



**Canadian
Broadcasting
Corporation**

**Summary
of the Corporate Plan**

**for the period
1999/00 to 2003/04**

August 1999

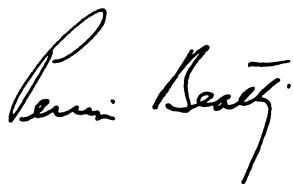
OPENING REMARKS

In a fast-changing and often turbulent world, the role of the Canadian Broadcasting Corporation has remained constant -- from its creation as an Act of Parliament in 1936 to its rejuvenation at the turn of a new century. The CBC exists to serve Canadians. That duty is as simple in its definition as it is complex in its execution.

The CBC is preparing to enter the most innovative and perhaps most challenging era of broadcast history, with a five-year Corporate Plan to chart its course, a clear vision and a strengthened resolve. Technology has unleashed a multi-channel and multimedia universe, one that cannot be held back by either artificial barriers or by well-meaning national sentiment. Never before has it been more important that Canadians have an established and trusted vehicle to carry their voices and their stories to each other and to the world at their fingertips. Never before has it been more essential that the CBC be given the flexibility and the freedom to grow alongside the people who depend upon it.

After more than a decade of uncertainty, the CBC faces a future based more on the opportunities before it than the limitations that clouded its past. Stable federal funding has aided our ability to plan but the overall financial imperatives have been permanently altered and challenges will continue. We are confident, however, that our plans will allow the CBC to build upon its strengths and extend its reach within the familiar forms of radio and television and outward to the dynamic and evolving realm of cyberspace that will determine Canada's place in the 21st century. The foundations to support this unfolding mission are already in place. As this Corporate Plan attests, the CBC's myriad services in conventional broadcasting and new media link Canadians in an ever-growing communications web of regional and national services that span the country and sweep around the world.

The CBC is a national institution. As such, its value to the community is more than the sum of its cameras and microphones and computer links. It is more than budgets and corporate structures, no matter how efficient or streamlined they have become. To the more than 7,500 talented and dedicated Canadians who work here, it is more than just a paycheque at the end of a long day. The CBC is an enduring service that reveals who we are, how we live our lives and what dreams will lead us to even higher places.



Perrin Beatty
President and CEO

Table of Contents

OPENING REMARKS	ii
I. THE CBC MANDATE	1
II. OUR COMMITMENT TO CANADIANS	
1. Strategic Directions	2
2. The Future of Media Services	7
3. Rethinking the Corporate Culture	14
4. Financing the CBC	15
III. RESOURCE OVERVIEW	
◆ Financial Projections	16
IV. CAPITAL	
1. Capital	17
2. Working Capital	17
V. SPECIAL PROJECTS AND RESOURCE ISSUES	
1. Canadian Audio-Visual Legacy	18
2. Year 2000 (Y2K)	18
3. Income Tax Liability	19
4. Borrowing Plan	19
CONCLUSION	20

I. THE CBC MANDATE

The Canadian Broadcasting Corporation is an arm's-length Crown corporation that is part of the Canadian Heritage portfolio. Our broadcasting activities form a vital part of the portfolio's contributions to the growth and development of Canada, particularly in the area of culture.

An important element of the CBC's restructuring over the last three years has been a reaffirmation of our commitment to a mandate established by Parliament.

The CBC's services must:

- reflect Canadian stories and values;
- reflect Canada's regions to themselves and to each other;
- strive to be of equivalent quality in English and French;
- meet the needs of minority language communities in English and French;
- reflect the multicultural and multiracial nature of Canada; and
- reach Canadians wherever they live, by the most efficient means available.

The CBC's mandate recognizes that Canada is more than the sum of its parts but that the needs of the whole cannot be met without recognizing the needs of those parts. To be national, one must first be regional; to truly serve the majority, one must sustain the minority; to meet the needs of the great cities and forge a Canadian identity, one must also be present in the vast spaces that define our country's spirit.

II. OUR COMMITMENT TO CANADIANS

The CBC will enter the next century in a very different environment than the one that characterized its birth more than 60 years ago. The ever-increasing choices available in both radio and television services, and now the Internet, have changed both the industry and the way people relate to media. As globalization, consolidation and audience fragmentation impact on the CBC, our role at the centre of this country's broadcasting system is now more crucial than ever. There is simply no other service that can come close to the CBC's role as the single most important provider of Canadian programs reflecting Canada.

