

Chairman's Message

John Reid

Plan, Change, Implement, Modify, Plan, Change...that seems to be the essence of working in our industry these days. We spend an inordinate amount of time and resources developing plans that we often change due to the fluid nature of the *cable television industry*, and due to market dynamics that perpetually keep us in a “lean forward” rather than a “lean back” position. I italicized *cable television industry* as it has become quite obvious to most of us that we really aren't cable TV operators anymore, regardless of the network that we have deployed. Most of our companies are entertainment /communications companies, and one of the services that we provide is a multi-faceted video product.

As an example, this week Time Warner Cable released its quarterly results and reported that net income increased 44%, and that cash flow was up nearly 9%...during a period in which it lost 129,000 video customers. It did, however, add 117,000 high-speed data customers and 37,000 telephony subscribers, while experiencing a 37% increase in business service revenue and a 10% jump in advertising sales. In a multi-billion dollar operation, 37% and 10% are pretty big numbers.

Now I recognize that Time Warner is a behemoth and that it operates in markets that would make many of us salivate, but the reality is that the changes that it is undergoing are being felt throughout the North American industry, as well as throughout the Caribbean. Besides traditional competitors that offer triple play /quad play services, there are several OTT service providers that compete for video customers/revenues in all of our markets; we have wireless operators offering competitive broadband services, and competition in the business segment is flourishing. Simply clinging to old business models won't guarantee a stable customer base, let alone continued growth.

We constantly have to ask ourselves “what resonates with our customers?”; what do they want that we don't currently

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provide?"; "how do we improve the service experience of products that we do offer?"....and "what opportunities exist to expand our product portfolio"?

Depending on with whom you speak, operators are investing in additional HD channels, launching VOD, modifying Broadband packages, introducing advertising, providing some type of security services, building ftth networks to support high-bandwidth services, jumping head-first into the commercial services market...and the list goes on. Columbus has spent a significant amount of time over the past 18 months re-defining our strategic plan, with a particular focus on innovative products, a greater emphasis on commercial services, and we have recently commenced a project that will result in an analysis of our service delivery and broader business practices. Simply launching seasonal acquisition campaigns

just doesn't cut it anymore.

Operator Notes

WestStar marks another major milestone as officials ink technology agreement with a leading fiber access systems vendor in North America and the Caribbean – Calix. The recently signed agreement means that Calix will provide the equipment that will connect WestStar's fiber-optic infrastructure to the consumer. WestStar announced the launch of its fiber project in December, after retaining Byers Engineering as project manager.

Cable Bahamas officially launched *Revoice* in November, a new telephone voice service which they call "the voice alternative for the Bahamas. The product brings, for the first time, a voice alternative to the incumbent phone company.

Bermuda Cablevision has selected Avail-TVN, a leading independent digital media services company in North America, to deliver VOD content in HD/SD and 3D from studios, networks and specialty content providers, making it available to Bermuda CableVision's digital subscribers.

Columbus Communications received notification that its applications to provide domestic and international telephony services in Curacao have been approved. Flow Curacao expects to launch service in 2012.

A company does not have to be the size of Time Warner, or for that matter Columbus Communications, to map out a roadmap to ensure sustainability and future growth. There is a lot of expertise among members who are trialing new technologies, introducing new services and refining business practices. We also have solid relationships with many programmers and vendors who operate in a number of geographic locations and who would be more than pleased to offer strategic assistance.

Times are changing, but if we continue to evolve as operators, we will also continue to enjoy long-term financial success. There is always risk involved in modifying our business plan, but the risk is minimized when you lead from the front, rather than try to catch up to the pack.



Programming

Howie Crotin

We have started negotiations with Comcast; it has included a couple of more channels that were not in our expired agreement - CNBC and MSNBC. I will be contacting you shortly to see if there is interest in these channels so I may be able to give a Comcast an estimate of participation. For those of you who already have an agreement for these two channels, Comcast has advised me that the COOP deal will offer savings and that you will be able to roll into our deal when completed. As previously advised, Oxygen will not be in the new agreement. We are still operating under the old agreement and we are waiting for word from Comcast as to the next steps.

