

	2013-2014 BUSINESS PLANS, OPERATING AND CAPITAL BUDGETS
TO:	Board of Directors
MEETING:	March 20-21, 2013
FROM:	Senior Executive Team
PURPOSE:	Approval of the 2013-2014 Operating and Capital Budgets as presented to the Board of Directors.
NEXT STEPS:	Budgetary reports will be presented on a quarterly basis
DATE:	March 12, 2013

SIGNIFICANT POINTS:

The budget material is organized in two documents:

- The main document (red deck) contains the information that will be presented at the Board meeting for approval.
- The other document (blue deck) is a book of appendices that provides additional detail.



2013-2014 Business Plans, Operating and Capital Budgets

Presented to the
CBC/Radio-Canada Board of Directors
Ottawa

March 20-21, 2013

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OBJECTIVES

- **Present the financial outlook of the Corporation which reflects government funding reductions, the elimination of LPIF contributions by 2014, and advertising revenue projections than forecast in last year's plan.**
- **Explain how resources will be realigned over the next three years to manage significant financial pressures and move forward with Strategy 2015.**
- **Seek approval of proposed 2013-2014 operating and capital budgets.**

FINANCIAL OVERVIEW

2012-2013 YEAR IN REVIEW

s.18(a)
s.18(b)
s.21(1)(b)

Financial Results

- CBC/Radio-Canada expects to finish 2012-2013 with a
- This is a remarkable achievement given the financial challenges we faced this year, however these expenditure reductions did impact our performance - lower audiences for some services and a more modest roll-out of Strategy 2015 initiatives. An update to the Strategy 2015 investments is provided in Appendix A.

CBC/Radio-Canada: On Plan

- CBC/Radio-Canada is on plan towards achieving the \$200 million in approved measures. In 2012/13, the Corporation successfully implemented year-one of the budget measures approved by the Board in March 2012:
 - Funding was reduced \$27.8 million in 2012-2013; funding will be further reduced in the following two years for a total reduction of \$69.6 million in 2013-2014 and of \$115 million thereafter.
 - A reduction of approximately 467 FTE's will have been implemented by the end of 2012-2013, with a further reduction of 231 FTE's (Appendix C) expected in the remaining two years of the reduction exercise.

2012-2013 YEAR IN REVIEW (CONT'D)

- LPIF - The CRTC announced in July that the Local Program Improvement Fund (LPIF), which provided \$47.1 million in contributions for the year ended Aug. 31, 2012, would be phased out and eliminated by Sep. 1, 2014.
 - We had planned for a reduction in LPIF contributions as part of last year's budget plan (from 1.5% to 1% of BDU revenues).
 - However, the elimination of the LPIF required English and French Services to implement contingency plan measures that will generate \$21.8 million of additional reductions in 2013-2014 growing to \$28.4 million in 2014-2015 to cover the difference between our assumptions and the elimination of LPIF.
 - These reductions, approved by the Board in October 2012, protected regional programming to the greatest extent possible.
- Capital project delays of \$100 million were implemented as planned.
- For an update on the \$200 million budget measures, refer to Appendix B.

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2012-2013 YEAR IN REVIEW (CONT'D)

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Other accomplishments

- Olympics - The Corporation successfully negotiated the Canadian broadcast rights for the Olympic Games in 2014 and 2016. The financial details for the 2014 Sochi Winter Games are summarized in Appendix D and are reflected in the 2013-2014 budget.
- Additional revenues were generated in 2012-2013 from the receipt of SiriusXM Canada dividends , the sale of warrants (and retroactive rights from the Canadian Claimants Group .
- The Capital Asset Review was completed and the results were presented to the Board in February. Asset values are expected to decline in the future and it was concluded that the current capital budget funding level be maintained.
- **Bold** – CBC will have successfully completed the sale of bold, by year-end, in accordance with the terms presented to the Board.

2012-2013 YEAR IN REVIEW (CONT'D)

Challenges: NHL Lockout

- The NHL labour disruption lasted 14 weeks and is forecast to result in a loss of _____ million in 2012-2013 (lost revenue of _____ million offset by expenditure reductions of _____ million).
- The NHL extended the regular season three weeks into April 2014, which is expected to reduce the regular season loss by _____ million (incremental revenue of _____ million less expenditures of _____ million). However, this will be reflected in fiscal year 2013-2014. The overall impact is therefore expected to be a loss of _____ million.

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2013-2014 BUDGET

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The business plans and budgets for 2013-2014 have been prepared against the following backdrop, with Strategy 2015 providing the framework for priority setting:

Revenue assumptions

- Annual television advertising revenue growth assumptions are explained in the 2013-2014 Operating Budgets section of this document.
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- The budget assumes advertising revenue on Radio 2 and Espace musique is approved by the CRTC and commences in 2013-2014.

2013-2014 BUDGET (CONT'D)

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s.21(1)(b)

Expenditure assumptions

- Salary inflation funding is expected to resume in 2013-2014 after a three-year government funding freeze. The financial plan assumes government funding at 1.5% for the next three years.
- 2013-2014 will be the second year for budget measures introduced to fund \$42.8 million (million in English Services and million in French Services) in Strategy 2015 investments (Appendix A) and manage the \$115 million government funding reduction and other financial pressures as outlined in last year's budget.
 - The measures identified to manage the \$115 million government funding reduction included \$10 million in additional Real Estate space rental revenue beginning in 2014-2015.
- The million General & Administrative Efficiencies target will be achieved by 2015-2016. Target achievement has been delayed mainly due to the repayment from savings of the investment necessary to

2013-2014 BUDGET (CONT'D)

s.18(a)
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Expenditures – cont'd