In this period of intensive change in the Canadian broadcasting system, the CBC must evolve with Canadians.

The purpose of this document is to present a clear statement of our mission, our vision, our new strategic course of action and our concept of the changing role of the public broadcaster. The *Broadcasting Act* of 1991 gave the CBC a wide and impressive mandate. Given that mandate and the clear policy objectives outlined by the Ministry of Canadian Heritage in *Strengthening and Celebrating Canada for the New Millennium*, now is the time to clearly articulate the role that Canada's public broadcaster will play in the future.

1. STRATEGIC DIRECTIONS

The CBC's mission is simple — to tell Canadian stories, to provide Canadians with relevant news and information, to support and contribute to Canada's rich cultural capital and to build bridges between communities and regions.

Our strategic planning process was guided by five simple, yet powerful, priorities.

To meet our goals:

1. The CBC must maintain and deepen our regional roots.
2. We must commit our resources to pan-Canadian programming.
3. We must continue the revitalization of CBC English Television, through Canadianization.
4. We must continue to set the standard for Canadian journalism in our news and information programming.
5. Internally, we must open up our corporate culture to respond to a new and constantly changing environment.

The CBC is accountable to each and every Canadian. We enter a new era with clear commitments to our stakeholders.

The CBC will:

1 Provide Programming of Interest to All Canadians

All Canadians own the CBC, and every Canadian has the right to find programming of interest on our services. Our radio operations provide distinct services that offer a full range of programming genres. Our television programming mix includes news and public affairs, sports, drama, variety and comedy. Some of our programming is intended to reach wide audiences while other programs of a more cultural nature appeal to more targeted audiences. In the future, we will maintain English and French Television and Radio as strong core services that provide a wide range of quality Canadian programming.

2 Provide a Pan-Canadian Reflection Throughout our Programming

For Canada's cultural identity to survive, Canadians must see themselves as well as their country reflected on their airwaves. The CBC is committed to increasing a pan-Canadian view in its programming, especially in news and information. Additionally, we will redouble our efforts to increase the number of new voices on our services. Over the next decade, a key measure of our success will be a significantly increased reflection of all of Canada, in all of its diversity.

3 Strengthen our Distinctive Presence in the Regions

Only by maintaining a strong presence in Canada's regions can we present an authentic vision of Canada as a whole. We will use our newsgathering capabilities, strengthened by Newsworld and RDI, to build stronger bridges between the regions and the major population centres. Our emphasis will be on the national distribution of regional news. English Television will increase the number of prime time hours available to the regions and increase funding to the regions for non-information programming. French Television will contribute to the development of independent production houses in the regions and will increase its regional presence in information programming and in documentaries.

Our commitment to regionally produced programming is central to the fierce loyalty our radio services generate. Their continued presence in the regions will be enhanced by the addition of new services and even more programs.

4 Revitalize English Television Through Canadianization

As Canada's public broadcaster, the CBC is Canada's storyteller. Our programming provides a touchstone that gives Canadians a sense of who we are. The programs we offer will be proudly and resolutely Canadian.

English Television has almost totally Canadianized prime time schedules and most of the daytime schedules. The future success of the Canadianization effort, however, is predicated in large part upon continued access to the Canadian Television Fund.

5 Provide Canada's Premier News and Information Service

Journalistic leadership is one of CBC's greatest strengths. The CBC is the only news organization with a presence throughout the country in both official languages and the only one to station French-language journalists west of Ottawa. Our regional operations provide Canadians in all parts of the country with windows on events throughout Canada.

The defining characteristic of CBC journalism must be its credibility. That is why the CBC became the first national broadcaster to create the position of Ombudsman to review complaints arising from its journalistic activities.

Among our clear responsibilities, the CBC must:

- strike a balance between local, regional, national and international news;
- provide reports on issues of relevance regardless of whether or not those issues are popular or commercially viable;
- meet criteria of balance, credibility, quality and accessibility;
- present news from one region to other regions to achieve better mutual understanding; and
- be relevant and, therefore, reach sizeable audiences and contribute to the democratic process.

