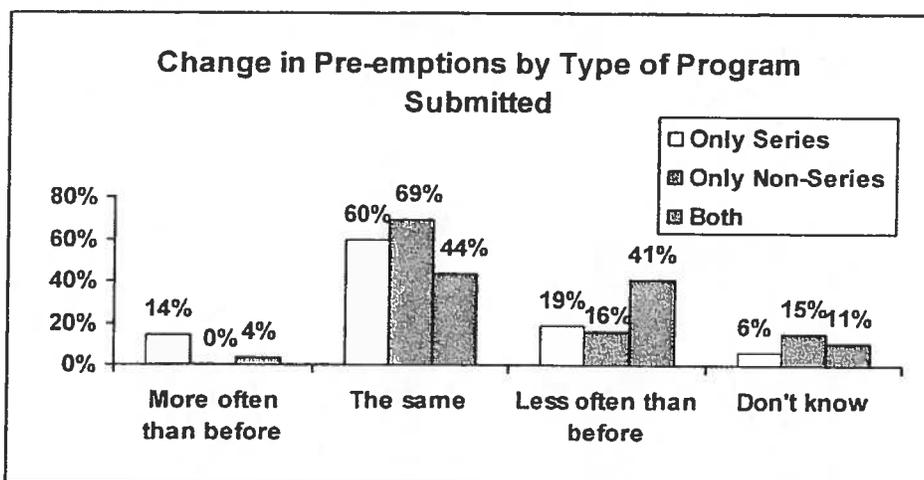
- **Change in Pre-emptions**

Twenty-four percent of clients surveyed reported fewer pre-emptions when compared to 2004-2005.

To clarify, the survey only took into account pre-emptions, that is, not playing a program at the scheduled time. Many programs could be “pushed” to later start times a few minutes or even a few hours after other programs end, especially during the Legislative session.



- **Change in Pre-emptions by Program Type**
Forty-one percent of clients who submitted both series and non-series programs reported that the frequency of pre-emptions in 2006 is less often.



The data provided in the November 2006 Client Survey affirms that the addition of FOCUS 49 has been beneficial to clients. Without the addition of FOCUS 49, the survey results regarding pre-emptions and prime time airings would not have been as favorable.

Program Types

‘Ōlelo’s client producers create a variety of programs, from series to specials to shorts to long-form programs. The many different program types can have varying impacts on the schedule and on their ability to be scheduled equitably. A few examples:

Series Programs

In 2006, 215 series programs (daily, weekly, bi-weekly and monthly) were scheduled, filling up the majority of hours on the channels. For their consistent production output, series producers have regular time slots. These consistent time slots are an important tool in promoting viewership. Prior to the activation of FOCUS 49, legislative and other time sensitive programming could pre-empt these programs. The majority of these producers now enjoy much more stable scheduling (fewer pre-emptions) as evidenced by the Client Survey.

Long Form Programs

Prior to the activation of FOCUS 49, the producer of a special program two hours or more in length could wait as long as 127 days for the airing of a program in prime time; the average wait was 36 days. By comparison, after FOCUS 49 became available, the longest wait was 32 days, and the average wait dropped to 12 days.

Neighborhood Boards

In 2005, 116 Neighborhood Board programs were submitted with only 73% receiving prime time airings. These 2005 Neighborhood Board programs averaged 2 airings each in prime time. By contrast, in 2006, 133 Neighborhood Board programs were submitted, a 15% increase from 2005. Additionally, 124 of those programs received prime-time airings, reflecting a 93% primetime airing rate with a per program average of 3.76 airings in prime time. The addition of FOCUS 49 has created more opportunity for Neighborhood Board programs to air, as well as more opportunity for these programs to air in prime time. This results in providing the community with more insight into the proceedings of these local government organizations.

Effects of the Loss of FOCUS 49

FOCUS 49 has offered ‘Ōlelo’s client producers more stability and more equitable airings on all channels. Producers also have more of an opportunity for their programs to air in prime time. The following conditions will occur (or reoccur) if FOCUS 49 is deleted from the PEG access channel line-up.

- All of the programs currently on FOCUS 49 will have to be moved over to the other channels, displacing the programs on those channels, especially series programs.
- During the Legislative session, preemptions will continue and will increase.
- Additional airtimes and prime time airings for long-form Legislative programs will not be possible.
- Current City Council programming hours will have to be cut in order to share reduced available hours with Legislative programs and other local series.
- Local specials will receive very limited prime time airings, if at all, especially time-sensitive programs.
- Series and specials programs will be played fewer times.
 - Many monthly series playing 4 times per month will have to share timeslots and be paired with other monthly series. For example, a monthly series program could air the 1st and 3rd Wednesday at 8pm and its timeslot partner would air the 2nd and 4th Wednesday at 8pm. This practice will greatly impact each program’s ability to attract and maintain viewers and decrease one of the major incentives for creating programming.
 - Due to their length, Neighborhood Board series programs will have to share their timeslots and be paired with other Neighborhood Board series, reducing their airtime and number of plays by 50%. Repeats of these programs may not be possible.
 - Local specials, which currently receive 4 scheduled airings, will have that number reduced.
 - Specials longer than one hour in length will have to wait longer to be scheduled and aired.
- Prime time availability will be reduced by 25% which will result in each program receiving fewer prime time airings and fewer opportunities to be heard.

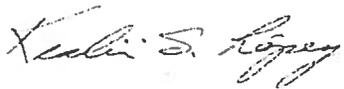
From 'Ōlelo's perspective, it is difficult to see any reason why FOCUS 49 should not be awarded. We believe the evidence supporting the need for a sixth channel is clear and overwhelming. To restate some key points:

- Programming has increased 72% since 1996.
- Individual programs submitted have increased 74% since 1996.
- Channel capacity has decreased about 40% from 5 to 3 channel availability since 2003.
- From 1993 to 2006, first-run legislative hours increased 230%.
- Scheduling has become more stable with the sixth channel. The statistics and data provided in the Client Survey bear this out.
 - Programs are pre-empted less frequently.
 - Forty-two percent of clients reported improvements in the number of prime time airings in 2006 compared to 2004 and 2005.
- Government programming is better accommodated. Programming from Neighborhood Boards and the Legislature, and other governmental programming enjoy more plays and air more in prime time.
- Viewership has increased. The Viewership Survey finds:
 - FOCUS 49 has a viewership level of 12% only 9 months after activation.
 - Viewership on all the PEG channels increased from 39% one month before FOCUS 49 was activated, to 44% nine months after activation.

Based on the evidence presented here, in 'Ōlelo's initial request and follow-up documents, and in the November 17, 2006 report, we again request that:

- The award of the sixth channel be finalized; and
- The DCCA remove viewership as a criterion for assessing the importance and impact of 'Ōlelo programming.

Respectfully submitted this 31st day of March 2007.



Keali'i S. López
President & CEO
'Ōlelo Community Television