



**Strengthening and Renewing the CBC:
Our Strategy at Work**

*CBC Corporate Plan Summary
2002-2003 to 2006-2007*

*Presented to the
Minister of Canadian Heritage*

June 2002



Table of Contents

INTRODUCTION.....	5
I) HIGHLIGHTS OF THE CBC's ACHIEVEMENTS.....	7
II) CBC'S STRATEGIC DIRECTIONS	10
1. DEMONSTRATE THAT THE CBC IS A WELL-MANAGED COMPANY AND GENERATE CASH FLOW TO RE-INVEST IN PROGRAMMING.	10
2. ENSURE DISTINCTIVE PROGRAMMING OF THE HIGHEST QUALITY.....	12
3. DEMONSTRATE THAT ADEQUATE FUNDING COUPLED WITH EFFICIENCIES ENHANCES THE CBC'S VALUE TO CANADIANS.....	19
4. ENSURE THE SUSTAINABILITY OF OUR CANADIAN SCHEDULES	20
5. ENHANCE CBC'S ABILITY TO FULFIL ITS MANDATE THROUGH SELECTIVE ALLIANCES AND PARTNERSHIPS.	22
6. REINFORCE THE CAPACITY OF THE CBC TO WORK AS ONE INTEGRATED CONGLOMERATE.	23
III) DELIVERING NEW PROGRAMMING FROM NEW FUNDING.....	24
IV) SUPPORTING CBC'S STRATEGIC DIRECTIONS	27
V) CONCLUSION.....	30

APPENDIX

FINANCIAL OVERVIEW

- ◆ Operating Overview
- ◆ Borrowing Plan
- ◆ Working Capital
- ◆ Capital





Introduction

The environment facing media industries in Canada and around the world has changed significantly. In Canada, the broadcasting industry is evolving in order to remain a key infrastructure support to cultural integrity and Canadian identity.

The CBC has established a clear strategic course to fulfil its role in the Canadian broadcasting system -- a role that has increased in importance in a globalised environment. We have embarked on a transformation and a major renewal of our programming services. We have recognised that to meet our mandate we must be distinctive, providing high-quality Canadian programming that is relevant to the needs and expectations of the public.

The CBC has also recognised that to achieve its strategic directions, it must operate as an efficiently managed business -- a business that is dedicated to the public and to the public interest. That is why our strategic directions are underwritten by a drive to generate the resources required to invest in programming. Our program of achieving greater efficiencies in our business operations, coupled with the leveraging of our non-core business assets, is beginning to reap significant financial rewards, and the positive impact on our programming is already evident. The strategy is working.

The CBC's ability to meet its mandate is also highly dependent upon the resources it can muster from a variety of sources: Parliamentary appropriations, advertising revenue, and funding instruments like the Canadian Television Fund.

Government has also begun to re-invest in the CBC and has provided one-time funding of \$60 million in 2001-2002. These new resources are being wholly invested in programming to deliver greater value to Canadians. In the recent December 2001 Federal Budget, the Government also announced the provision of an additional one-time \$60 million for the CBC in 2002-2003. There is no doubt that this additional funding will provide a significant boost to Canada's national public broadcaster in providing Canadians with more distinctive programming.

The CBC Corporate plan discusses all of these important issues and also identifies the significant challenges that still lie ahead for the CBC.

To serve the public appropriately, the CBC must receive adequate multi-year Parliamentary appropriations to support its core operations and programming mandate.

The CBC's mandate is clear and we have a plan to meet these challenges. With the efficiencies the Corporation generates and the renewed Government commitment to public broadcasting, CBC can maintain a clear and unique identity distinct from all other broadcasters and content providers for the benefit of all Canadians.

Robert Rabinovitch
President and CEO





I) Highlights of the CBC's Achievements

In 2001-2002, the CBC embraced new strategic directions and a series of initiatives to generate cash-flow to re-invest in programming.

Our program of achieving greater efficiencies in our business operations, coupled with the leveraging of our non-core business assets, is beginning to reap significant financial rewards, and the positive impact on our programming is already evident. The strategy is working.

Generating Cash Flow to Re-Invest in Programming

- ❑ In the latter part of 2000, the CBC created a Real Estate Division. The Real Estate Division has identified CBC properties across the country including those in Montreal, Regina and Toronto, where millions of dollars have been either generated or saved through innovative solutions.
- ❑ In order to manage its transmission assets in the most efficient manner possible, and to maintain the greatest flexibility for possible future disposition of these assets, the CBC is establishing a separate Transmission Asset Division within the Corporation. The Division is charged with enhancing revenue generation from the transmission assets through the development of new businesses.
- ❑ The CBC has established a centralised fleet management system in order to achieve the greatest possible efficiencies in its fleet operations.

Ensuring Distinctive Programming

We have successfully launched a major transformation project for English Television with the goal of enhancing the public service broadcaster values of the service. In addition, we have initiated the renewal of the prime-time schedule of French Television, and our English and French Radio services have implemented several major initiatives with great success.

Canada: A People's History / Le Canada : Une histoire populaire

- ❑ The bilingual epic television series *Canada: A People's History / Le Canada : Une histoire populaire* provided an outstanding example of the contribution public service broadcasting can make to national awareness in Canada.
- ❑ During its first season alone, close to 15 million Canadians have tuned in to explore the series and relive their history. Canadians continue to explore the series and their history through CBC websites and discussion forums, radio forums, books, educational videos and teaching guides.

In CBC English Television:

- ❑ Despite the severe audience fragmentation that has occurred in the marketplace in recent years, English Television's share of the television audience has increased for the first time in many years.
- ❑ Our peak time Canadian content level is 90 per cent.
- ❑ The fall 2000 schedule added 750 hours per year of children's programming -- a 33 per cent increase. Out of the total 30 hours per week of children's programming provided by English Television, nearly 20 hours, or 66 per cent, are Canadian.



- ❑ Commercials have been cut by 50 per cent during the 6-7:00 p.m. and 10-11:00 p.m. news programs, and eliminated on Thursdays between 8 and 10 p.m. in our *Opening Night* arts programming showcase.
- ❑ Arts programming was expanded in February 2001 with the addition of a two hour, commercial-free program block on Thursday nights.
- ❑ Rebalancing our professional sports programming is an important step in providing more consistent scheduling of our programming. Amateur sports now account for 51 per cent of all sports programming.

In CBC French Television:

- ❑ French Television has initiated a thorough revamping of its program schedule. This exercise, which began in 2000-2001, will be spread over three years, until 2002-2003, and will result in the replacement of nearly 90 per cent of drama programs during prime-time.
- ❑ French Television introduced seven new Canadian drama series in 2000-2001 and six new drama series in 2001-2002.
- ❑ French Television and RDI news services were consolidated and relocated in fall 2001 in the Centre de l'information, a new state-of-the-art digital complex to better serve our audiences.
- ❑ Major progress has been made in the area of cross-cultural programming in the past three years. Several joint projects have been developed by and for both Television networks.
- ❑ French Television contributed a total of 308 hours of regional production for the network.

In Radio Services:

- ❑ In 2000-2001, our Radio services continued to diversify their content and increased their regional presence, while consolidating their existing services.
- ❑ Our radio services have significantly improved their audience performance and reached new heights in fall 2001.
- ❑ In January 2000, Radio Three was launched as an Internet-delivered programming and New Media stream, specially made for young Canadians.
- ❑ French Radio is strengthening its regional presence by extending La Chaîne culturelle to Winnipeg and an extension to Vancouver is being pursued. An accelerated coverage expansion plan for La Chaîne culturelle includes more than 18 locations throughout Canada, 12 of which are outside of the Province of Quebec.
- ❑ *Bandeapart.fm*, Radio Three's counterpart in the French market, continues to expand and open up new international partnerships with increased exchanges, features and links to various other websites.

