

Board of Directors

March 2, 2012

Subject matter**2012-2013 High-level Budgets Overview****Background**

The Government has announced that the Federal Budget will be tabled on March 29, 2012. The purpose of this presentation is to provide the Board with context and an overview of financial pressures and solutions ahead of business plan and budget meetings with the Board on March 20-21, 2012.

Information on the matter

Attached is a high-level overview of the 2012-2013 budget and communications approach with a focus on overall financial pressures, including expected DRAP funding cuts and the solutions developed to address these pressures.

For decision**For information****Prepared by**

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date: March 1, 2012

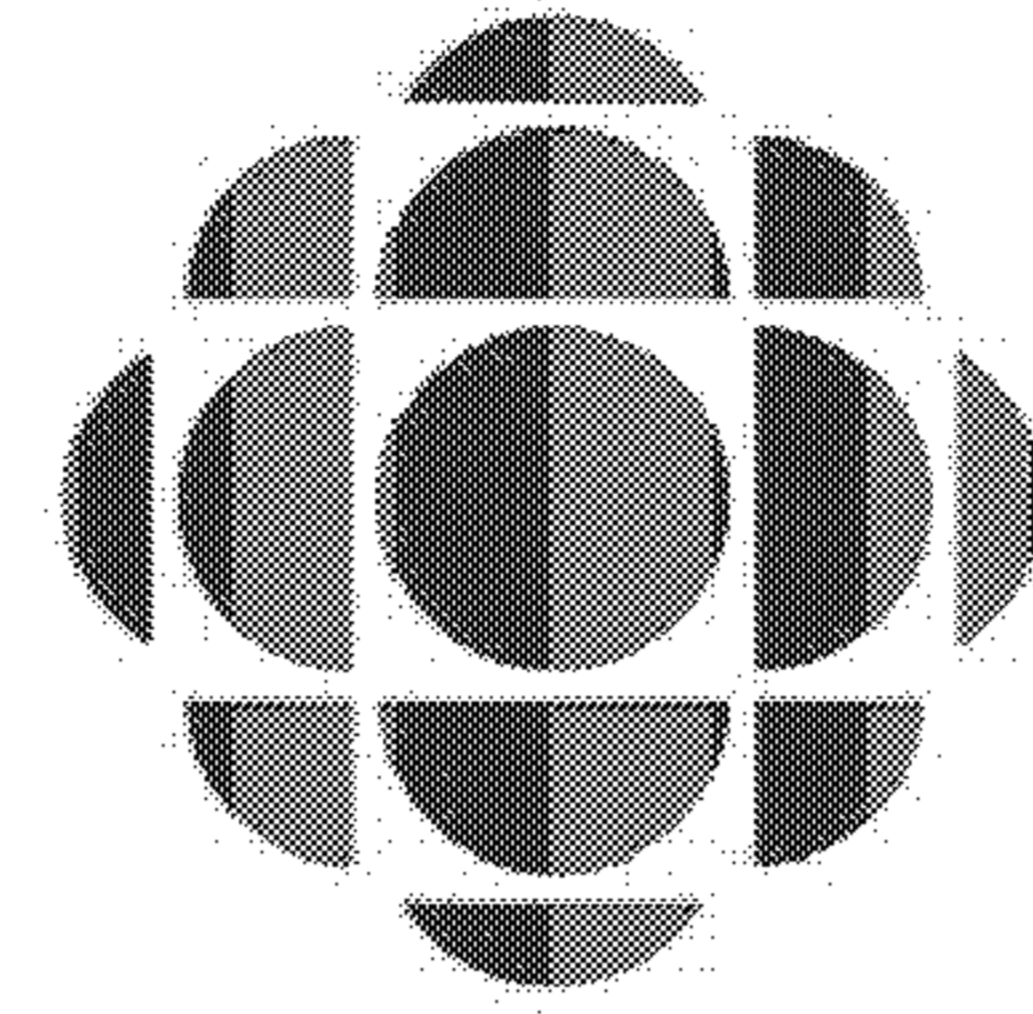
Management recommendation**Last discussed at the Board**

Date: N/A
Decision made: N/A

Next steps

Present the 2012-2013 Operating and Capital Budgets to the Board at the March 20, 2012 meeting for approval.

Launch communications strategy following the March 29, 2012 Federal Budget.



