



**RENEWING AND
STRENGTHENING THE CBC**

*CBC Corporate Plan Summary
2001-02 to 2005-06*

*Presented to the
Minister of Canadian Heritage*

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Table of Contents

INTRODUCTION.....	5
1. THE CHANGING ENVIRONMENT.....	7
2. THE ROLE OF THE PUBLIC BROADCASTER	8
3. OUR CONTRIBUTION TO THE BROADCASTING SYSTEM.....	10
A. CBC PROVIDES CANADIANS WITH A UNIQUE EXPERIENCE	10
B. CBC CONTRIBUTES TO NATIONAL AWARENESS	11
C. CBC SUPPORTS CANADIAN CREATIVE TALENT	12
D. CBC PROVIDES A TRUE REFLECTION OF CANADA	12
E. CBC ENHANCES CANADA'S IMAGE ABROAD.....	13
4. CBC'S CONTRIBUTION AT RISK.....	14
5. CBC'S PRIORITIES AND STRATEGIC DIRECTIONS	16
A. LEVERAGING ASSETS TO RE-INVEST IN PROGRAMMING.....	17
B. TRANSFORMING AND STRENGTHENING THE CBC.....	18
C. PARTNERSHIPS AND ALLIANCES: KEY TO CBC'S SUCCESS	23
D. CANADIAN TELEVISION FUND	25
6. REQUIRED SUPPORT	26
7. CONCLUSION.....	29

Appendix

FINANCIAL OVERVIEW

FINANCIAL OVERVIEW FOR CAPITAL AND WORKING CAPITAL ACTIVITIES

CAPITAL

WORKING CAPITAL

BORROWING PLAN





Introduction

The year 2000 has been one of notable success in fulfilling our mandate and serving Canadians. The year opened with millennium celebrations on all four networks that united the country and connected it with the rest of the world. It closed with more than 14 million Canadians tuning in to the groundbreaking bilingual epic *Canada: A People's History /Le Canada: Une histoire populaire*.

The year also saw the first concrete steps towards the transformation of English Television and the renewal of the prime-time schedule of French Television, while our English and French-language Radio services continued to build on the excellence of their programming. Simply, our goal is to continue increasing the real and perceived value of the CBC to Canadians.

As the only broadcaster providing virtually all-Canadian schedules in prime time through all its services across the country, CBC makes a unique contribution to maintaining the Canadian identity.

To retain and enhance its ability to make this contribution to Canada, CBC has undertaken a number of key initiatives based on long-term strategic directions and corporate priorities.

Through these initiatives, the CBC is refocusing on its core mandate and its core competencies to ensure that it provides distinctive programming of the highest quality and remains true to its roots as the national public broadcaster. It will strive to ensure that Canadians find greater value in its services and that this is done in a fiscally responsible way.

In addition, many of the initiatives outlined in the Corporate Plan are intended to create as much financial flexibility as possible.

The CBC has made great strides towards meeting its goals during the last year. *Renewing and Strengthening the CBC* outlines a course for the future but also highlights the significant financial pressures that the CBC will face in continuing operations at their current level over the next five years.

Robert Rabinovitch
President and Chief Executive Officer





1. The Changing Environment

The CBC now operates in a more challenging environment than ever before.

The digital revolution, along with globalization of both the economy and the communication sector, are the major drivers of change. At the same time, increased audience fragmentation from new services reinforces the need for a dynamic public service broadcaster in Canada. With stronger and vertically integrated competitors and new competition from both domestic and international sources, the need to preserve a “public broadcasting space” has become increasingly important.

The past year has seen the emergence of powerful new media conglomerates in Canada. Most have opted for strategies oriented towards vertical integration, while simultaneously reinforcing their positions by acquiring more broadcasting assets.

Given the new and stronger competition, it will be increasingly difficult and costly for the CBC to acquire program rights to high quality Canadian programming. Greater demands on the Canadian Television Fund (CTF) will also put pressure on CBC's ability to access a level of financing essential to maintaining a truly distinctive, indigenously Canadian, program schedule.

The CRTC policy for digital pay television and speciality channels provides the most liberal entry conditions for digital services. Beginning in the fall of 2001, almost three hundred new services could become available.

The emergence of media powerhouses will also affect the advertising market. The larger the conglomerate, the more niches and opportunities for high impact media placement and cross-promotion will become available. Media concentration will reduce the number of marketing options for non-aligned broadcasters.

Many analysts are concerned that greater concentration of ownership will decrease the number of voices heard in public debate or discussion of issues. In this context, a vibrant public broadcasting service with journalistic strength and independence is key to maintaining a diversity of voices and a true Canadian perspective on domestic and world events.



2. The Role of the Public Broadcaster

The CBC, owned by Canadians, has a heritage of being the nation's greatest supplier and promoter of Canadian cultural content.

As Canada's public broadcaster, the CBC conveys Canadian stories, values and regional perspectives to viewers by the most efficient means available, and works to provide quality in both French and English and to reflect the multicultural, multiracial nature of the country.

In today's more cluttered and concentrated broadcast spectrum, the public broadcasting space occupied by the CBC is more valuable than ever.

The Public Broadcaster's Role

In Canada, as in many other countries, the public broadcaster is the largest cultural institution, touching the lives of citizens daily with distinctive, objective and impartial programming.

In the area of content and the promotion of a country's values and culture, public broadcasters are decidedly risk-takers and innovators. While they must provide service through the most efficient technology available, and in a fiscally responsible manner, they are also at the forefront of new ideas and formats, providing programs with impact and appeal for large audiences.

In this way, public broadcasters extend the boundaries of a nation's broadcasting system, setting the highest standards of excellence in the reporting of news, information, and investigative journalism, and in the provision of pan-national stories and regional reflection.

By setting high broadcasting standards and providing distinctive programming that reflects the cultural values of society, public broadcasters exert a positive influence on private broadcasters and the entire broadcasting marketplace.

The CBC: Canada's Public Broadcaster

In its role as Canada's public broadcaster, the CBC seeks to tell Canadian stories, provide news and information, promote Canadian culture and connect communities and regions.