In New Media:

- ❑ CBC New Media initiatives continue to be extremely successful. The number of page views for *cbc.ca* and *radio-canada.ca* have grown at a significant rate. Our sites are also deemed "most credible" Canadian news sites.



Partnerships and Synergies

- To enhance our ability to fulfil our mandate, the CBC has developed several strategic partnerships and alliances over the years.
- In September 2001, the CBC announced the launch of three specialty services in which the Corporation has an ownership interest: *The Documentary Channel*, *Country Canada* and *ARTV*. These specialty services were created in partnership with key industry players and other important organisations to provide Canadian viewers with a new experience in television programming.

All of these strategic initiatives are permitting the CBC to fulfill its mandate and deliver more distinctive, high-quality programming to Canadians. These initiatives are described in more detail below.



II) CBC's Strategic Directions

In 2001-2002, the CBC embraced new strategic directions. Key to our new strategy is the necessity to re-invest in programming to ensure distinctive, high-quality Canadian programming. To help generate additional resources for programming, the Corporation undertook a series of initiatives to leverage its assets and improve internal efficiencies. So far, as discussed below, we are proud to report that significant progress has been made in these endeavours.

1. Demonstrate that the CBC is a well-managed company, and generate cash flow to re-invest in programming

Leveraging its assets to support core programming is key to the CBC's overall strategy. The Corporation has implemented several new leveraging initiatives to support its core programming.

Real Estate Division

The Corporation currently has a five million square feet real estate portfolio of which 95 per cent is owned. Given the magnitude and importance of the portfolio, a complete review of building usage and cost was undertaken by the CBC.

Following this review, and in order to maximise its revenues and reduce its real estate related capital and operating expenses, the Corporation created a stand-alone Real Estate Division in the latter part of 2000. This Division was established to identify and sell or lease any CBC surplus space, to act as landlord for all CBC space, and to implement ongoing benchmarking of industry best practices.

Although it is still early, the results of these initiatives are very impressive. The Real Estate Division has identified CBC properties across the country, including those in Montreal, Regina and Toronto, where millions of dollars have been either generated or saved.

Transmission Asset Division

Overall, the Corporation owns or leases 962 transmission sites, 657 transmission towers and 2,471 transmitters, many of which are located in remote areas.

In order to manage these assets in the most efficient manner possible and to maintain the greatest flexibility for potential future disposition of these assets, the CBC is establishing a separate Transmission Asset Division within the Corporation.

This Division is being given maximum operational flexibility in order to assume responsibility for all transmission issues within the Corporation including transmission asset management, the management and negotiation of service agreements, and the structural organisation of the business unit. The Division is also being charged with enhancing revenue generation from the transmission assets.



The New *Centre de l'information* at La Maison de Radio-Canada

To maintain our leadership role in the journalistic world and to ensure greater responsiveness in this area of our programming in a digital universe, our existing facilities in Montreal needed to be upgraded with more modern equipment. To that end, CBC French Television created in 2000-2001 the new Centre de l'information in Montreal.

The Centre de l'information includes a modern, fully digital 59,000 square foot complex with newsrooms for the main channel and RDI, grouped around a central multi-purpose stage. All management of the journalistic centre has been centralised in this new complex to optimize synergies. The Centre de l'information plays an important role in the CBC's overall content management strategy.

Affiliate Agreements

Our Television affiliates in the English and French-language markets make a significant contribution to helping the CBC reach Canadians. Combined, they deliver approximately 14 per cent and 21 per cent respectively of our English and French Television network viewing hours. Payments to affiliated stations are considerable, amounting to more than \$12 million annually. It is therefore important for the Corporation to ensure that we maximise the benefits drawn from those affiliate agreements.

So far, through its affiliate agreements, the CBC was able to enhance its reach and reflection in the regions. However, as typical affiliate agreements guarantee the broadcast of only 30% of the network hours, such a goal remains at risk.

To ensure the greatest possible access to its programming, the CBC is determined to review all of its affiliate arrangements and their related financial models.



2. Ensure distinctive programming of the highest quality

The CBC remains strongly committed to providing distinctive high-quality programming to Canadians.

All Canadians own the CBC and every Canadian has the right to find programming of interest on our services. Our distinct Radio operations provide a full range of programming genres. Our Television services include news and public affairs, sports, drama, variety, children's programming and comedy.

In recent years, competitive forces and fixed funding have forced CBC to find new ways to protect and enhance its ability to provide distinctive Canadian programming.

English Television Transformation

The English Television Transformation Project is probably the most significant initiative ever undertaken to strengthen the distinctive role of the CBC.

Introduced in Autumn 2000 and completed in Winter 2002, the Transformation Project changed the face of CBC English Television.

The Project started with a complete redesign of regional and local news programs aiming at providing enhanced reflection of all parts of the country in the national network service. Simply said, we literally redefined the manner in which national and regional news programming is broadcast. The net result is a better programming balance, greater fiscal responsibility and greater priority to the reflection of the regions in the network service.

The integration of Local and Network News and Newsworld operations on a location-by-location basis was the first major step in the transformation and has allowed us to reduce costs and to consistently cross-expose key CBC reporters across all video media. The half-hour national CBC News: Canada Now from Vancouver coupled with half-hour local News programs now offer maximum integration between local and national content and personnel, with heavy emphasis on regional stories.

New programming initiatives and formats were also a key element of the Transformation Project.

Children's programs have been enriched and their importance significantly increased in the overall schedule. More than 750 hours per year have been added since Fall 2000 – a 33 per cent increase.

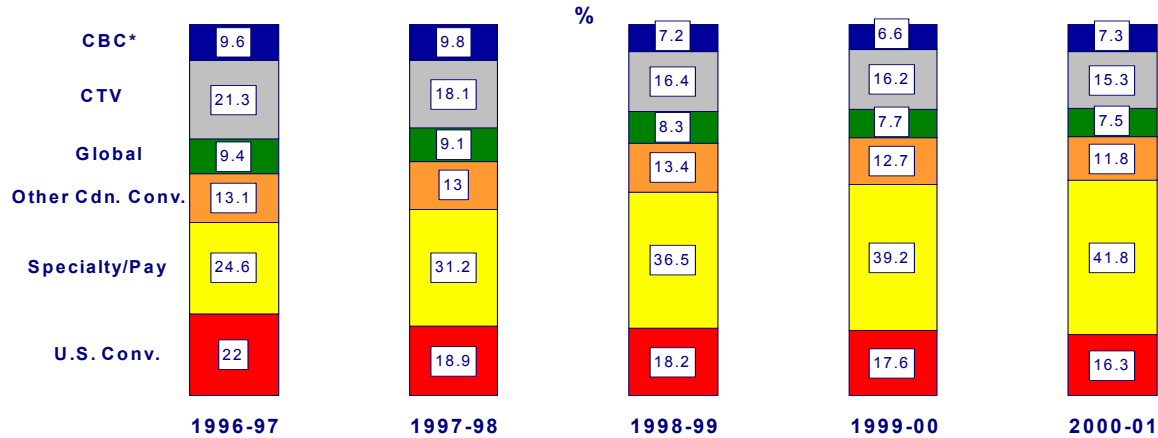
Arts programming was expanded in February 2001 with the addition of Opening Night, a two-hour, commercial-free block on Thursday nights.

In February 2001, The National was revitalised with a fully integrated format and a 50 per cent reduction in commercials.