Our strategy is to give high priority to news and to set clear objectives for each medium in fulfilling our goals. We will:

- maximize cooperation and synergies among our services to increase efficiency and accountability;
- improve training;
- review management structures and processes;
- develop an integrated strategy for international coverage; and
- partner with other journalistic organizations to extend our resources.

6. Support French Language and Culture Throughout Canada

In a globalized environment dominated by English-language cultural products, the CBC must continue to rigorously safeguard the distinctiveness of the French language and culture. We intend to maintain and strengthen our francophone presence throughout Canada with quality programming that truly reflects this rich heritage. We will build upon our numerous sponsorships, performances, and other deep linkages with the communities we serve to showcase and support Canada's thriving and effervescent French culture.

7. Build Bridges Between French and English Cultures and Communities

As the only national organization broadcasting on radio and on television in Canada's two official languages, the CBC has both the resources and the responsibility to provide a bridge between language and culture. To this end, we will increase the number of exchanges of on-air personalities and intensify our efforts to produce cross-cultural programming. CBC English Television will present our audiences with the best French-language feature films produced in Canada, while French-speaking Canadians across the country will see the best English-language Canadian features.

8. Champion Canada's Arts and Culture

For more than six decades, the CBC has served as Canada's stage for our performing arts, music and literature. The CBC acts as both a promoter of and an incubator for creative talents of all types and from all parts of the country. Enduring priorities of each of our media are to assist and nurture the development of Canadian talent and creativity. We will give Canadian cultural products increased importance in our radio, television and new media schedules.

9. Develop New Services to Better Respond to Canadians

To serve Canadians effectively, the CBC must be more available to audiences, wherever and whenever they choose to consume media. Our goal is to increase the opportunities for Canadians to view culturally-significant programming. We applied to the CRTC for four French-language specialty channels and two English-language channels to allow us to exercise the CBC's mandate more widely and for permission to create an all-news French radio service, called InfoRadio. In addition, the CBC is placing special emphasis on new programs and services for young Canadians. CBC has also applied to the CRTC for a national youth radio network to provide a forum for young Canadians to share their music, their issues, their ideas and their dreams. This non-commercial service will fill a major gap in the services available to young Canadians and provide opportunities for Canadian artists who cannot easily gain access to commercial stations.

10. Play a Leadership Role in New Media and New Technology

Although the Internet is still in its infancy, no one who has watched its spectacular growth can doubt the important role it will play in our lives. To properly fulfill its mandate, the CBC must be present in this new medium. At this stage, the prudent course is to build a strong Internet beachhead in both official languages. The CBC will commit 2% of its budget for that purpose. As we establish a presence in digital formats, we will be ready to adapt to the rapidly evolving technological infrastructures that will allow easy passage from one medium to another.

11. Modernize and Open up the Corporate Culture

The CBC must adapt to a constantly changing environment. The key to becoming a truly flexible, responsive organization resolutely focused on the future is to maximize the indomitable creativity of CBC's artists and artisans. Our creative capital, the CBC's greatest asset, must also be in tune with the rapid changes in our environment. Production and distribution alliances are a growing industry trend. The CBC will forge more alliances with the private sector and with foreign partners. As costs multiply, so does a need to spread the risk and share the talent. Already, we have increased our cooperation with independent producers. The more we work with the private sector, the more flexibility we will require. The CBC has already introduced practices promoting a management framework that supports efficiency, transparency and communication. We will continue to be responsive to the Canadian public by providing a variety of accountability mechanisms, including annual on-air reviews, consultations, phone-in programs and public meetings.

12. Provide a View of Canada Abroad

In a globalized era, providing a view of Canada beyond our frontiers is an increasingly important part of CBC's role. We reflect Canada to the world through Radio Canada International (RCI); our partnership with Power Corporation in Trio and Newsworld International; our international sales of Canadian programs, our exchange of radio programs, our participation in TV5, and through our new media services. After years of uncertainty about its future, RCI is now positioned to play an important and valued role in the CBC's future. To ensure that RCI is a vital part of the daily life of the CBC, it will be physically integrated into La Maison de Radio-Canada in Montreal.

2. THE FUTURE OF CBC MEDIA SERVICES

The Canadian television industry has changed significantly over the last 15 years. These changes have had a major impact on the audience share of Canada's traditional national networks. Yet CBC services have maintained their uniqueness and relevance and clearly established themselves as the home of Canadian content. CBC's English television and radio services are deeply rooted in the regions. CBC French services remain the backbone of French-language culture across the country.