In all its programming, the CBC reflects the strength of Canada's past and the promise of its future and demonstrates the remarkable regional and cultural diversity of its people. It is the only broadcaster offering traditional broadcasting services and on-line services to all Canadians in both English and French across the country. Its news and information programming continues to be acclaimed for its high standard of excellence: its Radio services, for example, provide distinctive commercial-free content unmatched in its depth of coverage of issues, and in its presentation of Canadian artists and Canadian stories.



The CBC's goal is to maintain that quality of service. This has become more difficult, however, due to external forces such as greater concentration of media ownership, higher costs, and new sources of programming from all over the world. At the same time, though, these forces also underline the need for the CBC to continue in its role as public broadcaster in order to preserve distinctive Canadian programming and a Canadian identity.



3. Our Contribution to the Broadcasting System

The CBC makes a major contribution to the Canadian broadcasting system by:

- providing Canadians with a unique experience;
- contributing to national awareness;
- supporting Canadian creative talent;
- accurately reflecting Canada; and
- enhancing Canada's image abroad

A. CBC Provides Canadians with a Unique Experience

The CBC's mandate is to reflect the experiences of Canadians in a way that informs, enlightens, and entertains. CBC's distinctively Canadian, high quality programming fulfills that mandate by providing predominantly Canadian content of the highest quality, designed for citizens rather than consumers.

CBC: Valued by Canadians

According to a 1999 Pollara survey, the vast majority of Canadians believe that it is important to have a national public broadcaster like CBC/Radio-Canada. Further, most Canadians give CBC a high rating in meeting its mandate.

CBC: The Home of Canadian Content

When Canadians tune in to Canadian programming, it's the CBC they watch, listen to and surf. In 1999-2000, nine of the top 10 Canadian entertainment programs on English Television and four of the top five on French Television came from the CBC. In addition, CBC English and French web sites receive an astounding 32 million page views per month.

All of CBC's Television and Radio services far exceed the Canadian regulator's content requirements. The schedules for CBC's two main Television services attained 94% Canadian content in prime time for the current season, while the specialty services CBC Newsworld and RDI reached levels of 90% and 97% respectively. CBC Radio services exceeded 95% Canadian in Spoken Word programming and 50% in Music. In the case of French Radio, 95% of the music aired is Francophone.



CBC: Programming for Citizens

CBC's emphasis on programs for Canadians as citizens, not consumers, is most evident in its commercial-free Radio and children's programming blocks on Television and on the Internet. Its Radio services in particular put audiences in contact locally, across the nation, and around the world. Its presence in Francophone minority communities across the country contributes greatly to the nurturing of French culture. Further, the CBC is unique in pre-empting hundreds of regular programming hours to bring Canadians major events as they unfold. Whether on Radio or Television, CBC is renowned for pushing the envelope and for developing the cutting-edge journalism and the cutting-knife comedy that are distinctively Canadian and universally respected.

CBC: Distinguished by the Quality of its Programs

CBC's performance at the Geminis and the Gémeaux shows that, in a time of increasing fragmentation and the rise of new channels and networks, CBC Television is maintaining its exceptional level of quality, creativity and vitality. This year, yet again, CBC's Television services won more Gémeaux and Gemini Awards than any other broadcaster.

B. CBC Contributes to National Awareness

The CBC is an essential conduit for coverage and analysis of key Canadian events. At the same time it has a special responsibility to build bridges and encourage understanding among Canadians.

The fall schedule of 2000 alone provides insight into how CBC fulfills that responsibility. The mounting of the epic television series *Canada: A People's History/Le Canada: Une histoire populaire*; CBC's respectful coverage of events surrounding the death and mourning of Pierre Elliott Trudeau; its live Olympic programming from Sydney and citizen-participation programming during the Federal Election, all contributed to national awareness in meaningful ways.

Canada: A People's History/Le Canada: Une histoire populaire is a prime example of CBC's contribution to national consciousness and identity. Only the CBC could take the risk and dedicate the resources in terms of developing a bilingual epic history of Canada seen through the eyes of its people. With millions of viewers in English and French, the programs are supported by web sites and discussion forums, citizenship participation forums on radio, books (the #1 non-fiction best seller in English Canada throughout the fall), educational videos and teaching guides.



C. CBC Supports Canadian Creative Talent

The commissioning, production, and broadcast of original works by Canadian artists are one of the life-blood activities of the CBC.

Over the course of its current seven-year licence term, the CBC will invest hundreds of millions of dollars in the development and presentation of Canadian talent and works by Canadian artists. These investments reflect a variety of important activities, including contributions to artists, artistic organizations, rights holders, and independent producers. During the fiscal year 1999-2000 alone, CBC/Radio-Canada's direct contributions to artists reached \$36 million.

The CBC is Canada's most important vehicle for showcasing Canadian orchestras, theatre, and dance ensembles both nationally and regionally. In addition, the CBC provides an important distribution platform for traditional and special interest organizations and programs about the arts.

Every week, CBC French Television offers Francophone viewers major cultural events featuring works created and performed by Canadian artists. One example is the Sunday-night talent showcase, *Les Beaux Dimanches*. As well, *Télé des arts (ARTV)*, a specialty channel that will start broadcasting in fall 2001, has been designed to promote the arts and artists of French-speaking Canada.

The CBC's Radio services also remain deeply committed to the development of Canadian talent, through promoting new talents, composers and performers both in English and in French in a wide range of musical genres and various areas of cultural expression such as drama, comedy and literature.

Both services also organize several important competitions throughout the year to discover Canadian talent. The CBC further commissions several new classical compositions every year, and broadcasts hundreds of musical performances and festivals around the country.

D. CBC Provides A True Reflection of Canada

Pursuing its Parliamentary mandate, the CBC has, since its creation in the mid-1930s, provided both a national and a regional broadcasting service. The active presence of CBC Radio and Television services in communities across Canada is illustrated by the fact that:

- The French Television network broadcasts thousands of hours of French-language regional programming yearly, the only broadcaster to do so outside the core francophone markets of Quebec, Eastern Ontario and New Brunswick;
- More than 50% of the program schedule of the English Television network is spent on programming that reflects the regions;
- Over 65% of the 1,000 hours of original programming produced weekly by French Radio originates from the regions;
- 60% of the programming broadcast on Radio One and Radio Two is devoted to regional reflection.



