



**CBC/Radio-Canada
Corporate Plan Summary
for 2003-2004 to 2007-2008**

CONNECTING CANADIANS

**Presented to the
Minister of Canadian Heritage**

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CBC  Radio-Canada

2003-2004 CORPORATE PLAN SUMMARY

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I) EXECUTIVE SUMMARY: BUILDING FOR THE FUTURE

CBC/Radio-Canada is helping Canadians to define where they fit in a rapidly changing world.

As Canadians strive to make Canada a better place to live, work, invest, and grow, they continue to be buffeted by social and economic events and issues happening both within and far beyond Canada's borders. CBC/Radio-Canada has a pivotal role to play in this environment. Our programming helps Canadians to recognise one another in both the Canadian and global context. It provides the kind of information and insight vital to a discussion and understanding of Canada's future. In essence, CBC/Radio-Canada connects Canadians and gives them a voice.

Looking back over the past two years, it is not hard to see evidence of CBC/Radio-Canada's success in this regard.

Again and again, CBC/Radio-Canada has proven that Canadians really do want the kind of programming only a national public broadcaster can deliver. The groundbreaking production *Canada: A People's History / Le Canada : Une histoire populaire*, for example, attracted some 15 million Canadian viewers and continues to be used in classrooms across Canada today. *The Last Chapter / Le Dernier chapitre*, a high-powered dramatisation of the biker wars in Ontario and Quebec, attracted almost five million Canadians to the first of its six parts. Unique, historical drama such as *Random Passage / Cap Random* and *Trudeau* were watched by millions of Canadians eager to know more about their country's past.

Time and again, CBC/Radio-Canada has demonstrated why it is Canada's most trusted source of news and current affairs. To this day, for example, only CBC/Radio-Canada will pre-empt regular programming schedules to offer live, uninterrupted coverage of important national occasions such as the July 2002 visit of Pope John Paul II to provide spiritual leadership at World Youth Day.

Long reflecting the special place that sport has in the hearts and minds of Canadians, CBC/Radio-Canada also offers Canadians more opportunities to cheer their athletes across a broader range of events. CBC/Radio-Canada again provided complete, balanced and informed coverage as Canada's finest athletes competed for gold at the Salt Lake City Winter Olympics. Only CBC/Radio-Canada covered the world-class amateur athletic competition at the IV^{es} Jeux de la Francophonie.

This Fall, Canadians celebrated 50 years of Canadian public television. Thousands of Canadians tuned in and logged on for special 50th anniversary programming that looked back on five decades of news and entertainment at CBC/Radio-Canada.

This is public broadcasting at its best!



At a time when CBC/Radio-Canada is most needed, pressures are mounting.

Massive broadcasting industry consolidation, as well as horizontal and vertical integration, continues to change the Canadian broadcast landscape in fundamental ways. Media concentration in Canada has reached new heights and an intense battle for program rights, advertising dollars, public funds, and audience share has taken shape. Canadians now live in an interactive, multi-channel and specialised broadcasting universe that offers a dazzling array of choice. Since market forces continue to make the broadcast of foreign programming more profitable than the production and airing of Canadian programs, however, Canadians continue to be bombarded by foreign programming.

The result? At a time when the need for a strong and vibrant CBC/Radio-Canada is greatest, rising production costs are making it increasingly difficult for CBC/Radio-Canada to deliver top-quality, innovative Canadian programming. Indeed, without the \$60 million injections into CBC/Radio-Canada's budgets for 2001-2002 and 2002-2003, many of the Corporation's programming achievements of the past two years would not have been possible.

New strategic directions are helping CBC/Radio-Canada adjust to changing circumstances.

Two years ago, CBC/Radio-Canada launched a new strategic course to strengthen its capacity to serve and connect Canadians. At the heart of this renewal work are a number of key priorities that reflect our role and responsibility for *Connecting Canadians* and guide the way we do business.

Two significant additions to our strategic directions for 2003-2004 must be stressed: the importance of regional reflection and of the changing face of Canada; and our commitment to CBC/Radio-Canada's employees.