2.1. ENGLISH TELEVISION

English Television will seek to increase viewing of Canadian programming through existing services as well as by expanding services. To fulfil our mandate of maintaining the prominence of Canadian programming in the Canadian broadcasting system, English Television needs more shelf space to deliver Canadian programs that meet the needs of Canadians. With room to grow, the CBC can increase the quantity and quality of Canadian programs in the system and help repatriate Canadians to Canadian television.

Broadly based public television is fundamental to achieving the critical mass to fund high-budget Canadian programming. This is why the CBC intends to maintain, first and foremost, a broad popular appeal. The goal of CBC English Television is to maintain a 10% audience share during prime time and a weekly reach of 60% Canadians.

English Television will continue to reflect the diversity and the regional realities of this country in its network programming. Over the new licence term, English Television will reintroduce regional non-news programming to increase the reflection of diversity within communities to those communities as well as to the network as a whole. CBC English Television will also undertake a major cooperative effort with CBC French Television to jointly produce programs that reflect and enrich Canadian diversity.

CBC English Television remains committed to contributing significantly to the richness of Canadian programming. Several concrete action plans will be implemented in key programming genres such as Children and Youth, Drama, Information, Regional programming, Feature Films, Sports and Arts.

English Television is committed to:

- promote Canadian characters and Canadian values in Canadian settings;
- develop new program concepts;
- deepen partnerships with the independent sector;
- provide an independent, distinctly Canadian perspective on events;
- ensure our journalistic standards and the quality of our information programming meet the highest possible standards;
- continue to reflect Canada to Canadians both nationally and regionally and contribute to the flow and exchange of cultural expression in Canada;
- invest a greater proportion of its resources in the regions;
- support the Department of Canadian Heritage's initiative to ensure more feature films on Canadian television networks;
- build upon our commitment to amateur sport, sports journalism and documentaries; and
- commission and schedule comprehensive coverage of arts and culture.

For CBC Newsworld we will continue to build on its success with a strategy that centres on an enhancement of our capacity to collect news and information from all parts of the country. In partnership with RDI, Newsworld will create a network of video journalists to report from under-served parts of Canada. We will expand the innovative Newsworld/RDI 'Culture Shock/Choc' experiment as well as other cross-cultural programming. At the same time, Newsworld will increase the number of independently produced documentaries and create a national internship program to augment existing services.

2.2. FRENCH TELEVISION

The quality of CBC French Television programs and their popularity with francophone viewers more than confirm the relevance of this public service – they maintain high standards throughout the industry.

CBC French Television will continue to apply the values that serve as its foundation – program quality, credibility, reliability, creativity and a commitment to public service. Committed to the development of Canadian culture in French production, CBC French Television will build on its strengths to generate greater synergies with CBC English Television, RDI and French Radio. We will continue to look for innovative ways to express cultural issues and explore all opportunities offered by new broadcasting platforms to distribute and promote Canadian cultural production at home and abroad.

The main elements of CBC French Television's strategy are:

- to maintain a major share of francophone viewers;
- to improve the contribution to the broadcasting system by adding new specialty services and by positioning CBC French Television as a leader in francophone content on the Internet; and
- to reflect Canadian realities.

A major share of francophone viewers will be guaranteed by combining mass appeal, quality and programs of a more specialized interest.

French Television is committed to enhancing our contribution to the Canadian broadcast system. To better reflect the regions, we will seek to develop a 'television of proximity' in partnership with the private sector. We will increase inter-regional exchanges. We will also provide greater emphasis on regional reflection on our network news and public affairs programs and contribute to developing the independent production industry in the regions. In program areas, priorities will be given to news and public affairs, drama, culture, youth programming and documentaries.

RDI will fine-tune its focus to:

- increase on-location news coverage especially in the regions with the addition of satellite electronic news gathering (ENG) capacity;
- better reflect Canada's regions and people;
- broadcast news documentaries that will focus more regularly on Canadian situations as seen through Canadian eyes;
- provide more news for young people, encouraging them to give their views on-air; and
- deepen cooperation with Newsworld, the main network and external partners.

2.3. ENGLISH RADIO

The future of Canadian public radio will be built upon the same core values that have successfully defined CBC Radio since its inception.