- The Strategy 2015 target of spending 5% of total expenditures on digital services will be achieved in 2013-2014 (million and for English Services and million and for French Services).
- This spending level reflects a
- The three-year budget plan assumes
- Budget measures have been identified to manage potential shortfalls against revenue targets. The measures are outlined in the Contingency Plan section.
- The budget contains reserves for:
 - Other Services - Committed Reserves are entirely committed and not available for contingencies.

s.18(a)
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s.21(1)(b)

2013-2014 BUDGET (CONT'D)

Opportunities/Investments

- The February 2014 Sochi Winter Olympic games is forecast to _____ with revenues of _____ million and expenses of _____ million. This includes revenues and expenses for both English and French Services, which are reflected in the English Services funding statement. See Appendix D for details.
- An update to the Strategy 2015 investment plan is provided in Appendix A and a reduction plan update is provided in Appendix B.

Capital

- The operating and capital budgets do not reflect the impact of the Montreal redevelopment project (other than project related costs of _____ million over the next three years). A RFP for the building project and property sale will be issued in 2013.
- The capital budget will delay _____ million in projects in 2013-2014 and _____ million in 2014-2015, consistent with last year's budget plan.

2013-2014 BUDGET (CONT'D)

Cashflows

- A cash flow forecast for 2012-2013 and 2013-2014 is provided in Appendix E. The higher than usual March 2013 year-end cash balance reflects the impact of

Risks

- In a climate of economic and regulatory uncertainty and a rapidly evolving and consolidating broadcasting industry, risks have been assessed as part of the business planning process. A summary of the key risks and action plans presented to the Board in February 2013 is provided in Appendix F.

2013-2014 BUDGET (CONT'D)

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The following slide presents a high level overview of the three-year financial plan.

As in previous years,

The overall net position

BUDGET OVERVIEW (FORECAST AS AT DECEMBER 31, 2012)

s.18(a)
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s.21(1)(b)

	2012-2013 Current Budget (\$000's)	2012-2013 Forecast (\$000's)	2013-2014 Forecast (\$000's)	2014-2015 Forecast (\$000's)	2015-2016 Forecast (\$000's)
SOURCES OF FUNDS					
Parliamentary Appropriation					
DRAP Reduction					
Transfer from Capital					
Local Programming Improvement Fund					
Advertising Revenues (TV, Radio, Internet, Contrats)					
Olympics					
FIFA					
Specialty Services Revenues					
Miscellaneous Revenues					
TOTAL SOURCES OF FUNDS					
APPLICATION OF FUNDS					
English Services					
French Services					
Olympics					
Non-Media Services					
Committed Reserves					
TOTAL APPLICATION OF FUNDS					
NET POSITION for the Fiscal Year					
Prior Year Carryover					
NET POSITION					
<i>Net Position - Per March 2012 BOD</i>					
<i>Variance from 2012-2013 business plan submissions</i>					

STRATEGIC PRIORITIES

THE MISSION AND GUIDING PRINCIPLES DRIVE OUR STRATEGIES, BUSINESS PLANS AND BUDGETS

Mission

CBC/Radio-Canada will be the **recognized leader in expressing Canadian culture** and will **enrich the democratic life** of all Canadians through...

... original, innovative, quality "Canadian content"

... that reflects and draws together Canadians ...

... actively engaging with audiences ...

... while being cost-effective and accountable

Guiding principles

- Creating and delivering **quality content** for, by and about Canada and Canadians
 - Leading in **Canadian cultural expression**
 - Offering a **distinctly Canadian perspective**
- Investing in **differentiated programming**
- Commitment to 'signature event' programming
- Contributing to **shared national consciousness and identity**
- Reflecting Canada's **multicultural diversity**
- Reflecting **the regions** to themselves and to the country
- Contributing to **diversity of voices and to social cohesion**
- **Serving a large number** of Canadians
- Reflecting **content preferences** of Canadian audiences across a mix of genres
- Adapting to **evolving media usage** of Canadians across platforms
- Delivering our services in the **most efficient manner**
- Ensuring the **economic sustainability** of our services
- Optimizing the percent of **funds** spent on **content**



... and Provide a 'Wide Range' of Programming that Informs, Enlightens and Entertains

BUSINESS PLANS ARE GROUNDED IN COMMON PRIORITIES IN ENGLISH AND FRENCH SERVICES

News

Continue with news renewal including multimedia expansion and integration – and grow audiences across all platforms. Continue our commitment to diversity of voice.

Regions

Increase the breadth and depth of our footprint – in terms of geography, 24/7 coverage and range of content

Arts & Entertainment

Continue to extend CBC/Radio-Canada's leadership in entertaining Canadians with their stories, their humour, their culture and with "Signature Event" programming experiences.

New Platforms

As audiences migrate to new platforms, maintain a leading competitive position in the Canadian media environment. Collaborate on a number of joint initiatives including the music strategy, national events (sports, Federal elections, etc) and ubiquitous content such as weather.

The execution of the strategy respects the uniqueness of the English and French markets

STRATEGIC PRIORITIES – TRACKING OUR PERFORMANCE

We use two levels of performance indicators to track our performance against the strategic plan.

1) Key Performance Indicators (KPIs):

These high-level KPIs (audience share, revenues, etc) are shown in Appendix G.

2) Strategy Report Card:

The Report Card indicators are presented to the Board on a semi-annual basis.

