



## REDUCTION PLAN PROGRESS REPORT

<b>TO:</b>	Board of Directors
<b>MEETING:</b>	February 21, 2013
<b>FROM:</b>	Michael Mooney, Acting Vice-President and CFO Roula Zaarour, Vice-President, People and Culture Kirstine Stewart, Executive Vice-President, English Services Louis Lalande, Executive Vice-President, French Services
<b>PURPOSE:</b>	This is a progress report against the three-year \$200 million reduction plan approved by the Board in March 2012.
<b>DATE:</b>	February 14, 2013

### SIGNIFICANT POINTS:

- The report indicates that as of December 31, 2012, initiatives are expected to meet reduction targets.
- The loss of LPIF funding over three-years has been addressed using the contingency plan funding.

**Reduction Plan Progress Report**  
**2012-2013 to 2014-2015**  
**Update at Q3 (December 31, 2012)**

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## Highlights of 2012-2013 Budget Measures Update

- 1) English Services' expected expense reductions are in line with 2012-2013 plans,
- 2) French Services' expected expense reductions are in line with 2012-2013 plans.
- 3) Non-Media Services' expected expenditure reductions are in line with 2012-2013 plans, now mostly forecast to be realized in 2013-2014, and fully implemented by 2015-2016.
- 4) Additional contingency planning was approved by the Board of Directors to offset the elimination of LPIF funding over three years and other potential budget pressures.
- 5) 2012-2013 net FTE reductions are estimated at 465 as of December 2012 and are still in progress.
- 6) As detailed in the December 31, 2012 Quarterly Budgetary Management Report, we are currently forecasting a net budgetary position of higher than plan by the end of 2012-2013.

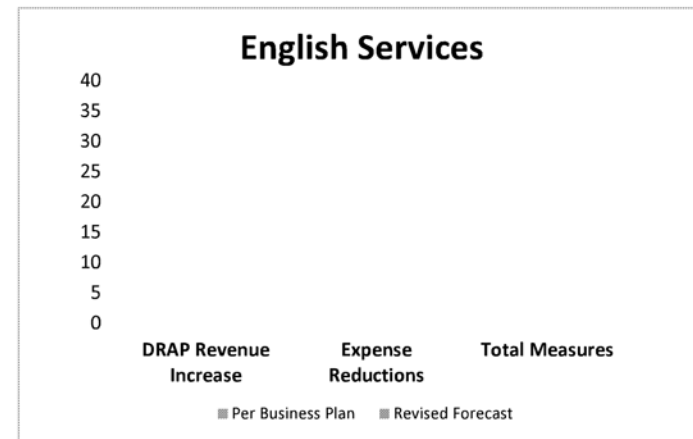
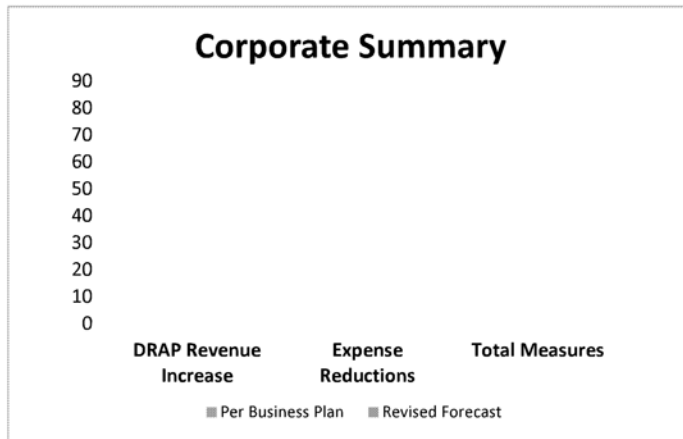
This takes into account the impact of the NHL lockout and the measures put in place to mitigate this impact.