With the CCTA meeting on the horizon, a variety of programmers have contacted me for meetings. Those that want to submit a proposal include the Weather Channel, Vivicast and Current. We have scheduled time at the show to explore the opportunities with these providers. We will also be talking to MTV Nets and Fox about new programming options as well.

REMINDERS

Now that we are into a new year and many of you are looking at your programming lineups I would like to remind you of our deals that concluded during the fourth quarter of last year. They include:

- Entertainment Studios (Six channels of SD or HD content). The channels are PET TV, CARS TV, RECIPE TV, DESTINATION TV, COMEDY TV and COMEDY TV. They can be used on any level of service.
- Escapes TV, again any level of service
- Euro News and Euro Channel, any level of service
- The Fight Channel, 24/7 of Ultimate Fighting. Any level of service.
- Baby TV from Fox Networks

Please contact me for details.



Audit Update

Under our new Audit policy, the first four systems are nearing completion. Our two members in Bermuda have been audited, and our member in Trinidad and our member in Tobago will be audited during the last week of January. A representative from the audit company, Cable Audit Associates will be at our Shareholders Meeting, February 2nd in Puerto Rico.

Industry Notes

American Consumers wait for service appointments from cable, satellite, telco, utility or other providers for an average of 4.3 hours, which is 2.5 hours longer than expected. *Multichannel News Volume 32, Number 42*

Cox Communications confirmed a report that it has begun to roll out a US\$34.99 per month "TV Economy" tier that includes local networks and about 20 expanded basic channels, including Discovery Channel and Nickelodeon, but does not include ESPN. *Multichannel News Volume 32, Number 42*

NEW YORK - Google-owned online video site YouTube is now streaming 4 billion videos every day, a 25 percent increase over the past eight months, Reuters reported.

The increase in video views comes at a time when Google has pushed YouTube, which the Internet giant bought for \$1.65 billion in 2006, beyond the personal computer to smartphones and TV screens. According to the company, about 60 hours of video is now being uploaded to YouTube every

minute, compared with 48 hours in May, Reuters said. However, most of the videos that YouTube streams worldwide still do not make money, with about three billion videos a week being monetized. *Hollywoodreporter.com*

Needham & Co analyst Laura Martin says that TV Everywhere soon will generate more revenue than will Web-based platforms including YouTube and Hulu. Indeed, she says that it will be "one of the primary drivers of valuation growth for today's TV ecosystem over the next five years." About \$10B of the additional dollars will come from advertisers and go to content owners led by Time Warner and Disney. Cable and satellite companies should also prosper, although in a way that won't endear themselves to their customers. Martin believes that TV Everywhere will be so popular that pay TV companies will be able to collect an extra \$1.7B a year by raising consumer prices. "We expect TV Everywhere to be rolled out over the next 5 years, which will lead most consumers' demand for this type of product. TV Everywhere is a rapid response to giving consumers (often younger) what they want to watch when they want to



Notice

Shareholders Meeting

February 2nd 2012
Puerto Rico



Industry Notes [continued]

watch it." *Deadline.com*

Netflix is facing a new class action lawsuit that charges the company with concealing negative trends in its subscription business and putting out false and misleading statements about contracts with content providers. The lawsuit was filed in California federal court on behalf of institutional investors at the City of Royal Oak Retirement System. *Hollywoodreporter.com*

A combination of rising rates and competition from digital alternatives is putting pressure on the number of cable subscribers; a decline would cause profound changes to the economics of the TV business. Cable networks would lose money from subscriber fees, broadcasters would lose retransmission money and,

because most forms of over-the-top video distribution are not yet measured, ratings would suffer, leading to a decline in advertising revenue.

"[2012] will be a watershed year for the media industry," says analyst Richard Greenfield of BTIG Research, arguing that the growth of online activities, including authenticated video and social games, and the growing popularity of connected TVs and tablets, will end the ever-increasing amount of time people spend watching television.

To retain subscribers, cable operators are looking into lower-priced channel packages, including some that would exclude high-priced sports networks, a move that could cut their revenue and viewership. *Media Buyer & Planner Today*



'The Best of European TV' now available to Co-op Members

Eurochannel brings a unique offer of the best European entertainment including original films, movies, TV series, musicals, celebrity interviews and fashion shows -with no commercials.