Efforts are paying off. For the first time in years, and despite the severe audience fragmentation occurring in the marketplace, English Television's audience share has increased.



Audience Share, All Day (24 Hours)



* Excluding Affiliates in own time 'September to March'

Source: Nielsen Media Research

With a unique themed prime-time schedule, introduced in October 2001, CBC English Television clearly differentiates itself in a crowded marketplace. This new approach is improving predictability of programming for viewers while building on the strengths of English Television.

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
Drama and High Impact		Information Programming		Performing Arts	Comedy	Sports
Series, Movies, and Major Specials		Documentary, Investigative and Regular Series		Opening Night	Regular Comedy Series	Hockey & Summer Sports

The new schedule provides more documentaries. Current Affairs programs have been revitalised with a new weekly program line-up and have been reorganised to exploit the new integrated news structure. High-profile dramatic mini-series and specials are featured on Sunday and Monday nights. New programs have allowed CBC English Television to feature experimental programming and talent development.

For 2002-2003, English Television has also set a number of challenging key goals:

Improve Regional and Cross-cultural Reflection

- The decentralisation of production through programs such as *Disclosure* and *Zed* will allow us to improve regional and cross-cultural reflection.
- Specific internal programs will be implemented to increase the sensitivity to regional portrayal.
- Several cross-cultural projects will be developed jointly with French Television.



Rebalance Professional Sports

- Rebalancing professional sports programming to provide more consistent scheduling of our programming.
- Achieve less schedule disruption during the hockey play-offs.

Diversify Commercial Revenue and Reduce Clutter

- Improve the distinctiveness of our services through reductions in commercial advertising.

Complete Brand and Reputation Management

- Complete the re-branding of English Television with the new identification, “CBC Canada’s Own.”

Several internal initiatives will also be implemented to review the creativity and management of our workforce.

These important action plans will take the transformation of CBC English Television one step further and provide true benefit to Canadians.

The Renewal of French Television

In order to meet the demands of the ever-more competitive broadcasting environment and to ensure distinctive programming of the highest quality, CBC French Television has undertaken a thorough revamping of its program schedule. This three-year exercise will be completed in 2002-2003 and will result in the replacement of close to 90 per cent of drama programs during prime-time.

The renewal of French Television also depends on the development of new talent, increased regional reflection, more programming for children, increased educational and entertainment content, and increased cross-media projects. Added to these initiatives are revamped noon-hour newscasts and the opening of the Centre de l’information at La Maison de Radio-Canada.

New Dramas and a Two Seasons Schedule

In 2000-2001, French Television introduced seven new Canadian drama series. In 2001-2002, the renewal effort translated into the addition of six new drama series: *La Rivière-des-Jérémie*, *Les Super Mamies*, *L’Or*, *Asbestos*, *Music Hall* and *Le Dernier Chapitre*. In all, in 2001-2002, over \$10.1 million has been invested in enriching French Television’s programming.

In 2002-2003 French Television will introduce a two season schedule – i.e. a regular season schedule extended to mid-May, followed by a summer schedule running from mid-May to late August.



Refreshing New Talent

Significant efforts in the area of talent development have been combined to enrich the range and quality of French programming. Several new actors and authors were introduced over the last two seasons.

The multi-party cooperation agreement with the Fédération culturelle canadienne-française (FCCF), which represents Francophone arts and culture agencies outside Quebec has been renewed for another five years in March 2002.

More Educational Programming, More for Children and More Entertainment

The annual weekly average of French youth programs on Radio-Canada came to 24 hours in 2000-2001, or four hours more per week than the previous year with, notably, a half-hour addition to weekday morning programming. The Youth department also created more space for drama series in launching *Ayoye!*, a new daily program for children eight to 14 years old.

Bric-à-Brac, presenting the weekday morning programs, was added to the schedule in November 2001, along with *Bouledogue Bazar*, *Les Chatouilles* and *0340*.

Increased Regional Presence

French Television will continue to emphasise regional presence and reflection:

- ❑ The annual weekly average of programs produced outside Montreal rose to six hours in 2001-2002, with a rich and varied offering and several specials demonstrating the cultural vitality of the regions.
- ❑ In addition to increasing financial support, various initiatives are aimed at supporting producers in their project development efforts and their search for funding.

Remain a Leader with Respect to Journalistic Standards

With a team of veteran correspondents, French Television has completely revamped its noon-hour newscasts. A daily half-hour has been added to the weekday lunchtime newscast, *L'Heure du midi*, as well as another half-hour of local programming for the program produced in Atlantic Provinces, entitled *L'Atlantique aujourd'hui*.

To improve its coverage of events and news analysis, French Television and RDI news services were consolidated and relocated in fall 2001 in the Centre de l'information, the new state-of-the-art digital complex.

Cross-cultural Programming

Major progress has been made in the area of cross-cultural programming. Several joint projects have been developed by and for both Television networks. All French Television program areas currently have production projects under way with English Television.

French Television's programming plans for 2002 to 2005 provide for a set of activities designed to promote creativity and innovation, particularly in priority programming areas such as Drama, Youth and Culture, and in programs showcasing the regions.

Concrete action plans aim to modernise the proprietary production house, notably the Centre des dramatiques and the post-production unit.



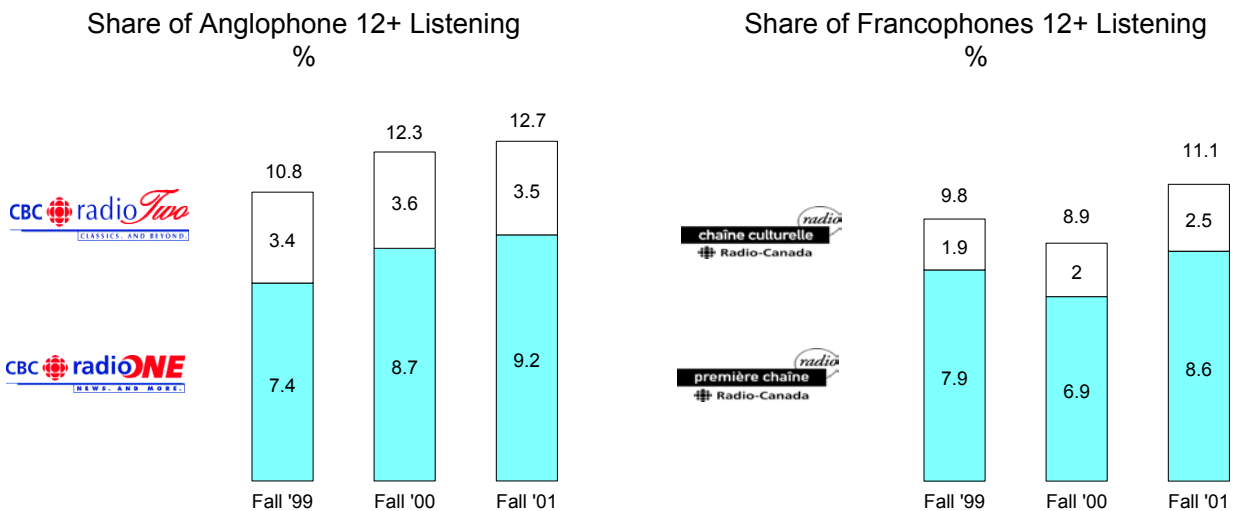
Radio's Continuing Success

In 2000-2001, our Radio services continued to diversify their content and increase their regional presence while significantly consolidating their existing services.

Over the term of its Plan, the CBC intends to make its Radio available to and enjoyed by more Canadians. We also intend to maintain and enhance our programming quality.

