

**Campbell River TV Association
President's Report
19 November 2007**

Campbell River TV Association (CRTV) is a community owned resource and has been in operation since June 7, 1957. That's fifty (50) years of offering Cable TV services to Society members in the Campbell River area. As a Cable TV Subscriber you are one of 13,780 owners of our Association.

Over the past year CRTV has continued to carry out the plan that was begun over ten years ago. As well as maintaining our core business of cable television, our organization has continued to develop the digital component of our business which includes cable internet and digital television services, to the point where it now contributes a significant portion of our total revenues. In addition, the management and employees of CRTV continue to direct their efforts toward making CRTV more efficient, competitive, and responsive to our members' needs.

CRTV 50th Anniversary

On June 7, 2007 CRTV celebrated 50 years of service to its members. CRTV is proud to have been able to continuously offer more Basic Cable programming at a lower Basic Cable rate than any other Cable TV operator in Canada for 50 years.

The 50th Anniversary Celebrations included:

- A proclamation from the Mayor & Council of the City of Campbell River
- Gifts of technology to three Seniors Centers in Campbell River which included state of the art large flat screen televisions and digital service for a year
- 50th Anniversary Cocktail reception at the Maritime Heritage Center for those members who have been directly involved in CRTV's successful growth in the past
- Bursary donations to eight local SD72 students graduating this year
- The creation of a 50th Anniversary VIDEO
- Donation to the Campbell River Community Foundation

A thank you to all the CRTV employees for coordinating the many events that the Board supported. The success of this initiative is, in large part, due to their efforts.

System Infrastructure:

Rebuilding our Cable TV system is an ongoing process as our members continue to demand more services, more choice, better picture quality and increased reliability. CRTV is presently operating a two way HFC (Hybrid Fiber Coax) system at 750 & 860 Mghz bandwidth in the forward path and 30 Mghz bandwidth in the return path with both Analogue and Digital cable services being offered to our customers. This two-way communication with the customer has allowed CRTV to get into both the High Speed Modem Business and Digital Cable Business. New Construction activity has continued to increase over the last year with over 150 new homes being built within our licensed area. Campbell River is a growing community with many new people retiring to our bit of paradise.

Wide Area Network (WAN):

Over the last year CRTV has continued to upgrade and expand the educational network in Campbell River. CRTV can be proud of its partnership with the local School Board in supplying high-speed network services to Campbell River schools. Working together, we have provided our students with one of the fastest educational Local Area Networks in British Columbia. Our system is a model for the rest of the province and continues to be the envy of educators throughout Canada.

Over the last year our residential high speed Internet cable modem accounts have remained the same as we compete heavily with Telus. We are projecting growth in this area as more and more Internet customers realize the many advantages of a reliable high speed internet connection. Cable modem connection to the internet allows unlimited immediate access 24 hours a day and is up to four times faster than the competition.

The Board is also proud to report that as part of our service commitment to our community, CRTV has worked in partnership with CRCN (Campbell River Community Network) to connect 37 non-profit organizations in Campbell River to the Internet at no charge. This allows those organizations the use of Email, networking, and gives them the ability to access information from the Internet to better serve the people of Campbell River. In September, 2007 CRTV purchased the assets of CRCN and is now responsible for servicing the internet connection to our non-profits.

General Office:

The General Office is open Monday to Friday from 8:30 am to 4:00 pm but is closed for lunch from 1:00 pm to 2:00 pm. A technician is on duty on Saturdays to perform customer service or installation work. In addition, twenty-four hour standby service is available seven days a week to repair cable outages.

Labour Negotiations

CRTV concluded a three (3) year agreement with it's Union (IBEW) in early January, 2006 and will be going back into negotiations in late 2008.

Revenue/Expenses/Debt:

Revenues increased 8.3% over the previous year as the result of increases in our discretionary products and a Basic Cable rate increase in January, 2007. General Operating Expenses have increased 13% over the previous year as the result of wages/benefits, Cost of Sales, Marketing and Infrastructure Operating costs. Cost of Sale for our different programming services is our greatest operating expense and continues to impact our bottom line as program suppliers demand more for their programming and as our bargaining power decreases.

The Board is proud to report that CRTV's revenues were 3% ahead of Budget and expenses were 1% under Budget. This is a reflection of the good management of our association.

The Bank Debt being carried by CRTV increased by 11% or \$104,275. over the last year. This increased debt load is the result of heavy capital purchases in the Head End equipment and Vehicles. Members should also be aware that CRTV recently secured a loan of \$2M through CIBC with a mortgage agreement.

Customer Service:

CRTV will be increasing the Basic Cable rate from \$16.33 to \$26.33 per month on January 1, 2008 to help pay for increases in our Cost of Sale and to provide additional capital funds to upgrade the network. The recent Strategic Analysis stated clearly that CRTV needs to increase its Basic Cable rate substantially to remain competitive in the coming years. Even with this increase, Basic Cable rates in Campbell River will still be significantly lower than the vast majority of Cable TV systems in Canada.