E. CBC Enhances Canada's Image Abroad

The CBC plays a significant role in projecting a positive image of Canada abroad in seven languages. There are several ways in which this is accomplished: through Radio Canada International; the sale of Television programs; CBC web sites; Newsworld International, which delivers the CBC news perspective in the United States; and TV5 which expands “la Francophonie” around the world.

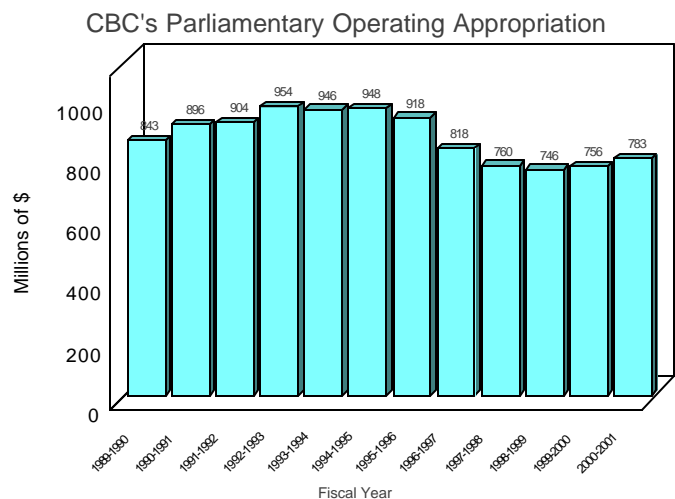


4. CBC's Contribution at Risk

Substantial resources are required for the CBC to fulfil its broad mandate and to reach out to Canadians in a unique way. However, reductions in CBC's appropriations and budgets throughout the 1990s, coupled with growing competition for advertising revenue and cost pressures, have reduced its financial flexibility and ability to contribute to the broadcasting system and to Canada.

CBC's Operating Funding: Stable but with Significant Reductions during the 1990s

CBC's Parliamentary appropriations for operating expenditures continued to increase year over year to approximately \$950 million by 1992-1993. Most of this funding increase was tied to salary and wage increases consistent with government guidelines. With the reductions announced in the 1993 Federal budget, and 1995 Program review, the appropriations began to decrease dramatically, by approximately 21% over the five-year period from 1994-1995 to 1998-1999, from \$948 million to \$746 million. The small increase, to \$783 million, in 2000-2001 was due to additional funding received in part to support salary increases, consistent with Government guidelines.



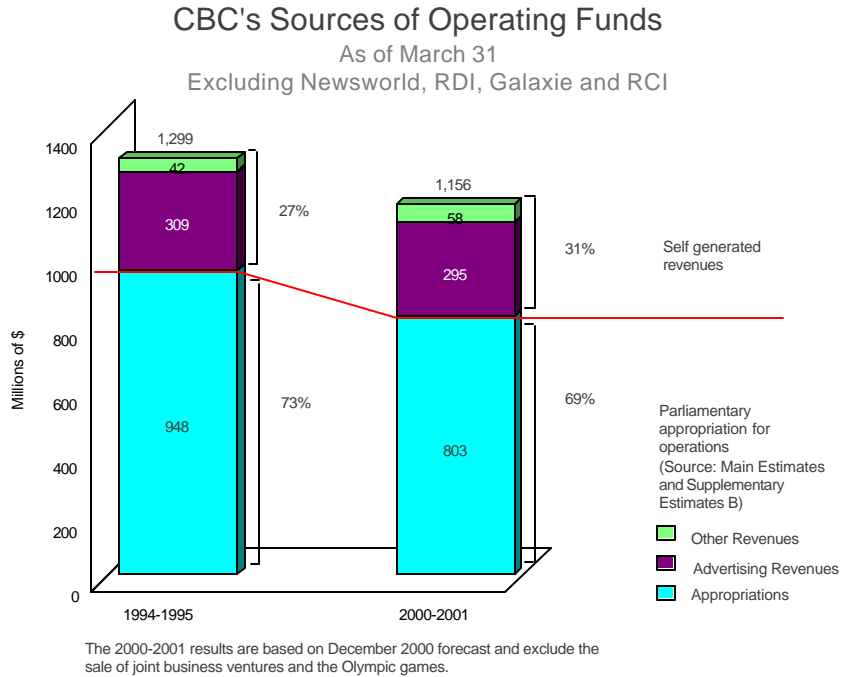
All figures report main estimates for operating appropriations with the exception of 1997-1998, which includes supplementary estimates primarily for additional funding for radio.

CBC's Dependence on Self-Generated Revenues has Increased and Financial Flexibility is Minimal

Government appropriations will continue to be the primary source of funding for the CBC and the operation of its services. However, due to extensive reductions in funding for operations over the past decade, CBC's dependence on self-generated revenues, primarily advertising dollars, is rising as a proportion of overall operating funds. Unfortunately, advertising revenues for both English and French Television are expected to decrease significantly over the coming years as a result of market fragmentation, competitive pressures and the transformation of English Television.



The on-going challenge for the Corporation is to meet increased competitive and cost pressures through established revenue sources and current funding levels.



Major Ongoing Financial Pressures

The Corporation is under continuous pressure to reduce its costs and generate efficiencies in order to balance its budget. Cost increases in several areas, including salaries and wages, program rights and increased unforeseen expenditures such as the further deployment of closed captioning, as required in a recent decision of the Canadian Human Rights Commission, are challenging the CBC's ability to balance its budget.

Net financial pressures (after minimum required funding from Treasury Board, through the ARLU process), which are beyond CBC's control, are projected to grow from \$32 million in 2001-2002 to \$66 million by 2005-2006. These unavoidable financial pressures hamper CBC's ability to re-invest in programming. These numbers reflect the expected gap between revenue sources, current funding levels and cost increases for expenses such as salaries and wages, closed captioning and program rights.

The five-year financial overview contained in the Appendix provides more details on the situation.



5. CBC's Priorities and Strategic Directions

The following strategic priorities speak to the need to renew and strengthen the CBC.

❶ *To project the image of a well-managed company and generate cashflow to re-invest in programming.*

- Leverage the CBC's assets.
- Implement a new property management regime.
- Maximize long-term benefits accruing to CBC from the sale of its over-the-air transmission infrastructure.