Every program is broadcasted in its original language (e.g. Dutch, English, French, Gaelic, German, Greek, Italian, Polish, Portuguese, Russian, Spanish; all with subtitles in English (from North American feed) in order to keep the quality of the soundtrack.

Euronews, launched in 1993 when over 20 national TV broadcasters came together to create a unique multi-





Best of European TV [continued]

lingual, multi-platform news service, is a leading international 24/7 global news networks covering world news with objectivity and neutrality - *from a European point of view*. Launched in 1993 when more than

Euronews simultaneously broadcast in 10 languages (which apart from English, include French, German, Italian, Portuguese, Russian and Spanish, as well as Arabic, Persian, Turkish and Ukrainian). Digital technology enables the channel to broadcast all 10 languages 24/7 in simulcast, everywhere in the world. Viewers can then make their personal choice of language using their remote control.

Technical Corner: Empowering the Consumer

Darren Richer

Once again, the 2012 Consumer Electronics Show (CES) showcased advancements and innovations. This year there were a few noteworthy products and enhancements that operators should take note of and follow their progress.

Naturally, we see the big TVs getting even bigger with Sharp's new 80" TV that begins shipping in April. What was more interesting is that TV forms the platform for the next generation of collaborative whiteboarding. The Aquos Board will effectively integrate a Windows PC with the large format TV. Unlike other proprietary whiteboards this will let you run virtually any windows based application like Skype, NetFlix, WebEx. A true merge of PC and display technologies. Business customers are expected to adopt this first, but the consumer applications are also very interesting.

Perhaps the most interesting piece of software on display at CES was Plex



Cars.TV is an adrenaline-pumping network showcasing the collectors, designers, innovators, and the ultimate car enthusiasts!



Comedy.TV features today's funniest comedians, and a mix of live concert performances, talk and variety shows, sitcoms and movies.



ES.TV is dedicated to entertainment news, variety shows, celebrity profiles and today's hottest superstars.



My Destination.TV offers the best in travel featuring fun, exciting, exotic must-see destinations around the world.



Pets.TV celebrates the pets we love and the people who love them. Pet News, Pet Care, Pet Health and Pet Lifestyles!



Recipe.TV features famous chefs, amazing recipes, wonderful food and delicious cuisine from around the world.

Call Janice Arouh to launch today.
310-277-3500 janice@es.tv



Technical Corner (continued)

(www.plexapp.com). The Plex application combines all of the metadata from your various on-line subscriptions such as Netflix and Hulu, your home media library from iTunes or files and any other Internet source such as YouTube, CNN Feeds, RSS feeds. It presents all of these sources in a simple, easy to use interface as your single point of access to the content. It also will re-format that content for delivery to any device from IOS, Android and Windows Mobile phones, IOS and Android Tablets, GoogleTV, Roku and LG connected TVs. This is

Whats New for 2012?

The eScapes Network eScapes is the perfect 'escape' for your subscribers!

Our relaxing hybrid radio/TV concept provides 100% original HD programming complimented with smooth jazz and adult contemporary music.

While delivering a 35-64 core audience, our network is enjoyed by all ages. With limited commercial interruptions, eScapes provides its own unique appeal... 'stress free TV-24/7.'

With 750+ original episodes and producing over 50 new episode per month....be sure to ask how Destination eScapes can spotlight the beauty of your market as an added benefit to launching The eScapes Network.

eScapes recently signed an agreement with the Caribbean Co-op and we look forward to seeing you at the upcoming Cable Show in San Juan. See Cheryl Henke at the eScapes booth to find out why eScapes is *television you never want to turn off. Enjoy!*



definitely one to keep an eye on. As operators we must continually strive to maintain ourselves as the primary focus for the customer. Applications such as Plex place us in as a mere contributor to the consumer's content library and we lose our ability to maintain top-of-mind status with our customers.