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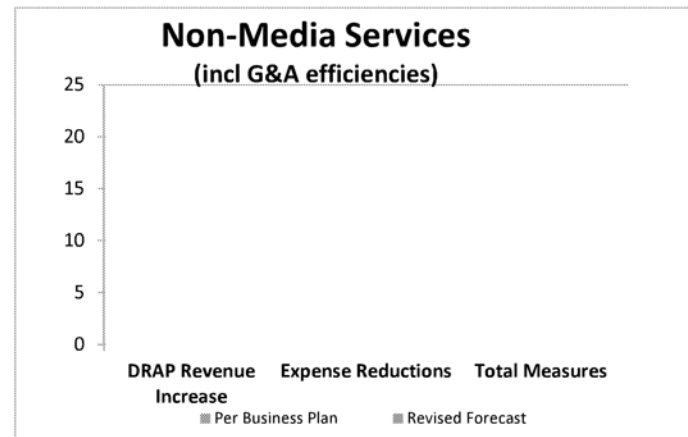
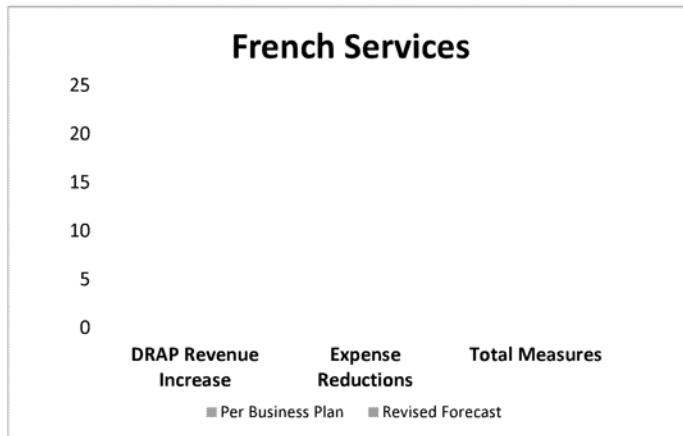
# 2012-2013 Budget Measures Update

## Comparison of 2012-2013 Forecast to Plan

(in millions of \$)



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## 2012-2013 to 2014-2015 Reduction Plan – Q3 Update – English Services

2012-2013 Reduction Plan (see table on following page for details)

- English Services is on track to achieve the 2012-2013 reductions,
- Of the \$37.3M identified in the 2012-2013 business plan,

in the planning phase as we continue to develop plans and identify projects that will generate the needed savings to manage this cut in this fiscal. The \$2.5M will be managed in 2012-2013 with one-time initiatives. English Services expects to achieve the \$37.3M budget cut this fiscal year.

- Planning is underway in order to commercialize Radio 2.

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2013-2014 and 2014-2015 Reduction Plans (see Appendix A for details)

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Contingency Plan (see Appendix A for details)

- The contingency plan (per the 2012-2013 approved Business plan) has been triggered for the loss of LPIF totaling [redacted]. The remaining balance of [redacted] is earmarked for the potential risk that the CRTC does not approve advertising on R2.

**SOLUTIONS- English Services**

	2012-2013									
	Budget		Savings Triggered to Date *		Savings to Come		Total Savings Expected		Variance from Budget	
	\$000's	FTE (Estimate)	\$000's	FTE	\$000's	FTE (Estimate)	\$000's	FTE (Estimate)	\$000's	FTE (Estimate)
<b>PROGRAMMING CUTS</b>										
<b>NON-PROGRAMMING CUTS</b>										
Efficiencies (3)										
Communications										
Other Cost Reductions (4)										
<b>REVENUE INITIATIVES</b>										
Increased ad minutes										
Commercialize R2 - net										
<b>Total Solutions - English Services</b>										

\* Savings that have been initiated by the end of Q3

Comments:

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

## 2012-2013 to 2014-2015 Reduction Plan – Q3 Update – French Services

2012–2013 Reduction Plan (see table on following page for details)

We cannot see any significant risk associated with reaching our \$22.1 million reduction target for 2012–2013. The main steps have already been taken, either in Q1 or at the end of fiscal year 2011–2012. We are on track to meet the targets.

2013–2014 and 2014–2015 Reduction Plans (see Appendix A for details)

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s.21(1)(b)

We foresee no major changes to the initial plan, and several initiatives are already under way:

- Transformation of RCI: The new model was implemented in late June.
- MIH: A committee has been created to review rights management at French Services. The first progress report has been presented to management in December 2012. Phase 2 is underway. Web sales for the Toronto market are currently being centralized.
- Production methods: The transformation unit is active. A new automated control room has been operational at the CDI since May 12. A strategy to expand the use of automated control rooms has been developed and presented to the management committee, unions and employees in October. Deployment of the strategy will be initiated in 2013-2014.
- Sponsorship and advertising on Espace Musique: This issue was reviewed at the license renewal hearing on November 19, 2012.

Contingency Plan (see Appendix A for details)

Please note the contingency plan (per the 2012-2013 approved Business plan) has been triggered for the loss of the LPIF.