❷ *Ensure distinctive programming of the highest quality.*

- Support the transformation of English Television and change initiatives in all media lines to enhance distinctiveness.
- Reinforce regional presence and reflection across all media lines.
- Showcase new talents, new voices and new faces.
- Safeguard journalistic leadership.
- Create dependable, educational and entertaining viewing for children.
- Focus on content.

❸ *Facilitate a debate on CBC funding based on greater efficiencies.*

- Accelerate discussion with the public, Government and key stakeholders to promote public broadcasting as key to preserving and fostering Canadian culture.
- Demonstrate that CBC is now being managed efficiently as a business maximizing all assets.

❹ *Press for the creation of a separate CBC Television Fund to facilitate the financing of our programming.*

- Advocate changes to the current rules of the Canadian Television Fund to create a level playing field with other broadcasters.

❺ *Position the CBC to fulfil its mandate more effectively through selective alliances and partnerships and the creation of new revenue streams.*

❻ *Reinforce the capacity of the CBC to work as a single integrated conglomerate.*

- Maximize synergies and cross-promotion between media lines.
- Foster cross-media program initiatives.
- Ensure consistent branding throughout the Corporation.



The following sections present the key contributory elements of CBC's strategy for the period 2001-2002 to 2005-2006.

A. Leveraging Assets to Re-Invest in Programming

The CBC's *raison d'être* is the production and airing of distinctive, high quality programming reflecting Canadians, their country and its regions through Radio, Television and Internet services.

In December 1999, a Re-Engineering Task Force was established to help redesign the CBC for the 21st century. Its key goal was to capitalize on all possible operational efficiencies, and thereby generate increased resources for the CBC's core activity, namely, programming.

Following on the work of the Task Force, the CBC has implemented a two-part program to leverage its existing asset base, composed of two key elements: the disposition of transmission assets and the consolidation of property management.

Disposition of Transmission Assets

Although transmission assets management is not part of the CBC's core business, it owns or leases 962 transmission sites, 657 transmission towers, and 2,471 transmitters, many in remote areas. These assets are potentially worth more to telecommunications companies or other operators, as wireless appliances and services and wireless broadband networks continue to increase in importance. This is confirmed by the experience of the British Broadcasting Corporation and in Australia in the sale of their transmission assets.

The CBC has been examining the possibility of disposing of these assets to generate a cashflow for reinvestment in programming.

In the event that these facilities are sold, the CBC will continue to be the broadcasting licensee, with ultimate responsibility for maintaining control of the broadcast signal and associated content, in compliance with legislation, regulations and conditions of licence.

Consolidation of Property Management

The need to optimize the way in which the CBC manages and uses its real estate (currently comprising five million square feet of real estate, 94 % CBC- owned) led to a complete review of building usage and costs, using outside consultants, and, subsequently, an outside expert in real estate management.

A number of selected properties will be dealt with as part of an initial action plan to generate additional value to the CBC through leasing excess space, disposing of vacant land, and consolidating operations. These include The Toronto Broadcasting Centre, La Maison de



Radio-Canada and CBC property in Vancouver, Burnaby, Edmonton and Regina. These six properties represent 84% of total space and 80% of operating costs.

Other Initiatives

As part of its initiative to transform and strengthen the organization, the CBC has also embarked on a Corporation-wide benchmarking exercise to drive efficiencies and to reduce costs. Numerous projects have been launched to review production methods, fleet management, and the use of facilities and to set performance indicators across the CBC. The goal is to trigger fundamental and permanent changes in how resources are utilized within the CBC.

These initiatives illustrate the CBC's strong determination to operate in a business-like manner, to generate cashflow to enhance programming and to deliver greater value to Canadians.

B. Transforming and Strengthening the CBC

CBC English Television

The transformation and re-focusing of English Television (ETV) is a key priority. ETV has been largely successful in "Canadianizing" its prime-time schedule and is currently emphasizing its "public service" mandate. Its transformation is a work-in-progress that began in October 2000, and will be completed in the 2001-2002 Television season.

1) Focusing on Core Strengths

The CBC's first priority will be to ensure that its programming becomes more consistent, while continuing to accurately reflect all parts of the country to the whole in its core programming genres. It plans to increase its journalistic presence in communities, to establish a development fund to stimulate regional ideas, and to confirm regional decision-making with respect to the content of the supper hour news program. A key change is the combining of local programming with a quality CBC national newscast in the new CBC News Package at 6 p.m.

2) Children & Youth programming

Although it is not necessarily profitable, children's programming is the hallmark of every major public television broadcaster and key to investing in Canada's future. The CBC has excelled with its morning program, *CBC Playground*, and plans to continue boosting educational values, providing a healthy learning environment, and promoting parenting skills by expanding this program area by one-third, to 750 hours per year.



3) Thoughtful Journalism

The CBC proposes to put greater emphasis on documentaries where it has already established its reputation as chief practitioner. It plans to create a regionally based documentary series called *The Canadian Experience* and to develop new public affairs programs. On Sunday mornings, the schedule will also include a “serious block,” including programs on politics, media accountability, and an in-depth exploration of spiritual matters. CBC plans also call for a reinvestment in the 10 o'clock hour and special programming.

4) Arts Programming

In this area, the CBC has introduced *Opening Night* in prime-time on Thursday nights, a two-hour commercial-free program that showcases the best in performing arts from Canada and around the world.

5) High-Impact Specials

The CBC has established a strong reputation for bringing “nation-sharing” events into the homes of Canadians. It is responsible for such memorable broadcasts as: *2000 Today*, a 26-hour millennium program that linked Canadians with one another and with the rest of the world on the occasion of the new millennium; *The Opening of Pier 21*, commemorating millions of Canadians who arrived as immigrants and thousands who left from Pier 21 to serve in World War II; *The Appearance of the Tall Ships* in Halifax; the live coverage of the dedication of *The Tomb of the Unknown Soldier*; and *Trudeau*, a complete review of the life of former Prime Minister Pierre Elliot Trudeau and coverage of his state funeral.

The Canadian History Project, *Canada: A People's History/Le Canada: Une histoire populaire*, which had its debut on both French and English Television networks on October 22, is yet another example of a high-impact special. The uniqueness of this programming remains its indisputable legacy, one which will remain well beyond its first telecast. It will provide valuable learning material for schools, feed websites and other written contents and become part of our Canadian heritage. This program will include 16 programs, with the first nine episodes broadcast in 2000-2001 on both CBC Television networks.