As most of our members know, CRTV offers many different cable payment options to its members. The most cost effective option for both the customer and CRTV is Pre-authorized Payments. PAP allows for an automatic debit from the customer's checking account on a monthly

basis. This saves both CRTV and our members the cost of billing and payment by other means. To date, more than 31% of our members pay via PAP. This results in considerable savings in subscriber billings to CRTV each year.

The CRTV website at www.crtv.net has become a very useful tool in communicating to our membership. It is updated as changes occur and includes a vast array of information about CRTV. This year CRTV added "My Account" to our web site which in turn allows members direct access into their individual Cable TV accounts and on-line payment of their accounts. Visit our website and let us know what you think of it.

Local Origination:

The vitality of the Local Origination Department of CRTV has been brought to the attention of your Board of Directors frequently throughout the past fiscal year. The people of Campbell River rely on CRTV to focus on issues of local concern, and to provide them with information about our City.

The vast majority of Local Programming is produced by volunteers in our community. These volunteers work hard to produce quality local programming. If you have an area of interest and would like to share it with the community, please get involved and volunteer on *your* Cable 10.

CRTV's motto, "Local Matters", is a reality for the Campbell River area. Our studio and the people who volunteer and work in it are looked upon with great favour not only by people in Campbell River and area, but also by the CRTC, our government regulator. The studio crew lives up better than most cable stations to the original intention and vision of the CRTC. And...being able to "be local" is a very effective antidote to the encroachment of our competitors, the satellite providers. They don't do local!

Cable Channels:

Member satisfaction is crucial to CRTV's continued growth and existence in our community. Over the last year CRTV has expanded its HDTV digital cable offerings from 14 to 20 channels with A&E HD, National Geographic HD, MCHD2, HDNet, ABC Seattle HD and Showcase HD being added. With the recent CRTC approval for a VOD (Video-on-Demand) service CRTV is in a position to launch this service in the early Spring of next year.

To access HD Digital Cable programming offered by CRTV, customers must use a DCT6000 series digital cable box. These boxes can be rented from CRTV for \$10.95 per month for a regular HD box or \$19.95 per month for a digital box with a built in DVR (Digital Video Recorder). Boxes can also be purchased from CRTV.

Standard Digital channels added over the last year include GOLTV, WFN, Comedy East, Setanta Sports, Hustler and Red Light District.

Big Basic Cable changed as well with the move of MTV to Ch 26, and the relocation of Channel m to Ch 12. As the result of the loss of connectivity to the microwave system in September, we lost KVOS, KSTW and some of our FM channels. The majority of programming found on KVOS and KSTW is available on other Basic Cable channels and we are gradually replacing the lion's share of our FM services.

Competition:

Telus, Star Choice & Bell ExpressVu are all direct competitors of CRTV vying for the same customer. Telus is competing with CRTV in the High Speed Internet market, and in the near future (18 – 24 months) Telus will be offering television services in the Campbell River area. Star Choice (Shaw) & Bell ExpressVu compete with CRTV for Basic and Digital Cable TV subscribers.

Board Governance:

The Directors of CRTV have reviewed all of the Board Governance Policies over the last year. These policies are the framework for all Board and Operational decisions. They are available for members to review and can be easily accessed on our Website at www.crtv.net under "About CRTV". Members can also view the minutes of our monthly Directors meetings on our website under "About CRTV".

Strategic Planning

The CRTV Board has been heavily involved in an ongoing Strategic Planning process for the last 14 years and over the last year has been involved in developing a Strategic Business Plan for CRTV. This plan was completed in late January, 2007 and upon further review the Board decided to communicate CRTV's options to its membership through a Strategic Business Analysis which ended up being an edited version of the original Strategic Business Plan. A complete copy of this plan is available on CRTV's website at www.crtv.net.

Over the past several years technologies have converged, so that Television services, High Speed Internet, and Telephone services are all available over both Cable TV and Telephone Systems. Competition in the market place is changing as Telus prepares to offer their Television services and Satellite suppliers expand their offering of HDTV services. CRTV's future is in question and members must decide on which path they want their Board to follow on their behalf.

In late September the Board of Directors received an 'Expression of Interest' to purchase CRTV from Shaw Communications. This offer was not solicited, and the Board has made every attempt to keep CRTV members informed of developments as they occur. The Board has thanked Shaw for its interest and has informed Shaw that any decision on the future of CRTV cannot be made until the members have had the opportunity to make their wishes known

Summary:

Over the past year CRTV has continued to grow and change to meet our members' needs. Our two key objectives have been to improve the quality and quantity of services that we provide for our members. We are in a time of constant and rapid change. The technology used by cable and the services supplied to cable subscriber's is continually evolving as we move from the analogue to the digital world.

All of these changes and improvements have been made with one basic purpose in mind; to ensure the survival and growth of CRTV as an organization which provides the best services at the lowest cost, and one which will continue to meet the expanding needs of its members.

**J. Kerr
CRTV - President**