This year, we are particularly proud to note that three out of our four main Radio services have significantly improved their audience performance.

In the fall of 2001, listening shares for three of the four Corporation's Radio services have reached new heights. This is particularly significant given the increased competition that has emerged in these markets during the same period as a result of the strengthening of private radio through ownership consolidations.



Base: Anglophones who listened in CBC areas
Source: BBM

Base: Francophones who listened in CBC areas
Source: BBM

We are equally proud of the hundreds of awards obtained at home and abroad by each of our Radio services, such as:

- ❑ English Radio garnered some 60 national and international awards. Among the most significant were two Gabriel Awards, seven New York Festivals awards and the Deutsche Welle Music Award.
- ❑ Radio One earned a Prix Italia in the best cultural radio documentary category, for *The Change in Farming*. In addition, it won 15 awards from the Radio Television News Directors Association.
- ❑ In 2001, CBC French Radio won two of the prestigious *Opus Awards* for *Espace du Son* and *La collection Chaîne culturelle* - classical music category and 1st, 2nd and 3rd Awards in Leisure Journalism for *Macadam Tribus*, *Les Jeux sont faits* and *275 Allô*.
- ❑ At the 3rd grand gala MIMI 2001, *Bande à part* won the award for best radio program. A gold disc from the Canadian Recording Industry Association was awarded to La Première Chaîne for its contribution to the success of *Dix mille matins*.



- French Radio won the Boomerangs Grand Prize in the interactive terminal category for its project, “Soyez radio actif,” which enables visitors to Montreal’s Interactive Science Centre to experiment with the various aspects of producing a radio show.
- The youth site, *120seconds.com*, won numerous awards, including the Internet Tonite, in the TechTV Network Feature category, and a Bandies award for best visual interface.

In 2002-2003, English Radio will continue to support original journalism with more high-impact series and more investigative journalism.

French Radio will place greater emphasis on both the distinctive and complementary nature of its two networks. La Première Chaîne will become even more rooted in the regions, while remaining a mainstream service that serves its national audience well. La Chaîne culturelle will record and broadcast live music, thereby adding original Canadian content to the country’s airwaves.

French Radio’s plan is also to make its programming more open to the world by encouraging exchanges between national and regional programming and strengthening international radio partnerships. French Radio filed 18 applications – 12 of them outside of Quebec - with the CRTC to extend the service of La Chaîne culturelle throughout the country.

Radio Three and *Bandeapart.fm*

Radio Three was launched in Vancouver in January 2000 as an Internet-delivered programming and New Media stream for Canadians aged 15-24 years of age, a group of citizens currently under-served by English Radio.

bandeapart.fm, a French music website aimed at 13 to 21 year olds to promote new Canadian artists, was launched in January 2001. The site features information about emerging artists and bands, a large archive of Canadian music, concerts and band sessions to be viewed exclusively on *bandeapart.fm* and gives a glimpse behind the scenes in the alternative music industry.

These exciting and innovative CBC services were given the mandate to explore and develop new types of content, and seek new contributors and new audiences for English and French Radio. Four very distinctive Canadian websites were created on the Internet:

- *120seconds.com* , *newmusiccanada.com*, *justconcerts.com* and *bandeapart.fm*.



New Media

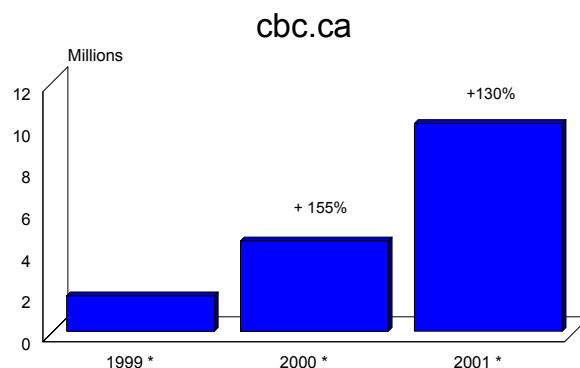
CBC's mission in New Media is to be the prime architect of a Canadian public space in the emerging multimedia environment through its brand reputation, its standards of excellence and its independence from commercial imperatives.

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

CBC New Media initiatives continue to be extremely successful.:

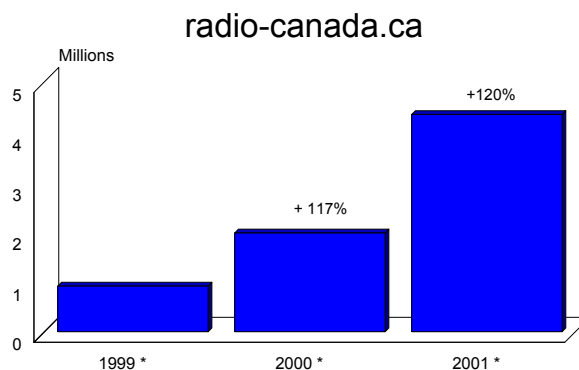
- ❑ *cbc.ca* and *radio-canada.ca* reached over 1.8 million unique home visitors in September 2001, making us number one in information for Canadians, ahead of CNN.com and globeandmail.com (Jupiter Media Metrix).
- ❑ In a qualitative ratings survey conducted in 2000 by an independent firm, *radio-canada.ca* and *cbc.ca* sites were deemed the "most credible" Canadian news sites.
- ❑ One-quarter of visitors have listened to a CBC Radio program or watched a program on CBC/Newsworld as a result of learning about it through *cbc.ca*.
- ❑ The bilingual website for Canada: A People's History / Le Canada : Une histoire populaire is a great success with users and teachers. More than 800 teachers have registered with the section on enhanced content.
- ❑ Media commentators have also made reference to the quality of our coverage of the September 11th terrorist attacks. On the *sympatico.ca* portal, the *radio-canada.ca* site was the most popular after CNN's during this eventful week.
- ❑ CBC's Radio services launched several content-rich websites promoting new Canadian musical talent and featuring key concerts: *bandeapart.fm* in French (*bandeapart.fm* is also a Radio program, ARTV program and a Galaxie channel), *120seconds.com*, *newmusiccanada.com* and *justconcerts.com* in English (the last two also being Radio shows, all part of Radio Three).
- ❑ To foster the emergence of new film talent, French Television created a convergent platform, *Silence, on court!*, dedicated to short films, enriched by comments, interviews, biographies and other information. The films acquired under this project will also receive first-run airing on ARTV.

Average Weekly Page Views



* 3-month averages based on July, August and September
Source: CBC Research (Webtrends, CBC Research log files)

Average Weekly Page Views



* 3-month averages based on July, August and September
Source: CBC Research (Webtrends, CBC Research log files)



3. Demonstrate that adequate funding coupled with efficiencies enhances the CBC's value to Canadians

In today's rapidly evolving creative and technological environment, the CBC must find additional resources to remain modern and relevant, with a product of high quality and of significant value to Canadians.

The CBC provides value by contributing to the diversity of Canadian voices, by being a leader and an innovator in an entertaining, stimulating, balanced and relevant manner and by providing programming that Canadians are proud to call their own.

The Corporation has instituted a number of initiatives, described in previous sections, to generate the greatest possible amount of revenues to be able to fund programming of value. As *Canada: A People's History / Le Canada : Une histoire populaire* demonstrates, adequate financial resources encourage and support unique Canadian program creation.

