

Knowledge Network Corporation

2017/18 – 2019/20 SERVICE PLAN

February 2017



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**BRITISH
COLUMBIA'S** | **Knowledge
Network:**

Accountability Statement

The 2017/18 - 2019/20 Knowledge Network Corporation Service Plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the B.C. Reporting Principles. The plan is consistent with government's strategic priorities and fiscal plan. The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported. The Board is responsible for the validity and reliability of the information included in the plan.

All significant assumptions, policy decisions, events and identified risks, as of January 31, 2017 have been considered in preparing the plan. The performance measures presented are consistent with the Taxpayer Accountability Principles, Knowledge Network Corporation's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of Knowledge Network Corporation's operating environment, forecast conditions, risk assessment and past performance.



Nini Baird, C.M.

Chair, Knowledge Network Corporation Board of Directors

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Strategic Direction and Context

The purposes of British Columbia's public educational broadcaster, as identified in the Knowledge Network Corporation Act, are to:

- Carry on the business of broadcasting and communications to provide unique, quality educational programming to British Columbians;
- Promote lifelong learning in British Columbia by providing quality educational programming;
- Inform and educate British Columbians about their province and about issues that are relevant to them;
- Provide British Columbians with a unique television experience; and,
- Collaborate with the independent television and web media production sectors in British Columbia.

Knowledge Network is in the second year of a three-year Strategic Plan, *Foundation: Content + Channels + Community* to support our public mandate. The plan has been designed to meet emerging challenges in competition, charitable giving and technology, while pursuing new opportunities for growth.

Our 2017/18 Mandate Letter will inform our actions in the coming year with three strategic priority actions:

1. Broadcast programming covering topics of interest to British Columbians such as: economic diversification with a particular focus on the growing technology sector in B.C.; jobs and skills; Asian trade and cultural awareness; First Nations communities and cultural awareness; health care sustainability including seniors' demographic shifts; early learning initiatives; emergency preparedness; and the environment, including climate change.
2. Expand the KNC website, Knowledge.ca, through the addition of curated arts and information content from trusted Canadian and international sources.
3. In the final year of a three year plan, self-finance the replacement of aging digital broadcast infrastructure.

Also, in 2017/18 we will expand Knowledge.ca by developing a 4th generation version of the web platform. It will enhance the user experience and facilitate additional arts and information content.

The Taxpayer Accountability Principles of cost consciousness (efficiency), accountability, appropriate compensation, service, respect, and integrity will guide our overall goals and strategies.

Operating Environment

Knowledge Network is federally licensed by the Canadian Radio-television and Telecommunications Commission (CRTC) and provincially mandated by the Government of British Columbia. Knowledge Network is also a registered charity with the Canada Revenue Agency, engaging in fundraising activities through Knowledge Partners and the Knowledge Endowment Fund. Our Service Plan supports both our federal and provincial commitments, and identifies the opportunities and risks we face moving forward.

There are three primary risks that may have an impact on our public service in 2017/18:

1. Multi-platform broadcast rights
 - The increase in online streaming and video on demand (VOD) services is creating more competition for programs and their multi-platform rights, increasing costs and availability of content.
2. Audience behaviour
 - With audiences accessing content from platforms such as websites, apps and VOD, investments in multi-platform delivery are essential.
3. Revenue generation:
 - Charitable giving in Canada continues to decline amidst a growing number of charities seeking support.¹
 - Consolidation of ownership by vertically integrated companies² has reduced market leverage for independent specialty services. CRTC regulatory changes have placed independent specialty services at a disadvantage resulting in less favourable pricing for BBC Kids.

The strategies identified in our Strategic Plan and 2017/18 Service Plan will help mitigate these risks within our operating environment.

¹ Blackbaud Index Canada notes giving in Canada is down -5.8% YOY as of September 2016.

² Ownership or control by one entity of both programming services, such as conventional television stations, or pay and specialty services, as well as distribution services, such as cable systems, fibre optic services or direct-to-home (DTH) satellite services.