6) Selective De-Commercialization

A key element in efforts to refocus CBC Television and realign it with its mandate is de-commercializing to the extent possible. Selective withdrawal from advertising could benefit the government, the public broadcaster and the private sector. However, a prudent approach will be key, given that advertising revenue provides over 25% of CBC operating funds.



CBC French Television

CBC French Television is a public, general interest, popular Television service that will continue to play a decisive role in the Canadian broadcasting system. With its 19% market share among Francophones,¹ CBC French Television makes a significant contribution to the dynamism and quality of the overall offering of television programming for Francophone viewers, at a time when ownership of French-language media is becoming increasingly concentrated. CBC French Television is defined by its deep roots in every region of the country and its commitment to reflect the culture and concerns of all Francophones.

CBC French Television's program schedule is undergoing major revitalization, by the end of which 90% of its prime time programming will have been replaced. Its objectives in that process are to safeguard its leadership in CBC's priority programming areas, to develop new creative talents, and to make a place for those talents on CBC airwaves.

On-going Revitalization

Canadian Drama

- All Canadian drama programs have been replaced, except for the two daily continuing programs.

Culture and Variety

- All cultural magazine shows have been replaced;
- All variety shows have either been replaced or substantially modified;
- The content of *Les Beaux Dimanches*, CBC's flagship program for cultural and artistic performance, has become more tightly defined to consolidate its brand image and ensure consistency for the viewer.

Youth

- More dramas and fewer games are now in place;
- A new regionally-produced youth oriented drama has been launched;
- A gradual shift of the 6:30 to 8:00 AM time slot (the peak viewing time for children aged five to 12) has taken place from news to children's programs.

Daytime

- All daytime public service and variety programs have been modified or replaced.

Sports

- A gradual move from professional sport (with a few exceptions) to amateur sport has taken place, in order to focus on the Canadian amateur athletes preparing for the winter and summer Olympics.

¹ Average market share of Radio-Canada among Francophones aged 2 and over for the entire broadcasting day (6 AM to 6 AM), 1999-2000 regular season (September 1999 to March 2000).



News and Current Affairs

- A new consolidated news production unit operating in a newly built, entirely digital facility – the *Complexe Nouvelles* – will be launched in fall 2001.

CBC English Radio

CBC English Radio is committed to providing high quality information, cultural and music programming on *Radio One* and *Radio Two* in 48 communities across Canada. It is distinctive in quality and valued by Canadians because:

- It is non-commercial;
- It has 95%-plus Canadian content in its spoken word programming;
- It provides exceptional broadcast journalism in the form of hourly news summaries, extended news programs, and over 100 hours a week of in-depth current affairs and documentary programming;
- It provides at least 50 hours a week of original performance programming, including the presentation of over 300 Canadian musical events and nearly 100 original Canadian radio dramas each year;
- It has the highest commitment to Canadian musical content in the Canadian radio industry;
- It provides approximately 1,140 hours a week of regional programming, plus over 120 hours a week of complete regional productions for network broadcast.

CBC English Radio's goal is to continue improving programming, to further innovate and create new programming, and to reach more Canadians.

Radio One will continue to maintain quality in national and regional programming, increase the number of pilots and new series from across Canada, and further develop "foundation" programming, e.g. *This Morning*.

Radio Two over-the-air service is being extended to key under-served communities (Kelowna, Sudbury and Swift Current in 2000-2001 and four additional communities in Newfoundland, Nova Scotia, Quebec and British Columbia in the coming year). The CBC's goal is to meet its commitment to 80%-plus national coverage and to make *Radio Two* the "indispensable Canadian source for cultural reflection," both on-air and on-line².

Radio Three Internet sites were launched in 2000 to very favourable critical reviews. These will be expanded and marketed to attract more young Canadians to Canadian public radio programming delivered conventionally and via new media.

² CBC *Radio One* is available over-the-air to 98% of Canadians.



CBC French Radio

The key objective of CBC French Radio is to maintain and protect French-language public radio space in a complex digital universe where media ownership is becoming increasingly concentrated.

CBC French Radio operates in a media universe that is in total upheaval, due to the emergence of new media and technologies, major changes in the media universe and changes in listening habits in the Francophone community. In response to these changes, CBC French Radio must adapt, primarily by relying on its special strengths and continuing to provide distinctive programming that reflects the diversity of Canada.

Action Plan for French Radio

- Make national and regional programming more open to the world. This can be achieved in a variety of ways, ranging from better exchanges between national and regional programming (300 hours of new content) to strengthening productions designed for the regions and international radio partnerships;
- Strengthen the presence of French Radio in the regions by such initiatives as originating local programming from Trois-Rivières (325 hrs/year), extending La Chaîne culturelle network in Winnipeg and Vancouver, and broadcasting La Première Chaîne in Victoria;
- Promote and develop Canadian talent, for example, by strengthening the CBC web site, bandeapart.fm, by adopting quality standards and programming rules for broadcasting Canadian music and by implementing a musical production centre to enhance the coverage of cultural events in Quebec (58 concerts);
- Increase listenership through enriching programming, increasing audiences, broadcasting youth programming through alternative distributors, and raising market share to 11% compared to 9% in 2000-2001.



New Media

CBC's mission in new media is to be the prime architect of a Canadian public space in the emerging multimedia environment through its brand reputation, its standards of excellence, and its independence from commercial imperatives.

New media activities are transforming the CBC, not just through the use of technology, but also in the way projects are managed and realized. Teams in each of the four traditional media lines – Radio, Television, French and English – work together under a common strategy and set of objectives.

The New Media strategy is to deliver news and public affairs, cultural content, children and youth programming and information about CBC Television and Radio programs via regular, high speed (broadband) and wireless Internet.

New Media objectives are to:

1. Be widely recognized as the prime provider of excellent non-commercial content in the development of a Canadian public space on the Web;
2. Strengthen our regional presence;
3. In collaboration with other components, make innovative use of CBC's archival content through new media platforms;
4. Increase the accessibility to our content through its distribution on multiple platforms, and
5. Explore the potentials of broadband and digital services through production of innovative and standard-setting content.

C. Partnerships and Alliances: Key to CBC's Success

In the increasingly competitive communications market, partnerships and alliances provide the CBC with an essential avenue to complement and augment its public broadcasting mission, maximize the value of its assets and mitigate financial risk.