MEDIA STRATEGIC PLANS

STRATEGIC PLANS – ENGLISH SERVICES

ENGLISH SERVICES BUSINESS PLAN PRIORITIES FOR 2013-2014

Priorities / Key Pillars

Priorities / Key Pillars	
Content	Increase Canadian Content available to and used by audiences, where and when they want it
Engagement	Enhance the audience experience on all platforms, where feasible
Regional & Local	Build upon our regional strengths, including through the Local Service Extension
Digital	Increase digital audience use, reach and growth
Driving Efficiencies	Making decisions to minimize costs & drive revenue

ENGLISH SERVICES – STRATEGY 2015 ACCOMPLISHMENT IN 2012-2013

s.18(b)
s.21(1)(b)

English Services continues the implementation of *Strategy 2015* and has built upon last year's achievements with successes in 2012-2013 such as:

More Canadian

- Further Canadianized CBC Television's primetime schedule, with the debut of George Stroumboulopoulos Tonight in primetime. No longer have Jeopardy and Wheel of Fortune on the schedule
- Delivered 9 All Canadian Signature Events (by Year end) throughout the year across multiple platforms – see titles in Appendix H.

More Regional

- Implemented new CBC Television and increased radio & digital weekend local news services in Edmonton, Ottawa, Montreal and the Maritimes
- Expanded CBC Television Monday-Friday late night news in Vancouver, Calgary, Edmonton, Toronto, Ottawa, Montreal and the Maritimes from 10 minutes to 30 minutes
- Implemented new local CBC Radio and digital services in Kamloops (October 2012) Waterloo Region (planned launch: March 2013) and proceeding with plans to launch in Saskatoon (planned launch: April 2013) and
- Launched CBC's first digital station in Hamilton, Ontario

More Digital

- Grew the CBCMusic.ca portal by expanding the number of channels from 40 to 50 (planned by March 31)
- Introduced a new CBCMusic.ca App for Android devices and HNIC & CBC News Apps for Windows 8, launched an Olympic website and relaunched the KIDSCBC.ca website
- Launched a new CBC Kids App where preschoolers can enjoy their favourite CBC Kids' shows on iPad

s.18(b)
s.21(1)(b)

ENGLISH SERVICES BUSINESS PLAN PLANS FOR CREATIVITY, COLLABORATION & AGILITY

GENRE	KEY ACTION
<p>Creativity, Collaboration & Agility</p>	<ul style="list-style-type: none">▪ Continue organizing ourselves to maximize how we deliver content across all platforms and encourage creativity throughout the company
	<ul style="list-style-type: none">▪ Strengthening our commitment to the best mix of local, regionally representative and cross-regional expression▪ Maintain the positive labour relations environment and best position the relationship to achieve the change necessary for future success▪ Encourage a culture of engagement for staff to contribute to the organization

ENGLISH SERVICES BUSINESS PLAN PROGRAM GENRE STRATEGIES FOR 2013-2014

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s.21(1)(b)
s.68.1

GENRE	KEY ACTION
<p>News</p>	
<p>Entertainment</p> <p>Scripted (Drama, Comedy, Documentary, Kids) & Unscripted (Factual Entertainment)</p>	

ENGLISH SERVICES BUSINESS PLAN PROGRAM GENRE STRATEGIES FOR 2013-2014

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s.21(1)(b)
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GENRE	KEY ACTION
Sports	

ENGLISH SERVICES BUSINESS PLAN PROGRAM GENRE STRATEGIES FOR 2013-2014

s.18(b)
s.21(1)(b)
s.68.1

GENRE	KEY ACTION
Smart Talk	
Music	

ENGLISH SERVICES BUSINESS PLAN PROGRAM GENRE STRATEGIES FOR 2013-2014

GENRE	KEY ACTION
Signature Events	
Inclusion & Diversity	

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ENGLISH SERVICES BUSINESS PLAN REGIONAL PROGRAMMING STRATEGIES FOR 2013-2014

- **As presented to the Board in October 2012**, the Local Service Expansion (LSE) plan is built on leveraging existing regional and network resources such as newsgathering and syndication
- Based on existing resources, the LSE plan groups expansion under 3 models:
 1. Digital stations
 2. Radio & Digital stations
 3. Radio & Digital stations with newsgathering

s.18(b)
s.21(1)(b)

ENGLISH SERVICES BUSINESS PLAN

REGIONAL PROGRAMMING STRATEGIES FOR 2013-2014

REGIONAL INITIATIVE	KEY ACTION
Digital Station Openings	<ul style="list-style-type: none"> • ▪
Radio & Digital Station Openings	<ul style="list-style-type: none"> ▪ Complete the implementation for the three radio & digital stations that have been publicly announced: Kamloops (in operation), Waterloo Region (planned launch: March 2013) , [REDACTED]
Radio & Digital Station with newsgathering Openings	<ul style="list-style-type: none"> ▪ Launch a radio & digital station that has been publicly announced: Saskatoon (planned for April 2013)

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ENGLISH SERVICES BUSINESS PLAN PLATFORM STRATEGIES FOR 2013-2014

PLATFORM INITIATIVE	KEY ACTION
Specialty TV Channels	

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ENGLISH SERVICES BUSINESS PLAN PLATFORM STRATEGIES FOR 2013-2014

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s.21(1)(b)
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PLATFORM INITIATIVE	KEY ACTION
Audience Engagement <i>(Audience retention & acquisition)</i>	
Distribution Development	
Increased Monetization & Distribution	
Innovation and Workflow	

ENGLISH SERVICES UPDATE ON STRATEGY

s.18(b)
s.21(1)(b)
s.68.1

- English Services will be implementing strategies and priorities to increase Canadian content available to audiences as well as enhance the user experience, where it makes sense
- In light of recent budget cuts, we are refining and re-focusing our content strategies to grow audiences and revenues necessary to leverage strong brands and legacy programming. In doing so, we must:
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 - Work together in new and different ways that is cost effective
- Strategy 2015 details are provided in Appendix A.