Performance Plan

Goals, Strategies, Performance Measures and Targets

Our strategic goals and strategies address how we will compete, how we will grow and how we will build the foundation for a public broadcasting institution that will endure for generations to come. Each goal also reflects one or more of the Taxpayer Accountability Principles.

Goal 1: Strengthen public broadcasting for British Columbians by increasing the unique and relevant content available on all Knowledge Network platforms.

Strategies

1. Commission and pre-license more B.C. content.
2. Improve access to broadcast rights by investing in Canadian and international projects earlier through pre-buying and pre-licensing.
3. Increase children’s content online by developing digital properties that support their social, emotional, and intellectual development (apps, games, e-books).
4. Expand Knowledge.ca by curating complementary content related to programming.

Performance Measures	2015/16 Actual	2016/17 Forecast	2017/18 Target	2018/19 Target	2019/20 Target
DIRECT INVESTMENT IN MULTI-PLATFORM CONTENT³	\$1,085,582	\$1,260,922	\$1,400,000	\$1,500,000	\$1,700,000
INDIRECT INVESTMENT IN MULTI-PLATFORM CONTENT (FROM INDEPENDENT PRODUCTION FUNDS)⁴	\$1,211,584	\$1,369,010	\$1,000,000	\$1,350,000	\$1,500,000
B.C. INDEPENDENT PRODUCTION BUDGETS SUPPORTED BY KNOWLEDGE NETWORK⁵	\$9,772,234 ⁶	\$5,856,223	\$3,000,000 ⁷	\$3,500,000	\$4,000,000

³ The amount Knowledge Network directs annually from its budget for original content rights. Includes investment in television and online original content for both children and adults. The number of commissioned projects varies from year to year.

⁴ Based on our investment in Canadian productions, Knowledge Network receives a funding envelope from the Canada Media Fund which we allocate to children's programming and documentaries. Knowledge Network also leverages funding from independent production funds such as the Telus Fund for projects where we are the lead broadcaster.

⁵ This number represents all contributions to independent production budgets, including those committed by Knowledge Network in a fiscal year. It demonstrates the economic activity generated by independent production projects supported by Knowledge Network. Independent production budgets are comprised of funding from many sources, including domestic and international broadcasters, the Canada Media Fund, independent production funds and B.C. and Canada tax credits.

⁶ Reflects the budget for an international, animated children’s co-production supported by Knowledge Network. Projects of this scale are not the norm; targets for this measure will vary based on the non-cyclical nature of content production.

⁷ Reflects information as of January 31, 2017. Targets will be adjusted due to the non-cyclical nature of content production in future reports.

Discussion

The increase in available online streaming and VOD services is creating more competition for programs and their multi-platform rights. By playing a larger role in the creation of original programming, Knowledge Network will ensure a steady supply of unique, relevant content for its audiences. In 2017/18, we will begin production of *Living in HOpe*. The documentary series follows health care providers and their patients through a year of treatment at HOpe – Lions Gate Hospital’s mental health facility in North Vancouver. These efforts support the Cost Consciousness, Integrity and Service aspects of the Taxpayer Accountability Principles.

Plans are also underway to commemorate the 150th anniversary of British Columbia joining Confederation in 2021. Knowledge Network will celebrate with stories of the people, events and diverse cultures that have shaped British Columbia's rich history. The Government of B.C. will contribute to this special initiative by providing \$1 million in funding over a four year period leading up to B.C. 150.

Goal 2: Attract new audiences in British Columbia.

Strategies

1. Grow baby boomer (ages 50-70) audiences through programming and marketing priorities.
2. Capture audiences from non-traditional platforms.
 - Market Knowledge’s “TV – Everywhere” offerings (websites, apps, VOD).
 - Seek carriage on emerging platforms (e.g. Apple TV, Chromecast).
3. Increase marketing efforts to strengthen the Knowledge brands.
 - Maintain presence at community events to drive awareness of Knowledge and Knowledge Kids to new audiences.
 - Target new audiences including different cultural communities through cross-platform marketing activities.