Government's decision to begin reinvesting in the CBC coupled with CBC initiatives have noticeably reinvigorated programming throughout the Corporation. Greater resources have led to:

- ❑ increases in the supply of Canadian content across key genres: drama, children's, documentaries, arts and culture;
- ❑ more episodes to reduce repeats and allow programming to develop and build loyal audiences over the longer term;
- ❑ the ability to pilot, take risks and innovate; and to develop emerging talent as creative resources;
- ❑ more commercial-free or reduced-commercial programming in those genres best suited: children's, information and documentary, and arts;
- ❑ development of high-impact programming otherwise unavailable in Canada;
- ❑ more programming which fills a gap and meets a broader cultural imperative;
- ❑ leading in the use of new technologies and New Media to increase the quality of programming in new ways;
- ❑ extension of our accessibility to Canadians, the most significant example being the accelerated expansion of La Chaîne culturelle in 18 new locations in 2002, including 12 outside Quebec.

These are clear illustrations of how efficiencies and increases in self-generated revenues, coupled with adequate funding, distinguish our services and enhance CBC's value to Canadians.



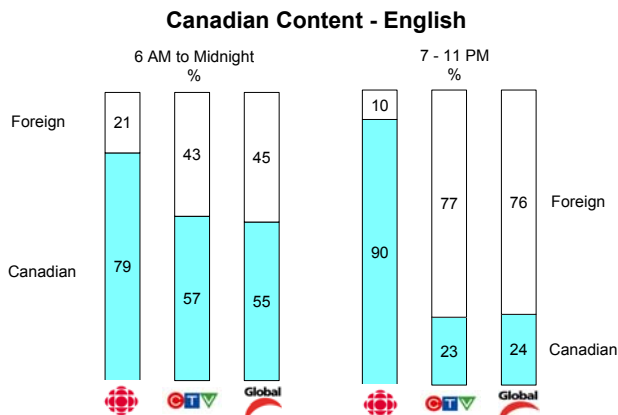
4. Ensure the sustainability of our Canadian schedules

Funding Support Critical to Meeting our Mandate

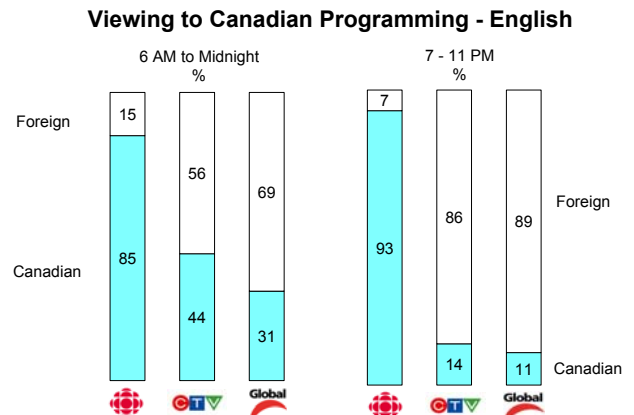
In Canada, higher-cost Canadian entertainment programs (drama, variety and children’s programs) as well as documentaries cannot cover their costs without government regulation and subsidies. Even with these supports these categories of programs are generally underrepresented in English-language Television schedules, particularly during the prime-time evening hours.

Through the *Broadcasting Act*, the government mandates the CBC to provide distinctly Canadian Radio and Television services to Canadians. An important part of fulfilling the Corporation’s mandate is providing high-quality programs in the underrepresented or “priority” categories that would not otherwise be available. CBC’s Television schedules significantly exceed conditions of licence, and are virtually 100 per cent Canadian in prime-time, when most Canadians are watching.

The CBC is the only English-language Television broadcaster in Canada providing significant Canadian programming in prime-time, when the majority of Canadians are available to watch it. As the most recent industry data available demonstrate, relative to private broadcasters in Canada, CBC’s English and French Television services provide far and away the greatest amount of Canadian content.



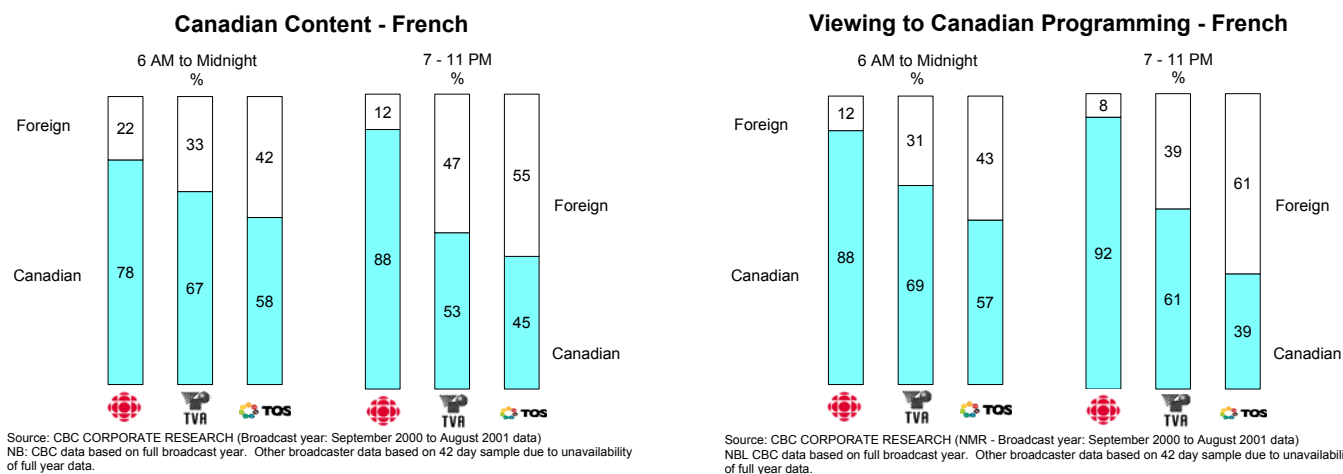
Source: CBC CORPORATE RESEARCH (Broadcast year: September 2000 to August 2001 data)
 NB: CBC data based on full broadcast year. Other broadcaster data based on 42 day sample due to unavailability of full year data.



Source: CBC CORPORATE RESEARCH (NMR- Broadcast Year: September 2000 to August 2001 data)
 NB: CBC data based on full broadcast year. Other broadcaster data based on 42 day sample due to unavailability of full year data.



It is also Canadian, rather than foreign, television programming that is relevant to Canadians, appealing to large audiences, and making a difference in their lives. In this respect, the Corporation is very pleased with Canadians' responses to its English and French Television programming.



Obtaining the funding necessary to provide high-quality programming, however, is still the key for the CBC.

Independent program production is essential to the CBC, as the majority of its English and French Television entertainment programs is obtained from the Canadian independent production sector. To finance Canadian productions, independent production depends on major contributions from the Government of Canada through the federal tax credit program and the Canadian Television Fund (CTF).

The CTF is particularly important to the CBC. From its inception in 1996 to March 31, 2001, the CTF contributed \$992.5 million to 2,021 film and television programs in underrepresented categories such as drama, documentaries and children's programs. Programs destined for the CBC received \$472 million from the Fund over that period.

Independent production is particularly important in helping to deliver CBC's prime-time schedules. In the three years between 1998-1999 and 2000-2001, for example, the Licence Fee Program of the CTF provided an average of \$35 million per year to independently produced programs aired by the CBC. In the current television season, CTF assisted in approximately 29 per cent and 21 per cent of our English Television and French Television's prime-time programming respectively, and 22 per cent and 9 per cent between 6:00 a.m. and midnight.

The CBC has not had as much access to the Canadian Television Fund as it would wish, due in part to its own limited funding available for licence fees. CBC's increased access to the Licence Fee Program has to some extent offset the decline in our access to the Equity Investment Program (administered by Telefilm Canada) over the last two years.