STRATEGIC PLANS – FRENCH SERVICES

FRENCH SERVICES – BUSINESS PLAN PRIORITIES: TRANSFORMATION

s.18(b)
s.21(1)(b)

PRIORITY	ACTIONS
Brand Positioning	
Creativity, Collaboration and Agility	

FRENCH SERVICES – BUSINESS PLAN PRIORITIES: TRANSFORMATION

s.18(b)
s.21(1)(b)

PRIORITY	ACTIONS
Creativity, Collaboration and Agility (cont'd)	
Financial Dynamics	

FRENCH SERVICES – 2015 STRATEGY ACCOMPLISHMENTS IN 2012-2013

Thanks to the investments approved over the previous years to further the genre, regional and platform strategies, French Services has already managed to achieve many key components of Strategy 2015, despite an increasingly challenging economic environment in 2012–13 with the Deficit Reduction Action Plan (DRAP) and the gradual phasing out of the LPIF.

Completed strategic initiatives in 2012–13 include:

- Opening the Eastern Quebec Broadcast Centre
- Consolidating the seven-day regional TV news offering, with the addition of newscasts in Edmonton, Toronto and Eastern Quebec
- Revamping the Première Chaîne schedule
- Launching the iPad app
- Creating a specialized social media unit
- Producing 10 Radio-Canada Signature Events (Appendix H)

FRENCH SERVICES – BUSINESS PLAN PROGRAM GENRE STRATEGY (2013–2014)

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s.21(1)(b)
s.68.1

PRIORITY	ACTIONS
National News and Information	
Drama and Entertainment	
Music	

FRENCH SERVICES – BUSINESS PLAN PROGRAM GENRE STRATEGY (2013–2014)

s.18(b)
s.21(1)(b)
s.68.1

PRIORITY	ACTIONS
Talk Radio	
Signature Events	
Youth	
Sports	

FRENCH SERVICES – BUSINESS PLAN REGIONAL STRATEGY (2013–2014)

PRIORITY	ACTIONS
Regional Radio	
Regionally Rooted Programming	
Added Value	

s.18(b)
s.21(1)(b)
s.68.1

FRENCH SERVICES – BUSINESS PLAN PLATFORM STRATEGY (2013–2014)

PRIORITY	ACTIONS
Digital Platforms and Content	
Specialty Services	

s.18(b)
s.21(1)(b)
s.68.1

FRENCH SERVICES UPDATE ON STRATEGY 2015

s.18(b)
s.21(1)(b)
s.68.1

In 2012–13, as a result of growing budget and financial pressures, adjustments were made to the timeline and scope of certain strategic initiatives to ensure the organization's economic health and allow it to cope with additional financial risks. Likewise, the following adjustments will be observable in 2013–14. A more detailed update is available in Appendix A.

Revised actions

Multiplatform news: The focus is on transforming editorial procedures and production methods to make multiplatform news delivery more agile and efficient.

Regional presence: Further to the LPIF's elimination announced in July 2012, we decided to give priority to maintaining the regional news presence seven days a week as a central component of the Regional Strategy.

Music: We are continuing to strengthen cooperation and coordination with CBC in order to optimize the organization's musical expertise :

Espace musique regional presence: The regional presence has been maintained in the 12 target regions, but the number of broadcast hours was cut to 3.5 hours/day (vs. 6 in 2011–12) in June 2012.

Postponed actions

As per the proposal submitted by Radio-Canada for the Deficit Reduction Action Plan (DRAP), we have postponed the following Plan 2015 strategic initiatives:

2013-2014 OPERATING BUDGET

2013-2014 OPERATING BUDGET KEY ASSUMPTIONS USED

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s.21(1)(b)

Government Funding:

- DRAP reductions are \$27.8M in 2012-2013, \$69.5M in 2013-2014, and \$115M in 2014-2015.
- No further funding reductions are assumed.
- Salary funding is assumed to resume at 1.5% in 2013-2014 and salary expenditure increases of 1.5% have been included for all years. Contingency measures have been identified to address the financial impact for 2013-2014 should salary inflation funding not be restored, as indicated on page 71.

Advertising (TV, Radio, Internet), Specialty Services and Miscellaneous Revenues:

- Advertising, specialty services and miscellaneous revenue assumptions are identified later in this section.
- It is assumed that the CRTC will approve CBC/Radio-Canada's request to include advertising on Radio 2 and Espace musique. Contingency plans have been put in place should the CRTC refuse our request but they would have a significant impact on programming, as indicated on page 71.

Other Sources of Funds:

- Contributions from the Local Program Improvement Fund are reflected at the current rate of 1.0% for the first 5 months of 2013-2014, decreasing to 0.5% effective September 1, 2013 with complete elimination of the fund by September 1, 2014.
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2013-2014 OPERATING BUDGET KEY ASSUMPTIONS USED (CONT'D)

Expenditures:

- Expenditures reflect all budget reductions and cost increases presented in this document.

Olympics:

- Expected revenues and expenditures for the Sochi 2014 Winter Olympics are included the three-year plan. The Rio 2016 Summer Games fall outside of the three year period.

Reserves:

- The budget contains reserves for:

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- Other Services - Committed Reserves are entirely committed and not available for contingencies.