CBC English Radio will strengthen its key programming sectors to clearly express the values of public radio and ensure our ability to serve Canadians through innovative partnerships that will lead to new programs and services.

Our strategy is based on the principle that to better serve Canadians, we must have the freedom to grow. As established brands, Radio One, “News and More,” and Radio Two, “Classics and Beyond,” reflect our journalistic and artistic commitment and leadership. Our future success will require new services to reach even more Canadians with programming that is unique to public radio.

A key element of our strategy is the launch of a national youth radio network -- CBC Radio Three. An application to implement this project has been filed with the CRTC. Such a network will provide a forum for Canadians under the age of 30, an often-overlooked demographic group that deserves better. With a new approach to public broadcasting, Radio Three will provide an important new outlet for young Canadian artists whose work is often excluded from commercial radio.

To meet its goals, CBC English Radio will:

- continue to renew our program schedule;
- strengthen regional service;
- maintain and strengthen our journalistic leadership;
- intensify our cultural leadership;
- broaden the range of voices and views heard on CBC Radio;
- expand the range of public radio services offered to Canadians;
- extend and improve coverage through both conventional and new media;
- produce a digital bit-stream of media content for all delivery platforms;
- attract larger, more diverse and representative audiences;
- increase public awareness, accessibility, accountability and support;
- demonstrate continuous productivity improvements; and
- enhance service through strategic partnerships and diversification of resources.

2.4. FRENCH RADIO

By introducing new services and expanding strategic partnerships, French Radio will create distinctive, stimulating programming delivered to Canadians using the most efficient means.

French Radio’s priority is to maintain the distinctive positioning of our two networks by strengthening our programming.

Our strategy is to:

- strengthen current services;
- increase regional presence;
- expand coverage;
- contribute to the innovative use of new media;
- add new services;
- increase partnerships; and
- increase the musical diversity of La Première chaîne.

2.5. NORTHERN SERVICES

The CBC is the only broadcaster to provide both radio and television services in the North, operating in eight different aboriginal languages as well as in French and English. Despite significant challenges, CBC's Northern Services have grown into a vital operation with two daily News and Current Affairs programs in television and four branches of radio services that stretch from the Yukon and Northwest Territories to the vast reaches of Nunavut Territory and the Arctic.

The new chapter of northern life that opened with the birth of Nunavut on April 1, 1999 presents fresh opportunities for the CBC to renew our leadership role in the coverage of the diverse social, political and economic aspects of a region with a rich tapestry of culture and history.

The CBC's Northern Services are committed to reflecting the Northern reality to its residents and to the rest of Canada. We will increase the exposure of northern and aboriginal stories for national distribution. At the same time, we will support the preservation and increased use of aboriginal languages in Northern Canada and act as a conduit to showcase the art and culture of all northern peoples. Strengthening regional ties, the CBC will continue to work with aboriginal groups and Television Northern Canada to provide high-quality coverage of events that shape northern life.

2.6. RADIO CANADA INTERNATIONAL

For more than half a century, Radio Canada International (RCI) has served as the news and information service of record for Canada abroad and the reflection of Canada's identity and culture to the world. Our services include short-wave broadcasts of news, current affairs and regional programming in seven languages to all continents as well as special radio services for Canadian Forces stationed around the world. We also offer multilingual Internet services and provide satellite services to Europe, Asia, Africa and South America.

In addition to the August 1997 assurance of ongoing annual funding of \$15.5 million starting in 1998-1999, the Government of Canada announced in February 1998 that RCI would be provided \$15 million over three years for infrastructure improvements.

A stable financial foundation allows RCI to increase the amount of regional current affairs in our mix of programming and identify our target audiences with greater precision.

Continuing to represent Canada to the world, we will also reflect the popularity of Canadian culture abroad. We will provide additional resources to increase programming aimed at Central and South Americas and Africa and develop programs for new audiences, beginning with the Chinese market. Enhanced research capabilities will allow RCI to provide programming of interest to a variety of audiences.

2.7. CBC IN A DIGITAL ENVIRONMENT

NEW MEDIA

The CBC stands in the vanguard of new media. Our Internet services already offer quality textual, audio and video content and will continue to improve alongside new technologies and enhanced delivery capacity to the home.