**SOLUTIONS- French Services**

	2012-2013									
	Budget		Savings Triggered to Date *		Savings to Come		Total Savings Expected		Variance from Budget	
	\$000's	FTE (Estimate)	\$000's	FTE	\$000's	FTE (Estimate)	\$000's	FTE (Estimate)	\$000's	FTE (Estimate)
<b>PROGRAMMING CUTS</b>										
Network Programming										
News										
French Radio										
RCI Operating Cost Reduction										
Regional Services										
Web Production Cost Reductions										
Cross-cultural										
Signature events										
<b>METHODS OF PRODUCTION</b>										
Efficiencies										
<b>EFFICIENCIES - SUPPORT SERVICES</b>										
Efficiencies										
<b>REVENUE INITIATIVES</b>										
Increased ad minutes										
Commercialize Espace musique - net										
<b>Total Solutions - French Services</b>										

\* Savings that have been initiated by the end of Q3

**Comments:**

RCI transmission staff are presented under Non-media services

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s.18(b)  
s.21(1)(b)  
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## **2012-2013 to 2014-2015 Reduction Plan – Q3 Update –Non-Media Services / G&A Efficiencies**

2012–2013 Reduction Plan (see table on following page for details)

Budget reductions have been made for all Non-media Services. Most staff reductions have been done by the end of July 2012.

2013–2014 and 2014–2015 Reduction Plans (see Appendix A for details)

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

**SOLUTIONS- Non-media Services**

	2012-2013									
	Budget		Savings Triggered to Date *		Savings to Come		Total Savings Expected		Variance from Budget	
	\$000's	FTE (Estimate)	\$000's	FTE	\$000's	FTE (Estimate)	\$000's	FTE (Estimate)	\$000's	FTE (Estimate)
Office of the President										
Office of the Chairperson										
Ombudsmen										
Regulatory Affairs										
Board of Directors										
General Counsel, Corp. Sec. and Compliance										
Branding, Communications and Corporate Affairs										
Strategy and Business Partnerships										
People and Culture										
Shared Services										
Finance and Administration										
Information Technology										
International Relations										
Real Estate Services										
Media Technology Services										
Ottawa Production Centre										
Content Management										
Mobiles Production										
Technology Strategy Board										
MIH - Horizontal initiatives										
Real Estate footprint/Revenue initiatives										
<b>Total Solutions - Non-Media Services</b>										

\* Savings that have been initiated by the end of Q3

\*\* Reductions done in 2011-2012

**Comments:**

Non-Media Components' budgets have been reduced as confirmed in each component's budget confirmation letter.  
Includes RCI transmission staff

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s.18(b)

s.21(1)(b)

**GENERAL AND ADMINISTRATION EFFICIENCIES**

General and Administration Efficiencies	Per 2012/13 Business Plans			Updated Forecast at Q3			
	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15	2015/16
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Print Optimization							
Next Generation Procurement							
Halifax Consolidation							
Telecom Project							
Migration to Rogers Mobility ***							
Other Savings							
<b>Total G&amp;A Efficiencies * / **</b>							

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

## Making It Happen – Q3 Update

The following is an update of key MIH initiatives including several projects that make up the Organizational Review (which are not included in the \$200M reduction target).

### Phase 1

The initial phase of the Organizational Review included the analysis of CBC/Radio-Canada's spans of control, layers of management, and costs per FTE. The review indicated that the Corporation compared favourably overall to external benchmarks. The following observations were made and related actions taken:

- The average span of control for the organization overall is 9.8. According to [redacted] best in class companies have average spans of 10 -15.
  - A number of reviews of organizational structures were conducted following the identification of managers with one or two direct reports, which led to more streamlined reporting lines and the identification of a limited number of positions for efficiencies. As of December 31, 2012, there were 8% fewer managers with one or two direct reports than in May 2012, mostly due to consolidation of structures and some instances of FTE reductions through attrition and redundancy.
- The Corporation had up to six layers of management below the President, with five being the norm throughout CBC/Radio-Canada. [redacted] indicates that a typical organization has eight to nine levels between the top leadership and the frontline employee.
  - 14 cases of a 6<sup>th</sup> layer of management were identified and subsequent action was taken to review affected areas. As a result of this review, all 14 cases of a 6<sup>th</sup> layer of management were eliminated either through re-organization or people leaving the Corporation.

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s.20(1)(b)

s.21(1)(b)

## **Phase 2**

The second phase of the Organizational Review includes the review of Corporate and Cross-Component Functions and a review of the Regions. An in-depth data gathering and analysis phase has been completed and senior management is reviewing the results to:

- Identify organizational structure improvements and eliminate potential duplication in Corporate and Cross-Component Function areas.
- Identify potential synergies that can be achieved across similar functions conducted in both French and English Services.
- Rationalize staffing and resource allocations across Regions and increase collaboration between English and French Services (several examples already exist), especially with the phased elimination of LPIF funding.