2012-2013 High-level Budget Overview

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

March 2, 2012

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Communications: Federal Budget Scenarios

Standard

- Federal Budget March 29
- Usually a one-week black-out where Government Ministers are the only spokespersons

Possible variations

- Budget contains only high level info on DRAP
 - Separate detailed DRAP announcement some weeks later
- Government includes details of CBC/R-C submission in Budget documents
 - We'd need to accelerate our own communication

DRAP – Communications Implementation Plan

High-level roll-out of communication activities:

- Pre-budget –
 - Preparation of all communication vehicles (e.g., press release, briefing packages, speaking notes) and planning of Town Hall
 - Roll-out plan for each DRAP proposal
- March 2 – Board of Directors teleconference
- March 20-21 – Board of Directors meets to review budget plan in depth
- March 29, Budget day –
 - SET and the Board of Directors teleconference to confirm budget
 - President/CEO sends note to staff re details for Town Hall,
 - High level press statement is released
- Budget black-out period (TBC-seven days) – Briefings with unions, managers and external partners
- April 3 or 4 – Town Hall for employees, press release issued, media calls taken with President/CEO, website and social media strategy launched, etc.
- On-going – Roll-out of individual measures, media monitoring, etc.

DRAP– Communications Approach

- The announcement of our DRAP measures will be folded into more extensive communications about CBC/Radio-Canada's plan for the next three years.
- Communications of the more consequential measures will be detailed and extensive from the outset
- Others will be more general and grouped under categories
- We'll communicate around five headings:

RCI

Pacing of 2015

**Shutdown of
analogue**

Increasing revenue

**Delivering services
differently**

Budget Context

The business plans and budgets for 2012-2013 have been prepared against the following backdrop, with Strategy 2015 providing the framework for priority setting:

- We have successfully rolled out year one of our Strategy 2015 plan. We have completed the DRAP exercise and developed plans for the anticipated reduction of \$115.0 million in appropriations including the elimination of the \$60M in one-time funding, over the next three years. We have also addressed other financial pressures in terms of their impact on our priorities and operations, to allow us to continue funding key elements of our Strategy 2015 plan. This plan is expected to result in the reduction of 600-650 FTE's over the next three years.
- The non-programming cost reduction and revenue initiatives planned under Strategy 2015, DRAP, and the 2015-Making It Happen project, significantly reduce the impact on programming. Less than half of the required reductions will directly affect programming.
- Like other Crown Corporations, agencies and departments, CBC/Radio-Canada will not be receiving funding of 1.5% for salary increases for 2012-2013, the third year of a three-year government funding freeze. Budgetary measures have been identified to address the financial impact should salary inflation funding not be restored in 2013-2014.
- In a rapidly evolving and consolidating industry as well as a climate of economic and regulatory uncertainty, risks have been assessed. Risk management measures, including contingency planning, have been developed.

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Budget Overview

(forecast as at December 31, 2011)

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	2011-2012 Current Budget (\$000's)	2011-2012 Forecast (\$000's)	2012-2013 Forecast (\$000's)	2013-2014 Forecast (\$000's)	2014-2015 Forecast (\$000's)
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SOURCES OF FUNDS

Parliamentary Appropriation
Transfer from Capital - DRAP
Local Programming Improvement Fund
Advertising Revenues (TV, Internet, Contrats)
Specialty Services Revenues

Miscellaneous Revenues

TOTAL SOURCES OF FUNDS

APPLICATION OF FUNDS

English Services
French Services
Media-Related Activities
Support Activities

Committed Reserves

Operating Efficiency Target

TOTAL APPLICATION OF FUNDS

NET POSITION for the Fiscal Year

Prior Year Carryover

NET POSITION - If contingency funds are not used

Contingency - Cumulative

NET POSITION - Cumulative

* Severance costs included in above net position

Financial Pressures and Solutions

	2012/13	2013/14	2014/15
<u>Financial Pressures</u>			
<u>Financial Solutions</u>			
Net Impact			
Budget Carry-over from Previous Year			
Net Position			

(in \$000's)

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Contingency Planning

Contingency Items	Budget Impacts (\$M's)		
	2012/13	2013/14	2014/15

LPIF	Budget Impacts (\$M's)		
	2012/13	2013/14	2014/15

DRAP Reductions

The Board of Directors previously approved the \$96.8M DRAP reduction plan in August 2011.

The target is now expected to be \$115M (equates to 10% of operating and capital appropriation). The reduction will be allocated as follows:

- English Services: - Revenue increases of \$27.9M
- Expense reductions of \$21.3M
- French Services: - Revenue increases of \$11.5M
- Expense reductions of \$25.9M
- Non-Media Services: - Expense reductions of \$28.4M

Detailed initiatives are listed on the next slide.