1. Ensure distinctive Canadian programming of the highest quality.
2. Recognise the importance of regional reflection and of the changing face of Canada.
3. Ensure the sustainability of CBC/Radio-Canada's Canadian schedules.
4. Demonstrate that CBC/Radio-Canada is a well-managed company and generate cash flow to re-invest in programming.
5. Strengthen CBC/Radio-Canada's commitment to all its employees – to those who create and those who support them.
6. Position CBC/Radio-Canada to enhance its ability to fulfil its mandate through selective alliances and partnerships.
7. Reinforce the capacity of CBC/Radio-Canada to work as one integrated company.
8. Enhance/strengthen CBC/Radio-Canada's stakeholders relationships.

While regional reflection and regional contributions to network programming have always been important considerations in CBC/Radio-Canada's action plans, Canada's increasing diversity and regional dynamism necessitate even stronger actions to ensure we are connecting Canadians across regional and cultural lines. The rapidly changing face of Canada and our ability to respond more directly to this new reality must be given a higher priority. As CBC/Radio-Canada moves forward, we will ensure that the perspectives, issues and concerns of Canada's regional and cultural mosaic, are well reflected in our programming. In addition, the Corporation strengthens its commitment to all CBC/Radio-Canada employees – to those who create and those who support them.



The new strategic directions are working. CBC/Radio-Canada has made significant programming changes across all media lines to enhance our distinctiveness in the new competitive environment. We have substantially reinforced regional presence and reflection. We have introduced new talents, new voices and new faces. We have safeguarded our journalistic leadership with new public affairs and news programming. We have boosted our offering of commercial-free, educational programming for Canada's children and youth. Taking risks and confronting challenges, we have created innovative Canadian content, while maintaining balanced programming.

Continued support needed to achieve our goals.

In both French and English Television, high-quality, high-impact, distinctive Canadian programming can only be achieved with a long-term commitment to production dollars.

The television program development process (e.g., from development and shooting to broadcast), is a two-to three-year gestation period for good-quality programs.

For example, a new Trudeau prequel (a pre-1968 story of Trudeau as a young man), was developed in 2002 and is currently being written for filming in the Fall of 2003 and broadcast in 2004. This is not a uniquely Canadian phenomenon; around the world foreign producers are looking for commitments for programs to air three-to-four years hence. If CBC/Radio-Canada cannot make long-term financial commitments, companies like ABC, PBS, Grenada, or Carleton will enter into co-production agreements with partners from other countries and these countries will capture all of the employment and other benefits associated with high-impact television productions.

In addition, this commitment must be made early in the planning cycle (often two-to-three years out) to attract the remainder of the funding required to complete the project (i.e., funding from the Canadian Television Fund).

The Government of Canada's investment of \$60 million in special additional funding for CBC/Radio-Canada in each of 2001-2002 and 2002-2003 was a vote of confidence in our on-going efforts. As we look ahead, our ability to connect Canadians through meaningful, high-impact, distinctive Canadian programming hinges on that \$60 million becoming part of a permanent addition to our base budget.

We are pleased that Government has renewed the additional \$60 million funding for each of the next two years for CBC/Radio-Canada. With this additional support, Government continues to recognize not only the value of a strong national public broadcaster, but also the high-quality, distinctively Canadian programming that Canadians deserve.

Robert Rabinovitch
President & CEO



II) SITUATION ANALYSIS

A. Canada in a Global Context

Globalisation has changed the world in fundamental ways.

As Canadians strive to make their nation a better place to live, work, invest, and grow, Canadians continue to be confronted with a more complex and global world and a more uncertain future.

Canadians cannot help but question whether globalisation's influence across virtually every sector of our economy and society is eroding Canadian identity and the very programs that reflect our values of fairness and inclusion. As a nation, we are engaged in a process of distinguishing between fundamental and essential Canadian values and those that are part of a new global environment. In these circumstances, Canadians need a keen understanding of the new, emerging world order and of their own place and role in it.