A review of the Shared Services Centre's (SSC) mandate was completed by \_\_\_\_\_ and recommendations were provided to enhance the current operations in order to facilitate the adoption of improved processes to achieve operational efficiencies.

- Top management of the SSC has been replaced, and new management is in process of implementing recommendations stemming from the \_\_\_\_\_ review.

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s.21(1)(b)

## **Phase 3**

A third phase of the Organizational Review is scheduled to start in early 2013, which will review the organizational structures and level of staffing in the Program Production areas within English and French Services.

## **Other Cost Savings Opportunities**

Other cost-saving opportunities identified through the horizontal reviews initiated in Q3 of last year are continuing to be developed and implemented. For on-going monitoring and assessment purposes, opportunities have been included in 2012-2013 objectives for VPs and cascaded down to team members.

## Capital Update – Q3 Update

- Capital plan is being delivered as per the plan approved by the BOD in March 2012.

No material risks to the plan have arisen so far in fiscal 2012-2013.

- An asset review was conducted as per the March 2012 Board discussion and the findings will be presented at the February 2013 Board meeting.

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Workforce Adjustment  
Tracking to Plan - 2012/2013  
As of December 31, 2012

ACTION	English Services	French Services (incl. RDI)	Corporate Services	TOTAL
Redundancy Notices				
Layoffs				
Contract non-renewal				
Reassignments and Redeployments				
Vacancies abolished				
Substitutions				
Other (End of temporary or probationary employment, etc.)				
To be determined				
Sub-Total				
Reductions due to reorganizations - redirected per strategy				
<b>TOTAL *</b>				
Estimated downsizing costs for 2012/2013				

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*NOTE: Ottawa Production Centre is included in Corporate Services.  
RCI included in French Services with exception of transmission staff who are included in Corporate Services.*

\* In the March 2012 Board presentation, was anticipated for 2012-2013.



## **APPENDIX A**

**SUMMARY - BUDGET REDUCTIONS**

ENGLISH SERVICES	Per 2012/13 Business Plans			Updated Forecast at Q3		
	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
DRAP						
OPERATING PRESSURES						
MIH - VERTICAL REVIEW						
MIH - HORIZONTAL REVIEW						
CONTINGENCY PLANNING (now partly used to offset loss of LPIF)						
<b>TOTAL - ENGLISH SERVICES</b>						
FRENCH SERVICES	Per 2012/13 Business Plans			Updated Forecast at Q3		
	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
DRAP						
STRATEGY 2015						
MIH - VERTICAL REVIEW						
MIH - HORIZONTAL REVIEW						
CONTINGENCY PLANNING (now partly used to offset loss of LPIF)						
<b>TOTAL - FRENCH SERVICES</b>						
NON-MEDIA SERVICES	Per 2012/13 Business Plans			Updated Forecast at Q3		
	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
DRAP						
STRATEGY 2015						
MIH - VERTICAL REVIEW						
MIH - HORIZONTAL REVIEW						
REAL ESTATE FOOTPRINT/REVENUE INITIATIVES						
G&A EFFICIENCIES						
<b>TOTAL - NON-MEDIA SERVICES</b>						
ALL SERVICES	Per 2012/13 Business Plans			Updated Forecast at Q3		
	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
DRAP						
OPERATING PRESSURES						
STRATEGY 2015						
MIH - VERTICAL REVIEW						
MIH - HORIZONTAL REVIEW						
CONTINGENCY PLANNING (now partly used to offset loss of LPIF)						
REAL ESTATE FOOTPRINT/REVENUE INITIATIVES						
G&A EFFICIENCIES						
<b>Total Reductions - All Services</b>						

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s.21(1)(b)

s.20(1)(b)

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\* Target achieved in 2015/16

**ENGLISH SERVICES**

DRAP	Per 2012/13 Business Plans			Updated Forecast at Q3		
	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
<ul style="list-style-type: none"> <li>• Commercialize Radio Two (Net after system implementation and other one time start up costs)</li> </ul>						

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

s.68.1

**ENGLISH SERVICES**

Operating Pressures	Per 2012/13 Business Plans			Updated Forecast at Q3		
	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's

• **Reduce Project commitments**  
*Redirect cuts in 2012-13 - to fund DRAP in 2014/15 (See DRAP Section)*