DRAP Summary

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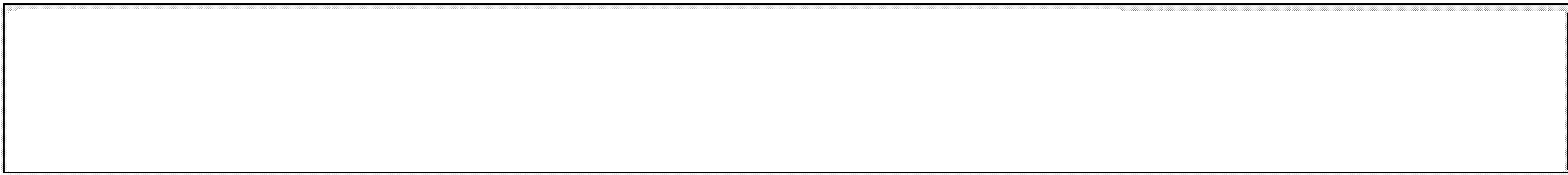
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DEFICIT REDUCTION ACTION PLAN INITIATIVES (DRAP)	2012-2013		2013-2014		2014-2015		Total FTE's
	\$000's	FTE's	\$000's	FTE's	\$000's	FTE's	
Transformation of RCI							
Accelerate shutdown of analogue TV transmitters							
Revenue initiatives - TV							
Revenue initiatives - Radio							
Scale back Strategy 2015 and other initiatives:							
<i>FS Signature events</i>							
<i>Kids programming on the web - ES and FS</i>							
<i>ES Canadian content - prime time</i>							
<i>ES schedule reductions/signature events</i>							
<i>ES News Operations</i>							
<i>FS TV dramas</i>							
<i>Number of concerts produced by CBC/R-C</i>							
<i>FS Regional expansion</i>							
<i>Cross Cultural Programming- ES and FS</i>							
<i>Sports programming- ES and FS</i>							
Making It Happen Review savings and other efficiencies - ES							
Making It Happen Review savings and other efficiencies - FS							
Making It Happen Review savings and other efficiencies - Non-media							
Project spending delays / Real Estate footprint and revenue initiatives							
Total - DRAP Initiatives							
DRAP Reduction Target							

* Represents DRAP FTE reductions. Total FTE reductions are expected to be between 600 to 650 as indicated on the next slides.

Solutions Overview - English Services

SOLUTIONS	2012/13					2013/14					2014/15					CUMULATIVE TOTAL	
	DRAP	Pressures	MIH	Contingency	FTE	DRAP	Pressures	MIH	Contingency	FTE	DRAP	Pressures	MIH	Contingency	FTE	(000's)	FTE
PROGRAMMING CUTS																	
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NON-PROGRAMMING CUTS																	
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REVENUE INITIATIVES																	
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Solutions Overview - French Services

SOLUTIONS	2012-2013					2013-2014					2014-2015					CUMULATIVE TOTAL	
	Strategy 2015	DRAP	MIH	Contingency plan	FTE	Strategy 2015	DRAP	MIH	Contingency plan	FTE	Strategy 2016	DRAP	MIH	Contingency plan	FTE	(\$000's)	FTE
PROGRAMMING AND PRODUCTION COST REDUCTIONS																	
TOTAL - PROGRAMMING AND PRODUCTION COST REDUCTIONS																	
METHODS OF PRODUCTION																	
TOTAL - METHODS OF PRODUCTION																	
EFFICIENCIES - SUPPORT SERVICES																	
TOTAL - EFFICIENCIES - SUPPORT SERVICES																	
REVENUE INITIATIVES																	
TOTAL - REVENUE INITIATIVES																	

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Solutions Overview - Non-Media Services

SOLUTIONS	2012-2013				2013-2014				2014-2015				CUMULATIVE TOTAL	
	DRAP	Strategy 2015	MIH	FTE	DRAP	Strategy 2015	MIH	FTE	DRAP	Strategy 2015	MIH	FTE	(000's)	FTE
Office of the President														
Office of the Chairperson of the Board														
Ombudsman - English Services														
Ombudsman - French Services														
Regulatory Affairs														
Board of Directors														
General Counsel, Corp. Sec. & Compliance														
Branding, Communications and Corporate														
Strategy and Business Partnership														
People and Culture														
Training														
Shared Services														
Finance and Administration														
Information Technology														
International Relations														
Real Estate Services														
Media Technology Services														
Centre de Production Ottawa														
Content Management														
Mobile Division														
Technology Strategy Board														
Horizontal initiatives														
Project spending delays / Real Estate														
Footprint and Revenue Initiatives														
Total Solutions														