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BUDGET OVERVIEW (DUPLICATE OF PAGE 14) (FORECAST AS AT DECEMBER 31, 2012)

s.18(a)
s.18(b)
s.21(1)(b)

	2012-2013 Current Budget (\$000's)	2012-2013 Forecast (\$000's)	2013-2014 Forecast (\$000's)	2014-2015 Forecast (\$000's)	2015-2016 Forecast (\$000's)
SOURCES OF FUNDS					
Parliamentary Appropriation					
DRAP Reduction					
Transfer from Capital					
Local Programming Improvement Fund					
Advertising Revenues (TV, Radio, Internet, Contras)					
Olympics					
FIFA					
Specialty Services Revenues					
Miscellaneous Revenues					
TOTAL SOURCES OF FUNDS					
APPLICATION OF FUNDS					
English Services					
French Services					
Olympics					
Non-Media Services					
Committed Reserves					
TOTAL APPLICATION OF FUNDS					
NET POSITION for the Fiscal Year					
Prior Year Carryover					
NET POSITION					

*Net Position - Per March 2012 BOD
Variance from 2012-2013 business plan submissions*

REVENUE PROJECTIONS

s.18(a)
s.18(b)
s.21(1)(b)

- The Media revenue projections have been reasonable over the last several years, despite unstable advertising markets.
- Over the last few years,
 - Media revenue performance has been close to business plan projections (see next slide for details)
 -
- In comparing the Media's revenue projections versus market projections
 - Conventional –
 - Specialty –
 - Online display –
 - Online video –
 - Mobile –

ADVERTISING REVENUE PERFORMANCE

s.18(a)
s.18(b)
s.21(1)(b)

Performance vs. Business Plans – Revenues delivered close to plan

	2010-2011	2011-2012	2012-2013
	% achieved to target		
CBC			
Radio-Canada			

** excludes impact of hockey lockout

Year-Over-Year Revenue Performance compared to industry – CBC/RC consistently outperformed the market, except 2012/13 due to the NHL Lockout

	2010-2011		2011-2012		2012-2013	
	CBC/R-C	Industry	CBC/R-C	Industry	CBC/R-C	Industry
CBC						
Radio-Canada						

* As at March 5, 2013 and excluding hockey target

** Impacted by NHL lockout and reflects April – December figures for comparative purposes

SOURCE: TVB (April to March for 2010-2011 and 2011-2012 / April to December for 2012-2013)

ADVERTISING REVENUE Y-O-Y FORECASTED GROWTH COMPARISON OF PWC AND ZENITH OUTLOOK * VS. CBC/RC ASSUMPTIONS

	2013	2014	2015	2016	Comments
Conventional television advertising in Canada					
PWC Outlook (June 2012)	2%	6%	2%	5%	s.18(a)
Zenith Outlook (October 2012)	-3%	-1%	n/a	n/a	s.18(b)
CBC					s.21(1)(b)
Radio-Canada					
Specialty channels in Canada					
PWC Outlook (June 2012)	6%	8%	5%	6%	
Zenith Outlook (October 2012)	2%	3%	n/a	n/a	
CBC News Network					
Réseau de l'information					
Explora					
Online Display (includes TV) Advertising in Canada					
PWC Outlook (June 2012)	18%	17%	15%	13%	
Zenith Outlook (October 2012)	14%	11%	n/a	n/a	
CBC					
Radio-Canada					
Online Video (includes TV) Advertising in Canada					
PWC Outlook (June 2012)	37%	26%	24%	19%	
Zenith Outlook (October 2012)	64%	50%	n/a	n/a	
CBC					
Radio-Canada					
Mobile Advertising in Canada					
PWC Outlook	49%	39%	33%	29%	
Zenith Outlook	65%	58%	n/a	n/a	
CBC					
Radio-Canada					

CBC/Radio-Canada, conventional and specialty channels' revenue projections are within market estimates. Digital revenue projections are conservative considering an emerging uncertain digital market.

**2013-2014
ENGLISH SERVICES
OPERATING BUDGET**

ENGLISH SERVICES – 2012-2013 CHALLENGES

- English Services has performed very well in a year where we faced a number of challenges:
 - DRAP and operating budget cuts, mostly delivered in 2012-2013
 - Loss of 175 original hours of programming forcing repeats in the schedule
 - Loss of LPIF
 - CMF reductions
 - Impact of a hockey lockout – significant loss in revenues
 - Soft advertising market – 4% year over year decline in conventional advertising market
- Despite these challenges, English Services generated a stronger net financial position than planned
- The delicate balance to protect a healthy net financial position meant a number of sacrifices and tough choices that included cuts to programming, cuts to paid media and CBC's ability to promote our schedules, fewer investments in the regional expansion and finding creative ways to fund any growth.

ENGLISH SERVICES: OUR NEW REALITY

- Kirstine said it best at the Media Presentation. We.....
 - “Live in a mode of continuous improvement and we need to take advantage of our greatest assets: our people, talent and our content”
 - “Need to focus, identify the pieces of CBC that Canadians want and need from us, what parts of our business and work most specifically supporting that goal. Those parts that don’t identify, cut them, or minimize them, or transition them, but definitely move on”

- In order to reinvent ourselves, we need to refine and refocus. We need to focus on 3 key strategies to get us there:
 1. Creating great content
 2. Leveraging our content
 3. Making sure our content is competitive creatively and economically

ENGLISH SERVICES: 2013-2014 CHALLENGES

- The financial realities of 2012-2013 put CBC behind in some of our plans and things we wanted to do to better our programs and services.
- However, we now find ourselves with a new revenue challenge for 2013-2014.