Television Channels (SD and HD)

Performance Measures		2015/16 Actual	2016/17 Forecast	2017/18 Target	2018/19 Target	2019/20 Target
TOTAL REACH⁸ (PEOPLE)	Knowledge Primetime	2,373,000	2,400,000	2,300,000	2,300,000	2,300,000
	Knowledge Kids⁹	1,637,000	1,500,000	1,500,000	1,400,000	1,400,000
AVERAGE WEEKLY HOURS VIEWED¹⁰	Knowledge Primetime	1,329,015	1,300,000	1,250,000	1,250,000	1,250,000
	Knowledge Kids	438,421	375,000	375,000	350,000	350,000

⁸ Unduplicated number (number of people exposed) of those viewing at least one minute of programming in the Vancouver Extended Market for Knowledge Primetime (viewers 2+, 6pm to 12am) and Knowledge Kids (viewers 2+, 6am to 6pm, M-F; 6am to 12pm, Sat-Sun) measured by Numeris Canada.

⁹ The 2-8 demographic are consuming more content on other platforms (desktop computers, mobile and tablets).

¹⁰ Averaged over fiscal year, the total number of hours of programming viewed per week in the Vancouver Extended Market measured by Numeris Canada.

Web Channels

Performance Measures		2015/16 Actual	2016/17 Forecast	2017/18 Target	2018/19 Target	2019/20 Target
WEB SESSIONS ¹¹	Knowledge.ca	1,461,649	1,500,000	1,550,000	1,600,000	1,650,000
	KnowledgeKids.ca	485,170	500,000	550,000	600,000	650,000
	TOTAL	1,946,819	2,000,000	2,100,000	2,200,000	2,300,000
PAGE VIEWS ¹²	Knowledge.ca	5,578,593	6,500,000	7,000,000	7,200,000	7,400,000
	KnowledgeKids.ca	1,269,002	2,800,000	3,000,000	3,200,000	3,400,000
	TOTAL	6,847,595	9,300,000	10,000,000	10,400,000	10,800,000

App Channels

Performance Measures		2015/16 Actual	2016/17 Forecast	2017/18 Target	2018/19 Target	2019/20 Target
APP SESSIONS ¹³	Knowledge App	44,199	95,000	105,000	110,000	115,000
	Knowledge Kids Go	332,477	1,000,000	1,100,000	1,125,000	1,150,000
	TOTAL	376,676	1,095,000	1,205,000	1,235,000	1,265,000
SCREEN VIEWS ¹⁴	Knowledge App	113,041	230,000	270,000	310,000	350,000
	Knowledge Kids Go	3,886,263	12,000,000 ¹⁵	12,750,000	13,250,000	13,500,000
	TOTAL	3,999,304	12,230,000	13,020,000	13,560,000	13,850,000

Community Outreach

Performance Measures	2015/16 Actual	2016/17 Forecast	2017/18 Target	2018/19 Target	2019/20 Target
B.C. COMMUNITY EVENTS	17 ¹⁶	10	10	10	10
BRITISH COLUMBIANS ATTENDING COMMUNITY EVENTS (ESTIMATED NUMBER OF PEOPLE)	5,290 ¹⁷	2,553	2,500	2,500	2,500

¹¹ Period of interaction between visitor's browser and website, ending when browser is closed. Measured using Google Analytics.

¹² View of a page on a website tracked by tracking code. There can be one or more page views per session. Measured using Google Analytics.

¹³ A session is the period time a user is actively engaged with an app. All usage data (Screen Views, Events, Ecommerce, etc.) is associated with a session. Measured using Google Analytics.

¹⁴ The total number of screens viewed. Repeated views of a single screen are counted. Measured using Google Analytics.

¹⁵ Apple Canada featured Knowledge Kids Go in its App Store as "Best New App", app in February 2016, which accelerated downloads of the app across Canada.

¹⁶ This year included an extraordinary number of events due to multiple screenings of *Haida Gwaii: At the Edge of the World* and CEO speaking opportunities.