Lenovo also announced a TV that runs Android Ice Cream Sandwich. This marks the first time a manufacturer is running a mainstream operating system on their TVs. Why is this important? Until now, if you want to deploy an application to SmartTVs then you need to consider not only which manufacturer you will deploy to but also what model years. Until the CE manufacturers move towards a common O/S it will be difficult for small to medium operators to justify deploying applications to SmartTVs. In my own experience, this is something to which I can attest. Comcast has a very nice application for Samsung TVs that lets you access the VOD library as well as stream other content. However, it is restricted to 2011 and later model years; every TV in my house is 2010. As a consumer I can't use that application because Samsung made major changes to the 2011 O/S and Comcast didn't want to re-work their code to



Around the Region

Trinidad

Fast ferry service coming to Eastern Caribbean

A fast ferry service for the Eastern Caribbean is to be established, Transport Minister Devant Maharaj announced. Maharaj said the company managing the service, Fast Caribbean Ltd, has agreed to provide 100,000 seats per year at a special price of US\$10 a ticket but the average price for citizens of Trinidad and Tobago would be between US\$25 and US\$35 a seat.

CLICO declares \$24b in liabilities

In its first published financial statements in several years, collapsed insurance giant Colonial Life (CLICO) has presented a balance sheet for 2009 ravaged by massive liabilities of \$24.5 billion and a 34 per cent decline in income.

Govt seeks more budget \$'s

Less than four months after the national budget for fiscal 2011/12 was approved in Parliament, Finance Minister Winston Dookeran presented a motion to vary and supplement the \$54.6 billion package by an additional \$2.7 billion.

Barbados

CEO: REDjet moving on

Chief Executive Officer of REDjet, Ian Burns, has denied that its future was in jeopardy and it needed an \$8 million injection to keep operating. He was reacting to statements attributed to the low-cost carrier's Barbadian shareholder Ralph "Bizzy" Williams in November and a more recent report about cancellation of flights.

Technical Corner (continued)

support those TVs. Clearly, this is not a customer friendly way to deploy applications. With Lenovo adopting the use of Android it creates an immediate marketplace and operators will have an easier time deploying any applications to those Smart devices.

In most of our region Boxee does not play any major role for most consumers. In the US, they have upped the ante for cord-cutting by introducing the Boxee Live adaptor. The adaptor allows consumers to integrate US HD free-to-air (ABC, NBC, CBS, FOX, PBS, CW, etc) and/or analog/digital basic into the Boxee experience. Once again, by providing a unified experience for consumers Boxee is pulling attention towards its services rather than the MSOs.

All of the above highlights from CES were focused on providing an integrated experience for consumers and, effectively, disintermediating the MSO from the consumer experience. As MSOs we need to ensure that we maintain top of mind for our customers in the face of the onslaught of alternative media.





Around the Region [continued]

Barbados cont'd

Visitors up 38,000 in 2011

Barbados attracted more visitors to its shores last year than in 2010. According to David Rice, president and chief executive officer of the Barbados Tourism Authority (BTA), last year's tourism figures grew by over 7% with over 572,000 tourists visiting the island, an increase of over 38,000 visitors when compared to the previous year.

Busy winter, quiet summer

Barbados is enjoying a "very busy" cruise season but based on expected cruise ship arrivals through his company, Martin Ince, CEO of Barbados' cruise management company Foster & Ince Cruises, is projecting "one of the most quiet summer seasons" in recent years.

Bahamas

Medium-sized Nassau hotels have seen business levels exceed expectations, with occupancies up between 4-7%, and exclusive properties such as Graycliff and the Paradise Island Beach Club enjoying between 75-90% yearly averages.



Kerzner debt fight resolved in 'short term'

Kerzner International CEO reports the fight between the company's lenders over its \$2.5 billion debt is likely to be resolved "in the short-term", with the original \$175 million debt-for-equity swap proposed by Brookfield revived in an adjusted form.

Cable in blast at 'cost prohibitive' draft URCA Code

Cable Bahamas has demanded that it receive the same treatment as satellite operators under the Code of Practice being drawn up to regulate TV/radio content and audiovisual services, arguing that it would be "unworkable and cost prohibitive" to apply its rules to the overseas channels it broadcasts.

Jamaica

It's Portia! - PNP delivers crushing 41-22 seat defeat to JLP

The People's National Party (PNP) sent the Jamaica Labour Party (JLP) back into Opposition after scoring a crushing 41-22-seat victory in the 16th general election that pollsters and analysts had said was mostly too close to call.