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s.18(a)

s.18(b)

s.21(1)(b)

ENGLISH SERVICES: |

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s.18(a)

s.18(b)

s.21(1)(b)

s.21(1)(c)

s.18(a)
s.18(b)
s.21(1)(b)
s.68.1

ENGLISH SERVICES: 2013-2014 BUDGET CUTS

Major Activities Impacted	Impacts (\$000's and FTEs)			
	2013/14			
	\$000's		FTEs	
	Network	Regions	Network	Regions
Efficiencies/Continuous Improvements				

Total Efficiencies/continuous improvements	
Revised Strategy	

Total Revised Strategy	
Non Priority Spend	

Total non priority	
Total Budget Cuts	

2013-2014 OPERATING BUDGET ENGLISH SERVICES (DETAILED BUDGETS IN APPENDIX I)

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s.21(1)(b)
s.68.1

s.18(a)

	2012-2013 Current Budget (\$000's)	2012-2013 Forecast (\$000's)	2013-2014 Forecast (\$000's)	2014-2015 Forecast (\$000's)	2015-2016 Forecast (\$000's)
SOURCES OF FUNDS					
Share of Parliamentary Appropriation					
Parliamentary Appropriation reduction - DRAP					
Expected salary funding					
<i>Total Share of Parliamentary Appropriation</i>					
Local Programming Improvement Fund					
Advertising Revenues (TV and Radio)					
FIFA (2014-2015) / PanAm (2015-2016)					
Digital Platforms					
Value-added / Contra Revenues					
CBC News Network Revenues					
Bold Revenues					
Miscellaneous Revenues (incl. Merchandising and Mobiles)					
TOTAL SOURCES OF FUNDS					
APPLICATION OF FUNDS					
English Television					
FIFA (2014-2015) / PanAm (2015-2016)					
CBC News Network					
Bold					
English Radio					
TOTAL APPLICATION OF FUNDS					
NET POSITION for the Fiscal Year					
Prior Year Carryover					
NET POSITION - Before Olympics					
Olympics - Revenue					
Olympics - Expenses					
NET POSITION - Cumulative					

*Net Position - Per March 2012 BOD
Variance from 2012-2013 business plan submissions*

s.18(b)
s.21(1)(b)

s.18(a)

REVENUES - ENGLISH SERVICES

	2012-2013	2013-2014	2014-2015	2015-2016
	Forecast	Proposed Budget	Forecast	Forecast
(\$000's)				
Revenues				
Advertising Revenues - TV				
Olympics - Displaced Revenue				
Subtotal - Advertising Revenues before DRAP	-			
DRAP- TV Advertising Revenues - New advertising minutes				
DRAP- New Radio 2 Advertising Revenues				
Subtotal - Main Channel Advertising Revenues exc. Digital Revenue & Special Events				
FIFA				
Pan Am				
Digital Platform Revenues				
Value-added/Contra Revenues				
CBC News Network Revenues				
- Advertising				
- Subscriber				
Subtotal CBCNN				
Bold Revenues				
Miscellaneous Revenue				
- Merchandising Revenues				
- Mobiles Revenue				
- Other				
Subtotal - Miscellaneous Revenue				
Total Revenues exc. Olympics & LPIF				
LPIF				
Parliamentary Appropriation				
TOTAL FUNDING before Olympics				
Olympics				
TOTAL FUNDING				

s.18(a)

s.18(b)
s.21(1)(b)

REVENUES - ENGLISH SERVICES (CONT'D)

Advertising Revenues

Growth in 2013-2014

Growth in 2014-2015 -

Growth in 2015-2016

DRAP: Impact on advertising Revenues

Growth in 2013-2014 -

Growth in 2014-2015 -

Growth in 2015-2016

Digital Platform Revenues

Value-added/Contra Revenues

REVENUES - ENGLISH SERVICES (CONT'D)

s.18(a)
s.18(b)
s.21(1)(b)

CBC News Network Services

Bold

Miscellaneous Revenues - Other

Mobiles

As per Mobiles 2013/14 Business Plan.

Merchandising

As per Merchandising 2013/14 Business Plan.

LPIF

Reflects the planned elimination of LPIF.

Parliamentary Appropriation

Olympics

As per Olympic Business Plan

**2013-2014
FRENCH SERVICES
OPERATING BUDGET**

FRENCH SERVICES – 2012–2013 HIGHLIGHTS

- French Services had an outstanding year, considering the many challenges it faced in 2012–2013:
 - Reduced government funding
 - DRAP
 - Phasing out of LPIF

s.18(a)
s.18(b)
s.21(1)(b)

FRENCH SERVICES – 2013–2014 CONTEXT

s.18(a)
s.18(b)
s.21(1)(b)

2013-2014 OPERATING BUDGET

FRENCH SERVICES (DETAILED BUDGETS IN APPENDIX I)

s.18(a)
s.18(b)
s.21(1)(b)
s.68.1

	2012-2013 Current Budget (\$000's)	2012-2013 Forecast (\$000's)	2013-2014 Forecast (\$000's)	2014-2015 Forecast (\$000's)	2015-2016 Forecast (\$000's)
SOURCES OF FUNDS					
Share of Parliamentary Appropriation					
Parliamentary Appropriation reduction - DRAP					
Expected salary funding					
<i>Total Share of Parliamentary Appropriation</i>					
Local Programming Improvement Fund					
Advertising Revenues - TV/Espace musique					
Digital Platform Revenues					
Value-added / Contra Revenues					
Réseau de l'information (all revenues)					
Explora (all revenues)					
Miscellaneous Revenues (incl. Merchandising and Mobiles)					
TOTAL SOURCES OF FUNDS					
APPLICATION OF FUNDS					
French Television					
Réseau de l'information					
Explora					
French Radio					
Radio Canada International					
TOTAL APPLICATION OF FUNDS					
NET POSITION for the Fiscal Year					
Prior Year Carryover					
NET POSITION - Cumulative					

Net Position - Per March 2012 BOD
Variance from 2012-2013 business plan submissions

2013-2014 OPERATING BUDGET FRENCH SERVICES REVENUES

s.18(a)
s.18(b)
s.21(1)(b)