To achieve our overall strategic goals, the CBC will allocate 2% of its total budget to new media activities.

The CBC will continue to lead the industry in the provision of Canadian content in new media. We will develop Internet services for niche audiences, such as *CBC4Kids* and *Infoculture*. Forging alliances with key partners, the CBC will serve a broad variety of interests in the new media community, while at the same time strengthen the CBC brand with a high-profile presence on an exciting new medium.

DIGITAL TELEVISION (DTV)

Before committing to a detailed DTV implementation plan and digital program production strategy, the CBC will closely monitor developments in the U.S., such as coverage performance, cost, DTV audience share and the availability of receivers to consumers. At the same time, the CBC will continue to work closely with the Canadian broadcasting industry and appropriate government sectors to plan DTV introduction in Canada.

The CBC is committed to adapting and upgrading our production and distribution infrastructures to digital technologies. The CBC examined several possible scenarios and implementation plans. Realistically, an estimated \$45 million over a 10- year period will be required to provide over-the-air transmission to cover the top 10 markets, representing 70% of the Canadian population. The remaining 30% would be effectively covered by providing a Direct Broadcast Satellite feed of the English and French Television networks.

As an immediate step, it would be appropriate for Government to signal its direction by responding to the recommendations put forward by the all-industry Task Force on Digital Television. We will open a dialogue with Government to explore ways to finance DTV and to play a more active role in its rollout in Canada.

DIGITAL AUDIO BROADCASTING (DAB)

Under the rollout of the Digital Audio Broadcasting implementation plan, both CBC and private broadcaster transmitters are now operational in Toronto and Vancouver. DAB coverage will also be available in Montreal in 1999. Following the implementation of the Montreal transmitters, CBC and private DAB services will be available to approximately 35% of Canadians by the end of 1999 and approximately 75% within 10 years. Consumer acceptance and private sector penetration will be monitored closely to determine the pace of further investments.

Currently, 19 digital radio stations in Toronto and six stations in Vancouver are on the air. Agreements between CBC and five private stations in Montreal will lead to the launch of nine Montreal stations by fall 1999.

3. RETHINKING THE CORPORATE CULTURE

The CBC must make a number of changes to effectively meet the objectives set out in its strategic plan, to open up the corporate culture to the new competitive environment and to achieve the necessary efficiencies that will allow us to grow.

Dramatic changes in the public radio and television environment will force public broadcasters in Canada and around the world to demonstrate greater flexibility and become even more performance-driven.

The CBC's strategic plan includes major initiatives aimed at managing culture change and introducing a performance orientation to all aspects of the business.

We will make ongoing productivity improvement part of the corporate culture to ensure more effective use of our resources.

The CBC has enjoyed long-term and productive partnerships with its television and radio affiliates and with independent producers. The new environment now requires that the CBC, like other players in the system, rely more significantly on partnerships to achieve its goals and to develop new programming initiatives.

The ability of the CBC to enter into partnerships and to react quickly to market opportunities is currently hampered by a number of factors, such as the necessity to obtain approval of the Governor in Council for acquiring shares in a corporation. Accordingly, the application of regulations governing Crown corporations should be reviewed to give the CBC greater flexibility in forming alliances with private companies.

The CBC will further enhance its accountability through an annual Statement of Promise, which will include programming and other elements, and set targets for the coming year. This Statement of Promise, which is similar to the practice followed by the BBC, will involve an annual self-assessment and report on the Corporation's performance in meeting our commitments. It will make the CBC by far the most transparent and accountable broadcaster in Canada. We intend to continuously strengthen this commitment to Canadians.

4. FINANCING THE CBC

The CBC requires stable and predictable funding to plan for future programming and to ensure that public funds are spent wisely. Although sales of advertising represents a significant proportion of our total revenue, Government funding will remain the primary source for the national public broadcaster. The CBC must achieve a balance between a stable and predictable level of Parliamentary appropriation and an advertising base that will continue to be volatile.

In 1997, the Department of Canadian Heritage announced more predictable funding for the CBC over the five-year period, starting April 1, 1998. While this is a positive step, the CBC requires genuine funding stability in current dollars to discharge its mandate and to meet the commitments contained in its strategic plan. In addition, we will ask for consideration of special funding for one-time projects such as the preservation of the archives and the conversion to digital television.