Jamaica to get largest Caribbean solar farm

The Toronto-based Solamon Energy Corp says it plans to build the largest solar power plant in the Caribbean. The solar company said the program, to be built in Jamaica, will cost in the region of US\$450 million.

Telecoms challenge FTC jurisdiction in Supreme Court

Telecommunications providers Digicel Jamaica Limited and Oceanic Digital have filed an application in the Supreme Court challenging the jurisdiction of the Fair Trading Commission (FTC) in its legal attempt to roll back the Digicel-Claro deal.



Around the Region (continued)

LIME Jamaica is not shutting down — Cable & Wireless Plc

The local telecommunications industry and corporate Jamaica were sent into a frenzy on January 18, 2012 when renowned journalist Cliff Hughes, on his Nationwide radio programme, announced that integrated telecommunications company LIME Jamaica would be closing its doors.

Inflation hits new low of 6%

Inflation came in at six per cent for 2011, the lowest since 2006. According to the Statistical Institute of Jamaica, the inflation for the year was driven largely by higher food prices and an upward movement in the price index for the group 'housing, water, electricity, gas and other fuels'.

Digicel to shut down Claro network Mobile firm summoned to appear before OUR

Digicel has been granted permission to shut down the Claro network less than four months after agreeing to keep it going under the terms of their merger. The outgoing Jamaica Labour Party Government granted permission for the network to be switched off before December 8, as the general election campaign was kicking off.

FTC opposes Digicel/Claro merger

The Fair Trading Commission (FTC) has become the second entity to take legal action in the Supreme Court in an effort to prevent the approved merger of telecoms providers Digicel and Claro.

St. Kitts & Nevis

IMF completes first review under stand-by arrangement with St Kitts-Nevis

The executive board of the International Monetary Fund (IMF) on Wednesday completed the first review of St Kitts and



Nevis's economic performance under a program supported by a 36-month stand-by arrangement.

St Kitts records increase in passenger arrivals from North America

The St Kitts Tourism Authority is reporting a 10.7% increase in passenger arrivals, in 2011 from North America to the Robert L. Bradshaw International Airport.

Unemployment Levels Continue to Rise in St. Kitts

The recent closure of another call center and layoffs at a number of businesses has added to increasing unemployment levels in St. Kitts. Since the closure of Reeds Data Service at the end of 2010, which resulted in over 120 workers exiting the work force, unemployment levels on St. Kitts have steadily been on the climb.

Antigua and Barbuda

Stamford trial starts

Jury selection has commenced in the fraud trial of Allen Stanford in US federal court in Houston. The 61-year-old Stanford is charged with using his Houston-based financial empire to swindle investors of more than \$7 billion. At the heart of Stanford's alleged fraud are certificates of deposit sold by his Antigua-based Stanford International Bank to about 28,000 investors.



Around the Region (continued)

St. Vincent & the Grenadines

SVG ranked in Top world destinations by CNN

St. Vincent and the Grenadines has been ranked #5 in CNN's "World's top destinations for 2012". St. Vincent is the only Caribbean Island to make the CNN's rankings and is described as "a tropical paradise".

U.S. Virgin Islands

Largest Caribbean refinery in USVI to close

The Caribbean's largest oil refinery in St Croix is to close down by mid-February because of reduced fuel demand and increased international competition.

Turks & Caicos

Turks and Caicos political party leader arrested

Clayton Greene, leader of the Progressive National Party in the Turks and Caicos Islands, confirmed that he had been arrested and questioned by the special investigations and prosecution team

(SIPT) looking into allegations of widespread government corruption.

St. Lucia

St Lucia Ranks Highest in Caribbean for Economic Freedom: Report

St Lucia has the most economic freedom of any country in the Caribbean, according to a report released by the US-based Heritage Foundation in partnership with The Wall Street Journal.

Regional

World Bank warns region of slowing growth

The World Bank is urging the Caribbean and other developing nations to start planning for a major slowdown in global growth this year.

Caribbean is top cruise destination for 2012

While the Caribbean remains the most popular destination for cruisers, Europe has edged out Alaska for second place in an annual report on travel trends from Cruise Holidays, one of the biggest cruise sellers.