Specialty Television Services

The current year is an excellent example of how the CBC, through strategic partnerships, is extending its capacity to deliver services to Canadians in line with its programming priorities. Three new licences were awarded by the CRTC in 2000 to services in which the CBC plays a significant role. These services, which will be in operation in fall 2001, include *Télé des arts* (ARTV), *The Canadian Documentary Channel* and *Land and Sea*.



Télé des arts (ARTV)

The CRTC licenced *Télé des arts* in September 2000 to operate a new nationally distributed French-language specialty channel devoted to arts and culture. The new service brings together the expertise of five shareholders: Radio-Canada (37%), Télé-Québec (25%), BCE Media (16%), ARTE France (15%), and Spectra (7%).

The Canadian Documentary Channel

The Canadian Documentary Channel is a winning formula that brings together Corus (53%), CBC (29%), NFB (14%), and four independent production companies. It reinforces the leading role CBC and the NFB have played in the development of the Canadian documentary, and contributes to the creation of a new generation of Canadian documentary filmmakers. CBC participation will allow the telecast of CBC's extensive documentary archive.

Land and Sea

Land and Sea has been designed to meet the particular needs of rural Canadians. Corus (70%) and the CBC (30%) have teamed up to create this unique service, with the CBC providing news and information programming from Winnipeg and St. John's and using its news infrastructure to help collect rural and resource-based information. It will build on CBC's reputation for providing key information about Canada's important resource industries.

New Media Partnerships

Partnerships are very common in New Media and allow the CBC to extend the reach of its content for the benefit of Canadians over numerous platforms at very low cost.

Partnerships with other web sites, in particular, portals such as Sympatico, AOL, MontrealPlus.ca, [Excite@Canada](#) and MSN increase the visibility and accessibility of CBC content and brand.

Through partnerships, the CBC is also reaching Canadians on new platforms such as Palm Pilots and PCS phones. The CBC has also partnered to create new content with The Canadian Film Centre and Historica for *The Great Canadian Story Engine* web site and with Canadian Heritage and Industry Canada for *Francomania.ca*.



D. Canadian Television Fund

The CBC is the primary guarantor of high quality, distinctively Canadian television programs in our broadcasting system. As the single most important provider of these programs, the CBC has benefited enormously from the independently-produced programs financed by the Government of Canada's cultural instruments, including the Canadian Television Fund (CTF).

Since its inception in 1996, the CTF has played a fundamental role in ensuring the success and “Canadianness” of CBC's prime-time schedules. During the 1999-2000 broadcast year, the CTF assisted eight out of 10 Canadian entertainment television series broadcast on CBC's English Television and three of the top five Canadian entertainment series on French Television.

However, starting in 2000-2001, CBC's guaranteed access to the Fund was removed, with an immediate impact on English Television. For example, 22 of 35 arts and entertainment projects that it licenced were either rejected or awarded reduced funds, resulting in \$7 million not being received by independent producers. Given that inventories have been virtually depleted, any recurrence would jeopardize English Television's virtually all-Canadian schedule. CBC French Television foresees the same pressures within a year.

The Department of Canadian Heritage has initiated a process to review the structure and operation of the CTF. Through this initiative, the CBC is confident that the department will reinstate the CTF's importance in ensuring the success of the CBC's Canadian prime-time schedule. Such an outcome would ensure a supply of high quality, distinctly Canadian programs to the broadcasting system and would reinforce Canadian cultural policy objectives, including the development of a strong Canadian presence in the increasingly integrated global village.



6. Required Support

To remain in step with today's global and rapidly changing broadcasting sector, the Corporation is taking radical measures to transform itself. A greater focus on public broadcasting values and core programming, and increased attention to non-commercial program schedules are allowing it to provide Canadians with even better, more distinctive and important programming.

Clearly, further fragmentation of television audiences and a reduction in the number of commercial advertising spots in CBC Television program schedules will translate into reduced self-generated funding. As well, the Government's commitment to stable funding extends only to 2002-2003. This has already resulted in a reduction to the Capital appropriation of \$5.3 million commencing in 2003-2004. As well, the renewal and the future of Canadian Television Fund funding remain uncertain. Combined, this represents considerable uncertainty in three of the key external funding sources for the CBC.

The Need For Greater Flexibility

In a highly competitive radio and television marketplace, the ability to move quickly, with certainty and confidence, is fundamental to making new business arrangements with long-term benefits.

For the CBC to seize new opportunities in its marketplace and maximize its value to Canadians, it needs increased flexibility and financial certainty to deliver its strategic plan. The mere perception that the CBC lacks the authority or the ability to commit quickly to business decisions can discourage other organizations from considering it as a primary choice for new business opportunities. Increased flexibility will allow the CBC to become more responsive to the needs of Canadians, more efficient in the management of its resources and more fiscally responsible for the delivery of its mandate.

As a result of these issues, the CBC requires flexibility in 6 key areas:

1. Flexibility to acquire, hold and dispose of shares

The CBC's ability to enter into business partnerships and to react quickly to market opportunities is currently hampered by a number of factors, including the need to obtain Governor-in-Council (GIC) approval for acquiring, holding or disposing of shares in a corporation (under the *Broadcasting Act*). The process for such approval is time-consuming and, normally, it could take several months before final authority is granted. Recent streamlining of the GIC approval process should reduce the time needed to facilitate approvals by up to two weeks.



However, in the current broadcasting environment, strategic partnerships with the private sector are often formed around incorporated business entities such as specialty services. The ability to make commitments with confidence can determine the success of any future strategic alliance. The CBC is, therefore, seeking options to have the necessary advanced authority to acquire, hold and dispose of shares in a corporation.

2. Increased flexibility for Real or Personal Property

Section 48(2) of the *Broadcasting Act* restricts the CBC's ability to dispose of assets in excess of \$4 million without Governor-in-Council approval.

Current Treasury Board guidelines require specific approval for the retention of proceeds above this level. Without authority to retain such proceeds, the CBC's incentives to pursue productive asset disposals are virtually eliminated. The CBC believes that this \$4 million limit should be raised to \$15 million to factor in inflation and the need for greater flexibility.