Even with a stable Parliamentary appropriation, the CBC will have to do more from within its existing resources to implement its strategic plan. On-going productivity gains and partnerships will be key in allowing the CBC to develop new program initiatives. The CBC has also made a clear decision to implement a continuing productivity improvement policy. Through streamlining and savings initiatives, we are committed to achieve a 2% productivity gain on a yearly basis.

III. RESOURCE OVERVIEW

Financial Projections

The financial statements presented below were prepared on a basis consistent with those presented in CBC's 1997/98 Annual Report and reflect the impact of all known government funding decisions as of March 1999. The incremental revenue and expenditure projections associated with the Summer 2000 Olympics and Winter 2002 Olympics have not been finalized and therefore do not form part of the Resource Overview.

	(\$ thousands)				
	1999/2000	2000/01	2001/02	2002/03	2003/04
<u>SOURCES OF INCOME</u>					
Total Parliamentary Appropriations	861,915	867,270	867,223	867,223	867,223
Reprofiling decision	41,966				
Advertising and program sales	317,531	319,814	321,980	324,266	326,362
Other revenue ⁽¹⁾	150,466	152,570	153,418	156,270	157,575
TOTAL SOURCES OF INCOME	1,371,878	1,339,654	1,342,621	1,347,759	1,351,160
<u>REQUIREMENTS</u>					
Operating expenditures:					
Television and radio services ⁽²⁾	1,155,833	1,164,496	1,168,811	1,173,086	1,176,218
Transmission, distribution and collection	84,409	84,534	84,661	85,392	85,620
Corporate Management	14,593	15,244	15,267	15,399	15,440
Amortization of Capital Assets	125,362	123,065	123,255	124,345	124,685
Deduct: Items not requiring current operating funds	155,791	153,494	153,684	154,774	155,114
Total Operating Expenditures	1,224,406	1,233,845	1,238,310	1,243,448	1,246,849
Capital Activities	143,472	101,809	100,311	100,311	100,311
Working Capital	4,000	4,000	4,000	4,000	4,000
TOTAL CORPORATE REQUIREMENTS	1,371,878	1,339,654	1,342,621	1,347,759	1,351,160

⁽¹⁾ Includes Specialty Services (CBC Newsworld, Le Réseau de l'information and Galaxie), Radio Canada International and other miscellaneous revenues.

⁽²⁾ Includes expenditures related to CBC's main services, Specialty Services (CBC Newsworld, Le Réseau de l'information and Galaxie) and Radio Canada International operations.

IV. CAPITAL

1. Capital

In 1998/99, the CBC was granted the authority to reprofile \$42 million of its 1998/99 capital appropriation to 1999/2000, primarily to address the timing for implementation of several large multi-year projects such as Year 2000 compliance. Including reprofiled funds, total capital spending in 1999/2000 is planned to be \$143 million. Beyond 1999/2000, available capital funds will stabilize at roughly \$100 million.

In the future, the CBC will produce and distribute digital program content in an environment with multiple competing and complementary distribution and delivery systems. Over the next 10 years, the challenge for the CBC will be to plan and manage the transition to digital radio broadcasting and digital television within available capital resources. To a large degree, the financial pressure to convert to these new technologies will be determined by the pace of change, which will be prompted in turn by domestic policy, the U.S. marketplace and consumer demand.

To further ensure that each capital dollar is spent wisely, the CBC is currently reviewing its internal capital investment process in order to develop a best-business approach to capital resource planning.

2. Working Capital

The CBC continues to manage within its working capital funding level despite considerable challenges in recent years.

Several recent decisions to reduce operating expenditures have impacted on working capital. For example, in June 1997, the CBC awarded a five-year contract for its leased national terrestrial distribution and collection networks to Stentor. This contract, which will deliver significant operating savings for the CBC over the life of the contract, required a significant up-front payment of \$20.1 million in 1997/98. Although the CBC would benefit over the next five years from reduced operating costs, the Corporation had an immediate working capital impact that needed to be addressed in the short-term.

Other programming decisions such as the *Canada: A People's History* project and the Canadianization of English TV's program schedule, will also place additional one-time or ongoing pressures on the Corporation's working capital. Together with inflationary pressures, these demands will need to be carefully managed within available resource levels.