The CBC is extremely pleased that the Minister of Finance, in the most recent budget, has renewed the CTF for 2002-2003.

Ongoing renewal of Canadian Heritage's contribution to the CTF at existing levels is necessary to maintain CBC's access at current levels. Beyond this, additional changes are needed to ensure the



CTF's resources are directed as fully and effectively as possible to high-quality, distinctive Canadian programming, including that of the CBC.

Indeed, not having the same level of resources provided by the CTF would have serious impacts on CBC's ability to deliver on its mandate.

The replacement cost of the Canadian content programming supported by the CTF would be significant. Between 1996-1997 and 1999-2000, CTF-supported productions were valued at approximately 3.4 times the amount contributed by the fund. Therefore, to maintain the same level of quality programming, the cost for the CBC would be significantly higher than its current contribution through the licence fees it typically pays for those programs.

5. Enhance CBC's ability to fulfil its mandate through selective alliances and partnerships

High-quality and distinctive programming, along with innovation and the flexibility to quickly respond to evolving market conditions and new demand, are key success factors in the broadcasting sector.

To enhance our ability to fulfil our mandate and deliver on these demanding factors, CBC has developed several strategic partnerships and alliances over the years. This not only allows the Corporation to leverage its core assets but adds a significant amount of resources, both creative and financial, to its existing base.

We were particularly proud to announce, in September 2001, the launch of three specialty services in which CBC has an ownership interest: *The Documentary Channel*, *Country Canada* and *ARTV*. These specialty services were created in partnerships with key industry players and other important organisations to provide Canadian viewers with a new experience in television programming.

The Documentary Channel, a partnership between Corus Entertainment, the National Film Board of Canada, the CBC and four independent producers broadcast on the digital services, shows documentary films from Canada and around the world 24-hours a day.

Country Canada, a partnership between Corus Entertainment and the CBC, explores and celebrates rural Canada. News and information are the backbone of *Country Canada* with the flagship program, *CBC News: CountryWide*, providing five hours of original news programming each day from St. John's and Winnipeg.

ARTV is a new French Television service entirely devoted to all forms of art. This channel is a prime place for discourse and dialogue between artists and the public. Its programming, high in Canadian content, offers quality productions from all parts of the country. *ARTV* represents a joint effort between Radio-Canada, Télé-Québec, BCE Media, La Sept ARTE and Spectra.

Another tangible example is the strategic partnership between CBC French Television and Gesca Inc. In September 2001, *Voilà!*, a new TV guide magazine published jointly by Gesca and CBC French Television was created. This new guide is distributed with the seven daily newspapers of the Group Gesca Inc. In addition to the essential elements of a TV guide, *Voilà!* presents a series of articles with a goal to support and foster the French market star system. All the editorial content remains the responsibility of Gesca. Total circulation exceeds 640,000 copies, a leader in the French market.



In a more than ever competitive market and where the level of media concentration has increased significantly over the last few years, this partnership will contribute to maintain an access to promotional vehicle for CBC French Television.

6. Reinforce the capacity of the CBC to work as one integrated conglomerate

Canadians have tended to see the CBC as the individual station or network with which they are most familiar. Yet the CBC is one company, with services that strive to meet the entertainment and information needs of different audiences through different media. In reality the Corporation has operated as the first true communications conglomerate in Canada for much of its existence.

The advantages of an integrated or networked organisation reside in its ability to generate organisational and financial efficiencies, increasing productivity and reinforcing brand identity across its different services through the leveraging of the strengths and values of the entire Corporation.

Through maximising resource synergies and strengthening cross-promotion between media and increasing the number of cross-media program initiatives where appropriate, the CBC is enhancing its capability to deliver value to the public.

Synergies are being created at several levels throughout the organisation in particular, throughout the Corporation's extensive network of journalists. Internationally, the CBC operates 10 bureaus - in New York, Washington and Mexico covering the Americas, in London, Paris, and Moscow covering Europe, in the Ivory Coast, covering Africa and in Jerusalem, Bangkok and Beijing covering the Far and Middle East. Eight of the ten foreign correspondents in these bureaus file in both official languages for CBC's radio and television services. A key example of this is the recent extensive coverage that the CBC's foreign correspondents have provided from Afghanistan and Pakistan. Each correspondent was reporting in French and English for both our Radio and Television networks. This enhanced our coverage of the events as well as eliminated duplication of efforts between networks.

English Television's News integration has maximised the use of human and creative resources ensuring that journalistic content is re-utilised on several programs, locations and platforms, and that cross-program teams based on content enrich the full gamut of CBC's news, investigative and information programming. French Television has maximised efficiencies through the modernisation and consolidation of news gathering and production infrastructure in the new Centre de l'information, which will also serve French Radio in the future. English and French Television have collaborated in the establishment of efficient, centralised presentation systems.

English and French Radio have historically collaborated on productions, particularly with respect to performance programming, and all of our media have traditionally collaborated on major news or national events such as elections or Canada Day celebrations. More and more, however, media are cooperating from concept to production to airdates on high-impact dramatic, performing arts, children's and a host of other programs. This season alone, English and French Television have co-produced the dramatic productions *The Last Chapter/Le Dernier Chapitre* and the Trudeau mini-series, in addition to performing arts specials and, of course, 50th anniversary programming, with support from CBC Radio. French Television and French Radio also develop joint programming with ARTV and, in Vancouver, are developing joint laboratories for exploring new cultural programming genres and multi-platform development. Major strides are being pursued with the development of programming designed from the beginning for multi-platforms.



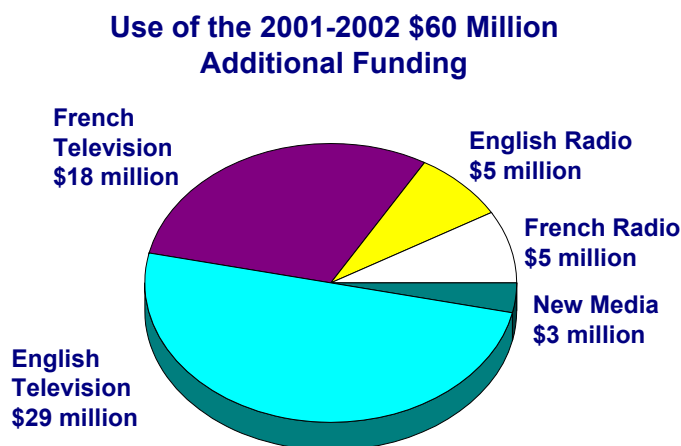
III) Delivering New Programming from New Funding

In May 2001 the Government of Canada announced a budgetary infusion of \$60 million for the CBC for fiscal 2001-2002. The Corporation is very pleased by the Government's decision to renew this level of funding for the 2002-2003 fiscal year.

The 2001-2002 funding has had an immediate, positive impact on programming by assisting the Corporation in meeting its programming priorities and strategies for this fiscal year.

These funds are being used across all media, particularly in the regions of Canada, for cross-cultural programs and co-productions between services, for increased talent development and, particularly, for the enhancement of programming initiatives.

The 2001-2002 funding has been allocated between services on the basis of programming plans and needs. The precise allocations are illustrated below.



English Television

English Television used all of its portion of the 2001-2002 allocation to support the English Television Transformation Project, designed to increase the value of our services to Canadians by emphasising distinctive, high-quality Canadian programming with a unique public-service focus.

A significant portion of the funds was distributed to regional News bureaus across the country, to ensure better local reporting and enhanced reflection of each community in network newscasts. As well, funds were set aside for regional programming initiatives in non-news genres, such as current affairs, documentaries, magazine and variety shows.