3. Carry-over operating and capital funds

The Corporation is also seeking flexibility in the interpretation of the 5% drawdown exemption. The CBC's current 5% exemption to Treasury Board's drawdown policy enables the Corporation to carry forward a surplus of up to 5% of its operating and capital appropriations. Appropriations represent roughly two-thirds of CBC's annual \$1.3 billion budget. In reality, therefore, the current 5% provides management with a maximum operating surplus of roughly 3% on its total operations, because it excludes expenses funded from commercial advertising, miscellaneous and subscriber revenues. Currently, because CBC's capital expenditures are funded by a separate capital vote, the calculation for the capital carry-forward is separate and cannot be applied against any operating surplus (even if it is not needed in capital).

The Corporation is looking for a combined 5% limit that would not be based on appropriations, but rather on total operating and capital expenditures as reported in the Main Estimates. This would provide the needed flexibility to manage CBC's resources in consideration of normal timing differences between revenues and expenses and provide for a more efficient mechanism for re-profiling capital funds from one year to the next. The additional benefit of introducing more flexibility to carry over a surplus encourages good management practices.

4. Transfer funds between capital and operating votes

Unlike its private sector counterparts, the CBC has extremely limited flexibility to react to financial conditions or opportunities that call for modifications to its existing capital and operating plans. Once these plans are approved, changes require the approval of Parliament. The Corporation therefore requires the on-going support of government for its ability to transfer funds between capital and operating votes.



5. Income tax status

Parliamentary appropriations are the CBC's principal revenue source. Currently, the operating appropriation, together with revenues generated through business activities, are considered as CBC's total income for tax purposes. Since the appropriations are given to the Corporation in order to fund specific activities, and since the CBC is not expected to generate a profit for distribution, the CBC requires government support to obtain a tax-exempt status from the Department of Finance.

6. Canadian Television Fund (CTF) Funding

The CBC is very pleased to see that the Government's contribution to the CTF has been renewed for one year. This renewal at the \$100 million level provides an opportunity for government and industry players to re-assess how best to move forward to ensure that quality and distinctively Canadian programs are available to Canadian viewers. Nonetheless, there are still governance issues to be addressed to ensure a level playing field between private and public broadcasters.

In that regard the CBC has responded to the Department of Canadian Heritage's call for comments on the "Future of the Canadian Television Fund."

While there have been some administrative improvements in some of the areas outlined above, fundamental changes are still required to ensure the survival of a public service mandate in a private-sector-dominated industry. The Corporation respectfully requests that further consideration be given to making those changes.

Dealing with CBC's Anticipated Shortfall for Operations at Current Level

Beyond these basic requirements for achieving greater financial flexibility, the CBC must rely on the Treasury Board Annual Reference Level Process (ARLU) to help manage incremental cost pressures. The five-year financial overview in the Appendix sets out the expected minimum level of contribution from Treasury Board through the ARLU process. The financial overview also demonstrates the extent of the efforts that the CBC will have to deploy to deal with the anticipated shortfall through internal funding and efficiencies to balance its budget.



7. Conclusion

The CBC is positioning itself to continue to play a major role in Canadian broadcasting.

With this plan, the CBC will focus more on its core public broadcasting activities, and realize the benefits of a careful review of its operations, including the mining of numerous revenue-generating opportunities to create the necessary level of financial flexibility. It will therefore improve its ability to fulfil its mandate as it re-invests in programming.

Only the pursuit of these efforts can enable the CBC to make the strongest possible contribution to Canadian broadcasting and to excellent Canadian programming; to preserve its place as Canada's most important cultural institution; and to ensure that Canadians continue to receive distinctive, culturally significant, and important programming in today's more cluttered broadcast world.

Government has a critical role in this initiative. Without its support for greater flexibility in several key areas of the CBC's operations, the Corporation will be unable to reap the full benefits of its efforts to leverage its assets to re-invest in distinctive Canadian programming. Similarly, without the establishment of a new funding structure for the Canadian Television Fund, the CBC's ability to deliver a high quality Canadian program schedule is at risk.

However, if operations continue at current levels, the CBC will face a significant shortfall over the next five years, reaching \$32 million in 2001-2002 and rising to \$66 million by 2005-2006. The CBC will strive to address this shortfall through internal funding and efficiencies, providing the Corporation's base funding can be adjusted annually through the Treasury Board Annual Reference Level process to deal with salary and wage pressures and unavoidable cost pressures.

Beyond meeting these basic needs, additional funding from Government further to the Speech from the Throne would allow for greater investment in quality programs on CBC's Radio and Television services.

Our commitment is to renew and strengthen the CBC to better serve Canadians and to invest all new Government funding into programming to meet this objective.





Appendix

Financial Overview

- Financial Overview
- Financial Overview for Capital and Working Capital Activities
- Capital
- Working Capital
- Borrowing Plan





Financial Overview

(\$000's)						
	<u>Period covered by this Corporate Plan</u>					
	<u>2000/2001</u> (6)	<u>2001/2002</u> (6)	<u>2002/2003</u>	<u>2003/2004</u>	<u>2004/2005</u> (6)	<u>2005/2006</u> (6)
<u>SOURCES OF INCOME</u>						
Operating Appropriation	800,621	795,664	799,739	800,455	800,455	800,455
<i>Required funding from Treasury Board – ARLU</i> ⁽¹⁾		<i>29,555</i>	<i>54,858</i>	<i>80,800</i>	<i>107,524</i>	<i>135,050</i>
Reprofiling decision	2,000					
Advertising and program sales	354,283	357,570	304,372	304,737	359,436	372,233
Other revenue ⁽²⁾	178,141	179,941	182,486	183,035	183,583	184,134
<i>Decline in advertising revenues</i>	<i>-</i>	<i>(14,500)</i>	<i>(30,000)</i>	<i>(30,000)</i>	<i>(30,000)</i>	<i>(30,000)</i>
TOTAL SOURCES OF INCOME ⁽³⁾	1,335,045	1,348,230	1,311,455	1,339,027	1,420,998	1,461,872
<u>REQUIREMENTS</u>						
Television and Radio services ⁽⁴⁾	1,240,488 ⁽⁷⁾	1,252,574	1,181,696	1,190,514	1,254,601	1,276,958
Transmission, distribution and collection	76,500	77,112	77,729	78,351	78,978	79,609
Corporate Management	15,301	15,760	15,918	16,077	16,238	16,400
Provision for tax/Large Corporation Tax	2,756	2,784	2,812	2,840	2,868	2,897
Amortization of capital assets	155,582	156,982	158,395	159,821	161,259	162,710
Deduct: Items not requiring current Operating funds	155,582	156,982	158,395	159,821	161,259	162,710
<i>Cost increases</i>	<i>-</i>	<i>31,808</i>	<i>69,284</i>	<i>97,304</i>	<i>124,157</i>	<i>151,683</i>
TOTAL OPERATING EXPENDITURES	1,335,045	1,380,038	1,347,439	1,385,086	1,476,842	1,527,547
SHORTFALL TO BE FUNDED BY NEW SOURCES OF FUNDING OR EFFICIENCIES ⁽⁵⁾	-	(31,808)	(35,984)	(46,059)	(55,844)	(65,675)
INTERNAL FUNDING AND EFFICIENCIES	- ⁽⁷⁾	31,808	35,984	46,059	55,844	65,675
NET POSITION	-	-	-	-	-	-