¹⁷ Due to venue and content availability, we hosted 4 Partner events in one fiscal year in 2015/16 (we usually host two).

Discussion

Expanding digital platforms has allowed us to better serve the growing number of viewers, including kids and families, who increasingly access content through websites and apps. The most dramatic growth in our viewership has been on Knowledgekids.ca and the Knowledge Kids Go app. This has resulted in rapidly increasing bandwidth usage and associated costs. The increase of \$200,000 to our annual operating grant from the Government of B.C. will ensure that the quality public service British Columbians have come to expect on our television network extends to video streaming on the internet and mobile.

To capture audiences from internet and mobile platforms, we are developing a 4th generation web platform to meet the changing behaviours of our Knowledge.ca audience. By strengthening marketing efforts across multiple platforms and targeting key demographics, Knowledge Network will attract new viewers to its services. These efforts support the Accountability and Service aspects of the Taxpayer Accountability Principles.

Goal 3: Increase self-generated revenues through donations from the public and from entrepreneurial initiatives.

Strategies

1. Explore opportunities to encourage more legacy gifts.
2. Align fundraising tactics and messaging with the philanthropic values of baby boomers emphasizing B.C. and Canadian identity of the Knowledge brand.
3. Expand fundraising appeals on new platforms to convert more Knowledge viewers and users to Knowledge Partners.
4. Develop a business model to offer Knowledge Network in new territories.
5. Protect BBC Kids revenue in the face of a changing regulatory environment (e.g. Pick and Pay).

Performance Measures	2015/16 Actual	2016/17 Forecast	2017/18 Target	2018/19 Target	2019/20 Target
KNOWLEDGE PARTNER DONATIONS¹⁸	\$4,020,000	\$4,100,000	\$4,000,000	\$4,000,000	\$4,000,000
ENTREPRENEURIAL AND OTHER REVENUES¹⁹	\$550,000	\$400,000	\$400,000	\$475,000	\$475,000

¹⁸ Measured by tracking total Knowledge Partners donations received annually.

¹⁹ Knowledge Network receives revenues from an owned subsidiary. These target revenues are unconsolidated.

Discussion

Significant changes in the operating environment for BBC Kids, including new CRTC broadcast policies, is putting pressure on revenue models for Canadian specialty services. We will continue to monitor industry and regulatory changes. Donations from Knowledge Partners support programming and promotion across all our platforms. The baby boom generation will be a key driver of charitable donations over the next 20 years. By understanding their values and attitudes, we will increase giving from this cohort to improve the long term sustainability of Knowledge Network as a public service. Increases in legacy giving to Knowledge Network are a critical part of meeting this goal. These efforts support the Cost Consciousness and Accountability aspects of the Taxpayer Accountability Principles.

**Financial Plan
Summary Financial Outlook
(Consolidated, \$000)**

	2015/16 Actual	2016/17 Forecast	2017/18 Budget	2018/19 Budget	2019/20 Budget
Provincial Operating Grant	6,260	6,259	6,708	6,851	7,088
Donations and Sponsorships	4,025	4,455	4,025	4,025	4,025
Revenue from Subsidiary Operations	1,483	1,376	952	669	300
Amortization of Deferred Contributions	335	300	300	300	300
Endowment Investment Income	491	220	200	220	220
Other Revenue ²⁰	345	60	45	45	60
Total Revenues	12,939	12,670	12,230	12,110	11,993
Programming and Presentation	1,916	2,100	1,978	1,987	1,993
Marketing and Development	2,143	2,300	2,290	2,307	2,318
Broadcast Platforms and Web Channels	2,380	2,166	2,184	2,198	2,206
Amortization of Broadcast Rights	2,846	3,157	3,213	3,313	3,513
Expenses from Subsidiary Operations	1,034	883	840	638	280
General ²¹	538	635	591	591	591
Administration:					
President's Office	309	312	320	323	325
Board of Directors	34	33	34	34	34
Finance	489	476	461	465	467
Facilities	252	272	264	264	264
Human Resources	166	154	147	148	148
Other	17	23	36	37	37
Total Expenses	12,125	12,510	12,358	12,305	12,178
Annual Surplus from Operations	814	160	(128)	(195)	(185)
Endowment Contributions Received (held in trust) ²²	766	725	400	400	400
Annual Surplus	1,580	885	272	205	215
Total Liabilities	3,234	3,500	3,500	3,500	3,500
Accumulated Surplus (Invested in Broadcast Rights & Capital Assets, Endowment Fund)	15,571	16,456	16,728	16,932	17,147
Capital Expenditures	4,316	4,171	3,634	3,500	3,500