In the information programming area, the additional funds made it possible to launch two new weekly programs: a topical investigative program entitled *CBC News: Disclosure* and a program devoted to politics, spirituality and media called *CBC News: Sunday*.

Funds were also directed to support other Transformation priorities, including children's and arts programming.



In the field of entertainment programming, several projects which were turned down or under-funded by the Canadian Television Fund were able to go ahead thanks to the new funding, as were some in-house projects not otherwise eligible for funding support. Examples include: *Mary Walsh Book Show* and *Rideau Hall* (both out of Halifax), *Tom Stone* (out of Calgary), Ken Finkleman's *Newsroom* movie, two new chamber dramas based on Canadian literary works currently in development, and the pilot for a new Canadian popular music showcase.

Risk-taking new creative ventures made possible by the additional financing include the new hosted prime-time schedule, which guides viewers through each thematically integrated evening, and a late-night strip aimed at young people with the new program *Zed*.

Finally, a significant allocation was set aside for cross-cultural initiatives between English and French Television. These include two high-impact mini-series on the life of Pierre Elliott Trudeau, and the phenomenon of inter-provincial biker gangs (*The Last Chapter/Le Dernier Chapitre*), as well as an extensive series of documentaries, concerts and other special programming being prepared to mark the 50th anniversary of television in Canada in 2002.

English Radio

English Radio has committed a significant portion of its 2001-2002 allocation to regional programming. Every region in the country received "New Voices" funding to bring a broader range of voices, opinions and perspectives via Radio to Canadians.

Regions received funding to enhance quality, pursue investigative journalism and to extend journalistic presence. More reporters and producers are now pursuing investigative leads, and more awards are being won as a result. English Radio now has news gathering resources in place during evenings and weekends in locations that could not previously afford this level of coverage. In addition, the deployment of reporters to a greater variety of rural areas means Canadians now have a better understanding of events in previously under-served areas of Manitoba, Ontario and Saskatchewan.

Toronto, Vancouver, Montreal, Edmonton and Calgary received new money to add diversity to on-air host positions. Each location is identifying, developing and hiring hosts that better reflect Canada's many cultures and experiences.

New money is enhancing English Radio's arts and entertainment and music offerings. New money is also being spent on program development.

French Television

The 2001-2002 allocation has enabled French Television to enhance news coverage for the regional *Ce soir*. The number of programs was increased in the Maritimes and Ontario with the broadcast of specials such as the City of Windsor's 300th anniversary. Also, a drama series is currently under production in New Brunswick and is scheduled to air next year.

In the field of information, reports originating in different regions of the country were added. Also, a new program, *5 sur 5*, with Bernard Derome, whose format is still being tested, was launched with assistance from New Media.

On its main network, French Television was able to complete its financing of the drama series *Rivière-des-Jérémie*, which had been turned down by the CTF. It also produced a new drama series



(*Les Super Mamies*), three variety programs (e.g. *Stars à domicile*) as well as cross-cultural programs on arts, culture and youth, jointly with English Television.

French Radio

The 2001-2002 allocation was instrumental in enhancing French Radio programming and strengthening its national and international news coverage.

With over 300 contributions to network programs, regional stations' involvement in programming increased significantly.

With regard to new initiatives, a daily morning show has been on the air in Halifax since September on La Première Chaîne. Five one-hour information documentaries have been produced, including *Les grandes peurs* and *En maison d'hébergement*.

Specials have been produced in cooperation with regional stations' creative workshops.

Creation of the Service d'Actualités Radio (SAR) helped boost the information content considerably on La Première Chaîne with, among other initiatives, daily features on international events with journalist Pierre-Léon Lafrance and many regional stations' contributions.

Extended coverage of cultural events in Ontario was made possible thanks to the program *Ontario Midi* and new contributions from stations in Toronto, Sudbury, Windsor and Ottawa.

The allocation was also used to finance research in production methods and new program concepts.

A few, but significant cross-cultural initiatives, such as *Des idées plein la tête* and *Ideas*, also received additional funding.

New Media

New Media has allocated the greatest part of the additional funding for 2001-2002 to consolidate its quickly growing services. We have specifically focussed on enhancing our journalistic and information content, providing higher quality news sites, updated on a more regular basis during evenings and weekends.

In addition, the regional offerings have been augmented with more on-site journalists and more cultural content.

Amateur sports, particularly the Olympics, as well as youth content have also greatly benefited from the additional funds.

Finally, the additional funding has permitted us to strengthen the performance of our service infrastructure, to match the high quality of our content.



IV) Supporting CBC's Strategic Directions

To achieve the objectives enunciated in the CBC Corporate plan, Government support and commitment to the Corporation is a necessity.

Given increased competitive pressures, on one hand, and the greater need to reposition the public broadcaster in the Canadian media landscape on the other, it is clear that internal revenue-generation and cost-savings -- while making an important contribution to CBC's operations -- will not be sufficient to expand our programming initiatives and grow our business.

Increased Financial Flexibility

The attached appendix presents financial forecasts for CBC's ongoing operations for the next five years, based on currently available information.

These data provide evidence of the successes the Corporation is experiencing from its recent efforts to maximise productive efficiencies and internal revenue generation. As discussed above, these initiatives will enable the Corporation to meet its ongoing operational requirements, but will not be enough to produce new programming opportunities. Providing these opportunities are critical if the CBC is to solidify and strengthen its role as Canada's national public broadcaster.

Two elements in the attached financial information are of particular importance:

- a) the decline in advertising revenue; and,
- b) the increased costs for program rights.

The Corporation is working hard to ensure that it is able to operate with the resources provided by government, and to maximise all available resources for the enhancement of its programming.

The Government has recognised the importance of the CBC's role and the value of its proposed plan by providing funding additions of \$60 million in each of the years 2001-2002 and 2002-2003 which have been directed solely towards programming and are greatly strengthening the true role of the public broadcaster. To maintain truly distinctive Canadian schedules and protect Canada's cultural identity, however, an adequate financial base must be ensured in the years to come.

Greater Operational 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 that will provide long-term benefits.

For the CBC to seize new opportunities in the marketplace and maximise its value to Canadians, it needs increased flexibility and financial certainty to deliver its strategic plan. The mere perception that the Corporation lacks the authority or the ability to commit quickly to business decisions can discourage other organisations from considering it a primary choice for new business opportunities.

The CBC requires operational flexibility in six key areas:



Flexibility to Acquire, Hold and Dispose of Shares

In today's competitive broadcasting environment, the CBC needs the flexibility to conduct its affairs.

For example, the ability of the Corporation to enter into business partnerships and to react quickly to market opportunities is hampered by a number of factors that include the necessity of obtaining Governor-in-Council (GIC) approval for acquiring, holding or disposing of shares in a corporation (*Broadcasting Act* S.46 (1) (q)). The process for such approval is time-consuming and can take several months before final authority is granted. The CBC recommends that it be permitted to have the necessary advanced authority to acquire, hold and dispose of shares in a corporation.

Flexibility in Obtaining Loans

The CBC must currently obtain the approval of the Minister of Finance to borrow money (S. 46.1 (1)) and its total indebtedness is limited to \$25 million (S. 46.1(3)(a)). These restrictions on the borrowing power of the Corporation do not permit the flexibility required to operate in the competitive broadcasting environment. The approval of the Minister of Finance should only be required for borrowing over \$50 million. The CBC needs this flexibility to be able to borrow to meet current needs and plan projects in a businesslike manner.

Carryover Operating and Capital Funds

For the past few years, the Corporation has been seeking increased flexibility to carry forward operating and capital funds at year-end. In 2001-2002, CBC gained the support of the Treasury Board Secretariat and Department of Finance to achieve this objective through an administrative arrangement.