⁽¹⁾ Assumes Treasury Board funding of 3.3% per annum for salary increases and additional closed captioning funding due to the decision from the Canadian Human Rights Commission. Assumptions are based on Treasury Board funding decisions of previous years. Note that these amounts do not include provisions for new unavoidable costs that would normally qualify for funding under the ARLU process.

⁽²⁾ Includes Specialty Services (CBC Newsworld, Le Réseau de l'information and Galaxie), Radio Canada International and other miscellaneous revenues.

⁽³⁾ Excludes new self generated revenue sources such as proceeds from sales of joint venture and potential proceeds from future initiatives.

⁽⁴⁾ Includes expenditures related to CBC's main service, Specialty Services (CBC Newsworld, Le Réseau de l'information and Radio Canada International).

⁽⁵⁾ Expected gap between revenue sources, current funding levels and costs increases for expenses such as salaries and wages, closed captioning and program rights as discussed in section 4.

⁽⁶⁾ Includes Olympics revenues and expenditures: Sydney in summer 2000, Salt Lake in winter 2002, Athens in summer 2004 and winter games in 2006 (TBA).

⁽⁷⁾ Costs increases and internal efficiencies have already been factored in this figure.



FINANCIAL OVERVIEW FOR CAPITAL AND WORKING CAPITAL ACTIVITIES

		(\$000's)				
		<u>Period covered by this Corporate Plan</u>				
	<u>2000/2001</u>	<u>2001/2002</u>	<u>2002/2003</u>	<u>2003/2004</u>	<u>2004/2005</u>	<u>2005/2006</u>
<u>SOURCES OF FUNDS</u>						
Parliamentary Appropriations for Capital Activities	90,719	123,311	97,631	92,331	92,331	92,331
Parliamentary Appropriations for Working Capital	4,000	4,000	4,000	4,000	4,000	4,000
TOTAL SOURCES OF FUNDS	94,719	127,311	101,631	96,331	96,331	96,331
<u>APPLICATIONS OF FUNDS</u>						
Capital Activities	90,719	123,311	97,631	92,331	92,331	92,331
Working Capital	4,000	4,000	4,000	4,000	4,000	4,000
TOTAL APPLICATIONS OF FUNDS	94,719	127,311	101,631	96,331	96,331	96,331
ANNUAL SURPLUS/SHORTFALL	-	-	-	-	-	-

Capital

To ensure that each capital dollar is spent efficiently, the CBC has significantly changed its capital investment process. The new process, that took effect in 2000-2001, includes:

- Better integration of the capital planning process with the corporate strategic and operational plans;
- Approval of capital investment initiatives on the basis of a detailed feasibility study that is developed and evaluated using standard tools and techniques;
- A process that favours corporate priorities and business needs.

Total capital spending in 2001-2002 is planned to be \$123.3 million, including \$23 million in reprofiled funds for project delays in 2000-2001. Beyond 2001-2002, capital spending will be roughly \$100 million per year until 2002-2003.

Currently, CBC's entire TV and Radio satellite collection and distribution system is being converted to compressed digital technology, which will allow the Corporation to increase the efficient use of its leased transponders.



Television is in the second year of a three-year program to replace all news field and edit equipment with the Sony SX equipment, a compressed digital tape format. With respect to CBC's production facilities, The Toronto Broadcasting Centre is a fully digital plant and the news facilities in La Maison de Radio-Canada will be fully converted to digital technology by 2001-2002. This technical conversion will make all the news services produced in La Maison more efficient through operating from one modern complex and actually changing the way news programs are made. It could, however, take more than 10 years to convert the rest of La Maison and all the regional production stations from analog to digital within existing resource levels.

The CBC has made some initial investments in Digital Radio Broadcasting (DRB) and transmitters are now operational in Toronto, Vancouver, Montreal and Windsor in partnership with private broadcasters. The future deployment of DRB will have to follow a flexible timetable that does not outpace the widespread availability of digital radio receivers, which remain very costly.

Conversion to digital television transmission will also need to be tied to the emergence of a strong business case and the widespread availability of digital television receivers.

Working Capital

The Corporation is seeking no adjustments to its \$4-million approved working capital reference level in its Corporate Plan submission.

Despite considerable challenges in recent years, the Corporation continues to manage within its working capital funding level. Decisions such as up-front contract payments that will reduce operating expenditures over the long-term create immediate working capital pressures that the Corporation must address in the short term. Similarly, programming decisions such as the Canadianization of English Television's program schedule will also place additional one-time and ongoing pressures on the Corporation's working capital.

Together with inflationary pressures, these demands will need to be carefully managed within available resource levels.



Borrowing Plan

Pursuant to the provisions of section 46.1(1) of the *Broadcasting Act*, the CBC seeks the approval of the Minister of Finance to borrow money, not exceeding in the aggregate \$10 million, subject to the following general conditions:

- Proposals that are to be financed through borrowing will be consistent with and enhance CBC's ability to meet its mandate;
- Borrowing will be for venture investments or for activities related to ongoing operations that demonstrate viability by generating funds sufficient to achieve a positive rate of return;
- The CBC will not borrow money to finance base working capital activities or operating shortfalls.

The Corporation will submit specific borrowing proposals to the Minister of Finance, consistent with the above principles.