²⁰ Includes channel management fee and unrealized and realized investment income.

²¹ Includes amortization of equipment.

²² Endowment contributions are held in trust and not treated as operating revenue.

Key Forecast Assumptions

Knowledge Network has experienced an upward trend in charitable donations, even as charitable giving in Canada continues to decline amidst a growing number of charities seeking support. Combined with changing demographics and viewing habits, we expect donations to Knowledge Network to plateau within the next three years. In response to the current pressure on revenue models for Canadian specialty services, we have adjusted expenses for BBC Kids accordingly and will continue to closely monitor industry and regulatory changes. Over the next three years, Knowledge Network will continue to receive net income from the operations of the BBC Kids channel.

Management Perspective on Future Financial Outlook

Knowledge Network's success is built on a foundation of support from our 38,000 donors and the Government of British Columbia. We are extremely grateful for the Government of British Columbia's significant contribution to our B.C. 150 project and their ongoing support of public broadcasting in B.C.

Our operating environment continues to change as on-demand streaming services become more popular with audiences. We plan to launch an expanded website early 2018 to deliver an improved audience experience including additional content and viewing incentives. This will include expanding online fundraising efforts.

Due to significant changes in the operating environment for BBC Kids, including new CRTC broadcast policies, revenues from the operation of our national specialty service have begun to decline. Recent regulatory changes have placed independent specialty services at a disadvantage resulting in less favourable pricing for BBC Kids. Our plans over the next three years ensure continued net income to Knowledge Network.

Our broadcast facility is essential for delivering our public service to British Columbians. The facility is aging and requires capital investments totaling \$600,000. We have invested \$150,000 in upgrades each year over the last two years, and will spend \$300,000 for the replacement of major components in 2017/18. Knowledge Network is self-funding the broadcast facility capital upgrade.

Appendix A:

Hyperlinks to Additional Information

[Corporate Governance](#)

[Organizational Overview](#)

Appendix B:

Subsidiaries and Operating Segments

Active Subsidiaries

Knowledge-West Communications Corporation (KWCC) was incorporated in 1981. KWCC owns and operates BBC Kids, a Canadian children’s subscription channel. The CRTC approved KWCC’s acquisition of assets for BBC Kids in April 2011. KWCC financial results are proportionately consolidated under Knowledge Network Corporation’s [audited financial statements](#).

BBC Kids is a commercial-free service reinforcing the values of both Knowledge Network Corporation and the BBC. KWCC adheres to the Taxpayer Accountability Principles and its activities are in alignment with KNC’s mandate, strategic priorities and fiscal plan.

Board of Directors

Nini Baird, C.M., Chair
 Wendy Heshka, Vice-Chair
 Rudy Buttignol, C.M., Director
 Ann Sarnoff, Director
 Jeffrey Lee, Secretary

Senior Management

Rudy Buttignol, C.M., President
 Jeffrey Lee, Financial Officer

Operating Environment

Revenues from the operation of our national specialty service have begun to decline, due to significant changes in the channel’s operating environment including new CRTC broadcast policies. Expenses for BBC Kids have been adjusted to ensure continued net income to Knowledge Network Corporation over the next three years. We will continue to closely monitor industry and regulatory changes.

Summary Financial Outlook

	2015/16 Actual	2016/17 Forecast	2017/18 Target	2018/19 Target	2019/20 Target
Revenue	1,483	1,198	952	669	300
Expenses	1,034	883	840	638	280
Net Income	504	315	112	31	20