• **Other cost reductions**

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

s.68.1

**ENGLISH SERVICES**

MIH - Vertical Review	Per 2012/13 Business Plans			Updated Forecast at Q3		
	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
<b>Administrative &amp; Services Review - ES</b> review of all non-programming areas administrative resources						
<b>Other Efficiency Projects - ES</b> review of all workflow and process for all legacy areas which were not part of the administrative review; in addition to reviewing all non-capital spending and digital spending						
MIH - Horizontal Review	Per 2012/13 Business Plans			Updated Forecast at Q3		
	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
<b>Making It Happen - Savings</b> tied to outsourcing Ad Standards, margins from Merchandising division and improved revenues in program and archive sales						
<b>Total - MIH</b>						

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

**ENGLISH SERVICES**

Contingency Planning (now partly being used to offset loss of LPIF)	Per 2012/13 Business Plans			Updated Forecast at Q3		
	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
<div data-bbox="340 738 840 795" data-label="Text"> <p>• <b>Efficiency</b> (reduce discretionary spend)</p> </div>						
<div data-bbox="340 933 840 966" data-label="Text"> <p><b>Total Reductions -English Services</b></p> </div>						

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

s.68.1

**FRENCH SERVICES**

DRAP	Per 2012/13 Business Plans			Updated Forecast at Q3		
	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Generating new ad revenue						
Introducing commercial advertising and sponsorships on Espace musique (net)						
Transforming RCI						
Changing production methods						
Reducing the Sports production and rights acquisition budget						
Reducing the Signature events budget						
Reducing the Cross-Cultural budget						
Reducing the Espace musique musical production budget						

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s.68.1

**FRENCH SERVICES**

MIH - Vertical Review	Per 2012/13 Business Plans			Updated Forecast at Q3		
	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Rights administration						
Program scheduling						
Reviewing and standardizing production resources						
Reviewing production methods						
Financial and administrative processes						
MIH - Horizontal Review	Per 2012/13 Business Plans			Updated Forecast at Q3		
	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Advertising standards						
Centralizing web sales (revenue)						
Merchandising (net revenue)						
Foreign bureaus						
Acquiring fewer documentaries						
<b>Total - MIH</b>						

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



**FRENCH SERVICES**

Strategy 2015	Per 2012/13 Business Plans			Updated Forecast at Q3		
	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Programming and Production						
Production Method Review						
Efficiency Gains - Support Services						

Contingency Planning (now being used to offset loss of LPIF)	Per 2012/13 Business Plans			Updated Forecast at Q3			
	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15	2015/16
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Reducing General TV production costs							
Cutting the Cross-Cultural budget							
Production methods							
Network Programming							
Regional News							
Regional Non-news							
Reducing News and Radio production costs							

**Total Reductions - French Services**

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

**NON-MEDIA SERVICES**

DRAP	Per 2012/13 Business Plans			Updated Forecast at Q3		
	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Accelerate Shutdown of Analog Transmitters						
Strategy 2015	Per 2012/13 Business Plans			Updated Forecast at Q3		
	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Office of the President						
Office of the Chairperson						
Ombudsmen						
Regulatory Affairs						
Board of Directors						
General Counsel, Corp. Sec. and Compliance						
Branding, Communications and Corporate Affairs						
Strategy and Business Partnerships						
People and Culture						
Shared Services						
Finance and Administration						
Information Technology						
International Relations						
Real Estate Services						
Media Technology Services						
Ottawa Production Centre						
Content Management						
Technology Strategy Board						

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**NON-MEDIA SERVICES**

<b>MIH - Vertical Review</b>	<b>Per 2012/13 Business Plans</b>			<b>Updated Forecast at Q3</b>		
	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Office of the President						
Office of the Chairperson						
Ombudsmen						
Regulatory Affairs						
Board of Directors						
General Counsel, Corp. Sec. and Compliance						
Branding, Communications and Corporate Affairs						
Strategy and Business Partnerships						
People and Culture						
Shared Services						
Finance and Administration						
Information Technology						
International Relations						
Real Estate Services						
Media Technology Services						
Ottawa Production Centre						
Content Management						
Technology Strategy Board						

<b>MIH - Horizontal Review</b>	<b>Per 2012/13 Business Plans</b>			<b>Updated Forecast at Q3</b>		
	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's

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

**NON-MEDIA SERVICES**

Real Estate Footprint and Real Estate Initiatives	Per 2012/13 Business Plans			Updated Forecast at Q3		
	2012/13	2013/14	2014/15	2012/13	2013/14	2014/15
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Target						
<b>Total Reductions - Non-Media Services</b>						

s.18(a)

s.18(b)

s.21(1)(b)

s.20(1)(b)