V. SPECIAL PROJECTS AND RESOURCE ISSUES

1. Canadian Audio-Visual Legacy

In 1998, the CBC launched an action plan to preserve and catalogue all CBC archived material. Great progress has been made in transferring audio and video material from obsolete and deteriorating formats to current, more stable formats. Thousands of hours of programming – in radio and television, French and English, regional and network --have been transferred. One of the first regional archival projects preserved, catalogued and made accessible were recordings of *The Proceedings of the National Convention* – 253 hours of live debate over Newfoundland's entry into Canada that were originally recorded from 1946 to 1948.

Storage facilities are currently being upgraded in both Montreal and Toronto to store film and tape materials under proper conditions to slow down the physical deterioration of the material. In many of the regional locations, the CBC is working with the provincial archives and regional archival groups to upgrade the facilities currently storing CBC material. For example, in Newfoundland and Nova Scotia, the CBC is working with the Provincial Archives to create new audiovisual storage facilities.

Although major progress has been made, there is still a huge amount of work to be done. The CBC is doing what it can to allocate funds to this important endeavour. This funding is only temporary. Digitization and the set-up of an infrastructure to manage public access require additional funding that the CBC does not have. The CBC is exploring funding opportunities with the Department of Canadian Heritage and is looking for other cultural partners, such as the National Film Board and the National Archives.

2. Year 2000 (Y2K)

CBC has a clear strategy for dealing with the Y2K issue. Reporting monthly to the Treasury Board Secretariat as a Government Wide Mission Critical Organization, the CBC's plans include both internal and external technical and content interfaces.

All systems and components deemed critical to the ongoing viability of the broadcasting mandate of the CBC, or to the life and safety of its staff and audience, have been identified and screened for Y2K compliance. Work to replace or repair and test all mission-critical systems will occur during the first half of 1999. A high level risk management plan, complete with risk assessments and associated contingency, was approved July 9, 1999.

All levels and stakeholders, including suppliers, internal departments and broadcast affiliates have been targeted. A central project office is managing the legal and insurance concerns, together with human resource planning and financial tracking. The CBC will spend an estimated \$40 million over three years to complete the project.

The CBC is also replacing its ongoing management information system with SAP software, starting April 1, 1999. This conversion to SAP was prompted in part by the need to make the CBC's financial systems Y2K compliant but was extended to include a redesign of numerous business work processes. The total cost of this initiative is \$30 million, of which roughly half would be considered attributable to Y2K compliance.

3. Income Tax Liability

As a prescribed federal Crown corporation, the CBC's annual operating appropriation and other revenues are considered as income for tax purposes. Since certain expenditures are ineligible, either wholly or in part, as deductions in calculating taxable income, it is possible that the CBC could report an annual operating deficit, yet report a surplus for tax purposes. In a similar context, the CBC could also incur a tax liability by exercising its privilege to carry-over operating funds, under the conditions prescribed by Treasury Board, from one fiscal period to the next.

4. Borrowing Plan

Pursuant to the provision of section 46.1(1) of the *Broadcasting Act*, the CBC sought and secured in its 1999/00 - 2003/04 Corporate Plan, the approval of the Minister of Finance to borrow money, not exceeding in the aggregate \$10.0 million.

CONCLUSION

When Parliament created the CBC, 63 years ago, its purpose was to forge an instrument that would help knit together this vast and challenging land spanning multiple time zones, facing three oceans and embracing a variety of aboriginal peoples and, from colonial times, two founding language communities.

That mission entrusted by Parliament to the CBC is as valid today as it was when the Corporation was founded.

In the intervening decades, the CBC has grown with the country it was created to serve, reflecting and shaping Canada's development, telling its stories, nurturing its artists and providing a bridge between communities. Canadians have invited us into their homes, sharing moments of triumph and tragedy. They have turned to us in crisis and they have looked to us to provide a forum where people of widely divergent backgrounds and opinions could debate their common future with respect and reason.

Over those years, the CBC has evolved in myriad ways, adding services, changing schedules and responding to wide fluctuations in its finances. Throughout those changes, however, the values that have guided our role as a public broadcaster – a determination to tell Canada's stories, a respect for its audiences and a commitment to quality – have remained unchanged.

Our mission and our commitment to those long-standing values will continue to animate everything the CBC does as we accompany Canadians into a new millennium.