This arrangement will promote the Corporation's current practice of making cash flow decisions on the basis of its business objectives rather than being based on a carry forward target.

Increased Flexibility for Real or Personal Property

Recently, an approach to providing advance approval for real property transactions greater than \$4 million has been developed with Treasury Board Secretariat. The new approach will allow the CBC to identify the real property initiatives that require Governor-in-Council approval and to seek that approval through a single Treasury Board Submission. The resulting Order-in-Council would give the CBC the legal authority to proceed with the initiatives for which approval had been given, as long as the parameters identified in the Treasury Board Submission were respected. However, the CBC is requesting that the \$4 million limit be raised to \$15 million in the case of real estate to factor in inflation and provide the Corporation with an adequate level of flexibility under the current business environment.

These changes will allow the Corporation to more effectively put in place its real estate strategy by moving confidently with the necessary advanced authority to secure the best opportunities to meet corporate priorities. The Corporation understands that some real property transactions, due to their size or political sensitivity, may still require a full Treasury Board submission to obtain the necessary OIC approval



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 ongoing support of government for its ability to transfer funds between capital and operating votes.

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 the 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 Corporation has asked the Department of Finance to review its income tax status.

Canadian Television Fund (CTF) Funding

The Canadian Television Fund is critical to the CBC. Therefore, the CBC is extremely pleased that the Minister of Finance, in the most recent budget, has renewed the CTF for the next fiscal year.

Ongoing renewal of Canadian Heritage's contribution to the CTF at existing levels is necessary to maintain the CBC's access at current levels. Beyond this, additional changes are needed to ensure the CTF's resources are directed as fully and effectively as possible to high-quality, distinctive Canadian programming, including that of the CBC.



V) Conclusion

The CBC has been and will increasingly be one of the central elements in the Canadian broadcasting system, as globalisation combined with greater access to content from around the world continues to pressure this system.

The Corporation has a strong plan to find resources from within and an ongoing commitment to distinctive programming.

The CBC's mandate is clear and this plan meets the challenges. With the efficiencies it generates and the renewed Government commitment to public broadcasting, the CBC can maintain a clear and unique identity, distinct from all other broadcasters and content providers, for the benefit of all Canadians.



Appendix

Financial Overview

- ◆ Operating Overview
- ◆ Borrowing Plan
- ◆ Working Capital
- ◆ Capital





Financial Operating Overview

	(\$000'S)					
	<u>2001/2002</u> ³	<u>2002/2003</u>	<u>2003/2004</u>	<u>2004/2005</u> ³	<u>2005/2006</u> ³	<u>2006/2007</u>
<u>SOURCES OF INCOME</u>						
Operating Appropriation	778,621 ^{4,5}	876,410 ^{4,5}	891,734 ^{4,5}	851,311 ⁶	851,311 ⁶	851,311 ⁶
Operating Appropriation (programming initiatives)	60,000	60,000	-	-	-	-
Advertising and program sales	354,424	300,556	301,661	358,688	372,522	314,558
Business Development (Real Estate)	9,766	11,029	12,157	14,332	14,475	14,620
Transmission and Distribution	4,420	4,464	4,509	4,554	4,599	4,645
Galaxie	10,102	11,116	13,397	14,954	16,682	18,643
Other revenues ⁽¹⁾	181,340	155,413	155,726	156,972	158,228	159,494
<i>Decline in advertising revenues</i>	<u>(14,500)</u>	<u>(27,500)</u>	<u>(27,500)</u>	<u>(27,500)</u>	<u>(27,500)</u>	<u>(27,500)</u>
TOTAL SOURCES OF INCOME	1,384,173	1,391,488	1,351,684	1,373,311	1,390,317	1,335,771
<u>REQUIREMENTS</u>						
Operating expenditures:						
Television and radio services ⁽²⁾	1,188,823	1,222,909	1,241,763	1,262,036	1,277,673	1,221,745
Special funding for programming initiative	60,000	60,000	-	-	-	-
Transmission, distribution and collection	74,994	75,138	75,889	76,648	77,414	78,188
Corporate Management	16,047	16,208	16,370	16,533	16,699	16,866
Provision for tax/Large Corporation Tax	1,888	1,888	1,888	1,888	1,888	1,888
Amortization of capital assets	150,787	152,295	153,819	155,356	156,910	158,479
Deduct: Items not requiring current operating funds	108,366	109,450	110,545	111,650	112,767	113,895
<i>Cost increases</i>	<u>10,333</u>	<u>10,333</u>	<u>10,243</u>	<u>10,646</u>	<u>11,249</u>	<u>11,852</u>
TOTAL OPERATING EXPENDITURES	1,384,173	1,429,321	1,389,427	1,411,457	1,429,066	1,375,123
NET POSITION	(0)	(37,833)	(37,743)	(38,146)	(38,749)	(39,352)

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

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

⁽³⁾ Includes Olympics revenues and expenditures: Salt Lake in winter 2002, Athens in summer 2004 and Turin in winter 2006.

⁽⁴⁾ Reflects all known funding decisions, including decisions from 2002/2003 ARLU. The impacts of any difference between approved funding and related increases will be accommodated within CBC's current funding level.

⁽⁵⁾ Reflects the reprofiling of operating funds approved by Treasury Board.

⁽⁶⁾ It is assumed that the salary funding will be equivalent to the increase. Note that these amounts do not include provisions for new unavoidable costs that would qualify under the ARLU process. The impacts of any difference between approved funding and related increases will be accommodated within CBC's current funding level.



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 the 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.

Working Capital

Despite considerable challenges in recent years, the Corporation continues to manage within its working capital funding level. As a result, the Corporation is seeking no adjustments to its \$4 million approved working capital reference level in its Corporate Plan submission.

Capital

Over the past three years, the CBC's internal capital process has undergone significant overhaul to ensure that all capital investments support business strategies that are in line with priorities. A more rigorous process of justifying and reviewing capital investment proposals is one of the key elements of the new process. Overall, the revised capital process is more sensitive to ensuring that efficient and effective capital investment solutions are put in place and, where appropriate, common technology is used across the Corporation.

Total capital spending in 2002-2003 is planned to be \$99.8 million. Beyond 2002-2003, capital spending will be approximately \$100 million.

Roughly half of the capital budget over the next three years is planned to be spent on production infrastructure where major initiatives include replacing obsolete analogue equipment with digital standards, modernising Radio production facilities, converting the La Maison de Radio-Canada facility in Montreal to digital standards and centralising the presentation operations in both Television networks.

Approximately one-quarter of the budget is planned to be spent on corporate-wide systems and technology infrastructure. Specific initiatives include investments in an integrated Television system to manage program inventory, telecast schedules, commercial and promotional inventory and sales business. Other system investments include an electronic newsroom, upgrading of desktop radio systems, various PC and server infrastructure and software upgrades. The majority of the remaining budget will be spent on transmitter and tower maintenance, and to improve and extend Radio services in line with CRTC commitments.



In striving to achieve the CBC's number one and number two Corporate priorities:

1. Demonstrate that the CBC is a well-managed company and generate cashflow to re-invest in programming;
2. Ensure distinctive programming of the highest quality;

CBC is hopeful that Treasury Board Secretariat and the Department of Finance will provide their continued support for requests to reprofile capital funds. At a time when the broadcasting industry is making the transition from analogue to digital technology and corporate-wide media systems are relatively new to the marketplace or still in development, the issue for the CBC is not -- can the entire capital budget be spent in one year? -- but -- can it be spent wisely to maximise its return?