(\$000's)	2012-2013 Forecast	2013-2014 Proposed Budget	2014-2015 Forecast	2015-2016 Forecast
Revenues				
Advertising Revenues - Main channel				
Advertising Revenues -DRAP initiatives				
Advertising Revenues - Adjustment FIFA				
Advertising Revenues - Olympics				
Advertising Revenues - Espace musique (DRAP initiative)				
Total Advertising Revenues - Main channel and Espace musique				
Tou.tv				
Radio-Canada.ca				
Mobility				
Illico				
Advertising Revenues - Internet and Other Digital Platforms				
Advertising Revenues - Internet/Digital - Olympic Games				
Total Internet and Other Platforms				
Advertising revenues - Value-added/Contra Revenues				
Réseau de l'information (RDI) - Subscriber				
Advertising Revenues - RDI				
Total RDI				
Explora - Subscriber				
Advertising Revenues - Explora				
Total Explora				
Miscellaneous Revenue - Independent Production Services				
Miscellaneous Revenue - Canadian Media Fund				
Sales to Businesses				
Sales to Consumers				
Business Development				
Miscellaneous Revenue - Sale of Content				
Miscellaneous Revenue - Commercial Productions				
Miscellaneous Revenue - Others				
Miscellaneous Revenue - Value-added/Contra Revenues				
Total Miscellaneous Revenue				
TOTAL REVENUES EXCLUDING LPIF AND PARLIAMENTARY APPROPRIATION				
Parliamentary Appropriation				
LPIF				
TOTAL REVENUES				

2013-2014 OPERATING BUDGET FRENCH SERVICES REVENUES (CONT'D)

s.18(a)
s.18(b)
s.21(1)(b)

Advertising Revenue – Television – Main Network

Advertising Revenue – Internet and Other Platforms

Advertising Revenue – Réseau de l'information (RDI)

Subscriber Revenue – RDI

Miscellaneous Revenue – Services for Independent Producers

**2013-2014
NON-MEDIA SERVICES
OPERATING BUDGET**

2013-2014 OPERATING BUDGET

NON-MEDIA SERVICES AND COMMITTED RESERVES

s.18(a)
s.18(b)
s.21(1)(b)

The next two slides reflect the proposed operating budget for non-media services. These budgets include the impact of the following:

- Non-media services implemented reductions of 2% in 2012-2013, growing to 4% in 2013-2014 and to 6% in 2014-2015 which will partly offset the DRAP reduction and other financial pressures.
- The analog shutdown is contributing \$10M annually towards the DRAP reduction.
- Starting in 2017-2018, once one-time costs have been recovered, a further \$10M is expected to be generated from Real Estate footprint and revenue initiatives.
- In order to provide some time for implementation of these initiatives, a one-time transfer from capital of _____ over three years (2012-2013 to 2014-2015) was necessary.
- SiriusXM Canada dividends of \$4.4M were received in 2012-2013.

In addition to regular operations funding, these budgets also provide for:

A list of items included in the Committed Reserves is provided in Appendix J.

2013-2014 OPERATING BUDGET

NON-MEDIA SERVICES AND COMMITTED RESERVES

	2012-2013 Current Budget (\$000's)	2012-2013 Forecast (\$000's)	2013-2014 Forecast (\$000's)	2014-2015 Forecast (\$000's)	2015-2016 Forecast (\$000's)
SOURCES OF FUNDS					
Share of Parliamentary Appropriation					
DRAP reduction		s.18(a)			
<i>Total Share of Parliamentary Appropriation</i>		s.18(b)			
Transfer from Capital		s.21(1)(b)			
Miscellaneous Revenues:					
Real Estate Services					
Transmission and Distribution					
Interest Revenue					
Capital Recoveries					
Canadian Retransmission Rights Association (CRRRA)					
Corporate Research					
Canadian Claimants Group Rights (CCG)					
Sirius - Program Sales					
Other Revenues (Sirius dividends and sale of Stingray warrants)					
TOTAL SOURCES OF FUNDS					
APPLICATION OF FUNDS					
Non-Media Services (see details on next page)					
Committed Reserves					
TOTAL APPLICATION OF FUNDS					
NET POSITION for the Fiscal Year					
Prior Year Carryover - to components					
Prior Year Carryover - to fund priorities and financial pressures					
NET POSITION - Cumulative					

2013-2014 OPERATING BUDGET

NON-MEDIA SERVICES – APPLICATION OF FUNDS

s.18(a)
s.18(b)
s.21(1)(b)

	2012-2013 Current Budget (\$000's)	2012-2013 Forecast (\$000's)	2013-2014 Forecast (\$000's)	2014-2015 Forecast (\$000's)	2015-2016 Forecast (\$000's)
APPLICATION OF FUNDS					
Office of the President and CEO					
Office of the Chairperson and Board of Directors					
Ombudsmen - English and French Services					
Branding, Communications and Corporate Affairs					
Office of VP Strategy and Business Partnerships					
Corporate Research					
Regulatory Affairs					
General Counsel, Corporate Secretariat and Compliance					
People and Culture					
Pension contribution employer share reduction					
Severance Pay and Other Personnel Costs					
Dental Plan, EAP and Crisis Management					
Training and Development *					
Shared Services					
Corporate Finance and Administration					
Business Development					
Insurance, Corporate Forms, Taxes, etc.					
Internal Audit					
Information Technology					
Real Estate Services					
Media Technology Services					
Technology Strategy Board					
TOTAL APPLICATION OF FUNDS					

* In 2012-2013, a large portion of the training funds have been allocated to components for their training needs. For 2013-2014 and future years, they are shown under Training and Development until budgets are approved, at which time they will then be distributed in accordance with each component's training requirements.

CONTINGENCY PLANNING

CONTINGENCY PLANNING

- CBC/Radio-Canada has developed budget measures to address risks to advertising revenue (both from market conditions and from the CRTC refusing advertising on R2 and Espace musique) and salary inflation funding.
- These risks were identified during the business plan risk assessment process and key risks for 2013-2014 were provided to the Board of Directors in February 2013 (See Risk Management Appendix F).
- The following slides describe how these key risks will be managed over the upcoming years.

s.18(a)
s.18(b)
s.21(1)(b)

CONTINGENCY PLANNING (CONT'D)

Contingency Items	Budget Impacts (\$M's)		
	2013/14	2014/15	2015/16
Salary inflation funding does not resume in 2013/2014			
Advertising revenue loss			
Ads on Radio 2 / Espace musique not approved by the CRTC			
Less: Contingency Plans – English Services (slide 73)			
Less: Contingency Plans – French Services (slide 74)			
Less: Contingency Plans – Ads on R2/Espace Musique (Appendix K)			
Less: Contingency Reductions – Non-media Services (for salary)			
Total			

ENGLISH SERVICES - CONTINGENCY PLANNING

- English Services has [redacted] in contingency reserves to address major risks:
 1. Salary funding - [redacted] million
 2. Advertising Revenue Risk - [redacted]

- In addition, English Services has a Board-approved contingency plan that addresses the possibility of the CRTC not approving ads on R2. Contingency plan matches the net revenue risk of [redacted] million starting in 2013-2014 growing to [redacted] million by 2015-2016. See Appendix K for details.

FRENCH SERVICES – CONTINGENCY PLANNING

s.18(a)
s.18(b)
s.21(1)(b)

Should salary inflation funding not be available in 2013-2014, French Services would manage this contingency through:

managed by:

for French Services will be

Should advertising on Espace musique not be approved by the CRTC, French Services would manage by:

CAPITAL BUDGET

CAPITAL BUDGET 2013-2014 OVERVIEW

s.18(a)
s.18(b)
s.21(1)(b)

- This capital budget reflects the balancing of a number of priorities for the company:
 - The 2012 decision to delay capital funding by [redacted] in 2012, [redacted] in 2013, and [redacted] by 2014);
 - The continuing efforts to streamline our operations and reduce infrastructure not associated with a modern media/content company;
 - The investments required to support the continued roll-out of Strategy 2015.
- As demonstrated at the February Board meeting, our efforts to date are beginning to bear fruit: we are reducing our overall asset base which will ultimately provide more breathing room for our capital budget.

CAPITAL BUDGET 2013-2014 OVERVIEW (CONT'D)

s.18(b)
s.21(1)(b)

- We are also applying greater focus on the combined operating and capital budget processes to ensure that financial pressures are addressed in a coordinated and concurrent manner.
- Initiatives to manage our capital spending delays are mostly drawn from maintenance and update projects and do not impact our strategic or health and safety objectives.
- Nonetheless, we will continue to monitor our capital profiles and our capital risk levels and will address any urgent requirements should they arise.
- The following sections provide summary and detail information on the 5-year capital plan. Please note that the [redacted] is still in the planning stages and is not considered in the budget.

CAPITAL BUDGET 2013-2014

RECOMMENDED CAPITAL BUDGET

s.18(a)
s.18(b)
s.21(1)(b)

2013-14 TO 2017-18 CAPITAL INVESTMENT PLAN (in \$000's)

	Current Year 2012-2013	Budget 2013-2014	Forecast			Total	5 Years	% of 5-Year Plan
			2014-2015	2015-2016	2016-2017			
CAPITAL INVESTMENT PLAN								
Production Infrastructure								
Enterprise Systems & Technology Infrastructure								
Presentation, Collection, Distribution & Delivery								
Property Management								
Fleet and Minor Capital Purchases								
Corporate Contingency								
TOTAL CAPITAL INVESTMENT PLAN (1)								
TOTAL AVAILABLE CAPITAL FUNDING								
Capital Appropriation								
Carry forward from previous fiscal year								
Capital Leases								
Proceeds of Sale								
Specialty Services (New Network & RDI)								
English Services - Local Strategy								
Other Self-Generated Revenues								
Capital Contribution to Financial Pressures								
TOTAL AVAILABLE CAPITAL FUNDING								
Planned (Increase) / Decrease in Projects to Exceed Available Resources								
Cumulative Delay Factor (2)								
Target Delay Factor								
Surplus / (Deficit)								

CAPITAL BUDGET 2013-2014 5-YEAR CAPITAL INVESTMENT PLAN

s.18(a)
s.18(b)
s.21(1)(b)

CAPITAL BUDGET 2013-2014

AVAILABLE CAPITAL 5-YEAR PLAN: SOURCE OF FUNDS

Available Capital 5 Year Plan 2013-2014 to 2017-2018: Source of Funds

s.18(a)
s.18(b)
s.21(1)(b)

CAPITAL BUDGET 2013-2014

BACKGROUND INFORMATION

Additional background on the Capital Plan is provided in Appendices:

Appendix L: Key initiatives by Investments Category

Appendix M: 2013-2014 Capital Budget by Investment Program

Appendix N: Priorities, Challenges and Risks by Major Component

Appendix O: Capital Budget Projects greater than \$5M

BOARD RESOLUTION

BOARD RESOLUTION

IT IS RESOLVED THAT:

That the 2013-2014 Operating and Capital Budgets be approved and that the Senior Executive Team be authorized to give effect to the measures contained therein,

MOTION CARRIED

s.18(b)
s.21(1)(b)