A 2001 Ekos Research poll indicated that almost 75 per cent of Canadians say that it's "very important" that the country maintains a unique system of values and national identity.

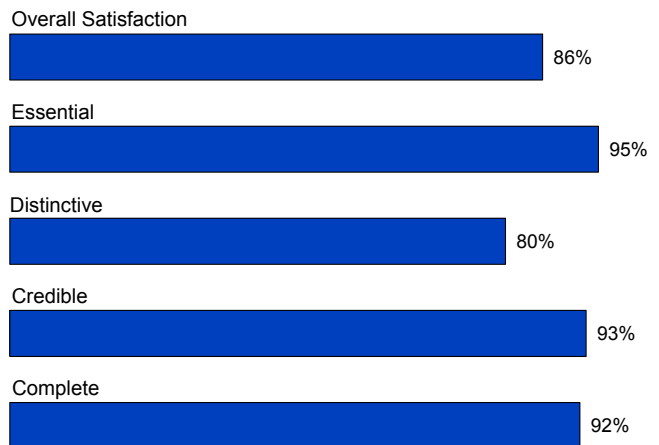
Canadians turn to CBC/Radio-Canada to understand better the world in which they live, work and play. Canadians know they can rely on CBC/Radio-Canada for balanced, high-quality journalism that goes the extra mile to help them comprehend local, regional, national and international happenings and provide a Canadian context.

Canadians also turn to CBC/Radio-Canada to gain a better sense of their vast country, its regions and its shared values. Coverage of Canadian events happening in the regions helps build a stronger sense of identity and helps strengthen social cohesion in a swiftly changing Canada, in a swiftly changing global environment. Distinctively and indigenously Canadian entertainment programming also plays a significant role in shaping Canadians' views of themselves, their values and of the world.

CBC/Radio-Canada's role is more important than ever.

Distinctive, high-quality Canadian programming is the essence of CBC/Radio-Canada. Through CBC/Radio-Canada, Canadians have a window on Canada's cultural, ethnic, linguistic, and regional diversity. Through CBC/Radio-Canada they also have a Canadian perspective on the global community that increasingly affects their lives and aspirations. In essence, Canadians turn to CBC/Radio-Canada to connect to the **full** Canadian experience.

Success Measures - All Services



Canadians aged 18+ were asked to rate CBC/Radio-Canada services based on five performance indicators
October - December 2001
Source: CBC/Radio-Canada Corporate Research (QRS)



Today, more than four-in-five Canadians indicate they are satisfied or highly satisfied with the programming offered by our Radio or Television services. Four-in-five Canadians believe CBC/Radio-Canada offers important and entertaining programs not available elsewhere.

B. Canada's Broadcasting Environment

Globalisation has intensified the need for a strong Canadian presence in broadcasting even as it has made that task more difficult to achieve.

As a result of audience fragmentation and the gradual erosion of audience share and advertising revenues, media companies around the world have been forced to develop aggressive strategies to maintain their bottom line. Through mergers and acquisitions, many have evolved into huge media conglomerates. Massive investments have been made in the pursuit of vertical and horizontal integration.

The net result has been a higher concentration of ownership of media properties and businesses along the value chain in the media industry. There are now fewer but bigger players. They exert more control over editorial content and have deeper pockets to bid for program rights. They have more control over the key distribution channels and have the ability to limit expansion possibilities of smaller competing players.

While the pressure on public broadcasters is mounting, their relevance and importance in preserving a democratic public space and journalistic independence is growing.

While pressures on public broadcasters are mounting, the relevance and importance of preserving a democratic public space and journalistic independence is growing.



III) CBC/RADIO-CANADA'S STRATEGIC DIRECTIONS

A. Our Efforts have produced Exciting Results

Today, only CBC/Radio-Canada will pre-empt regular programming schedules to offer live, uninterrupted coverage of important national and international occasions such as the July 2002 visit of Pope John Paul II to Canada for World Youth Day and the Queen's Golden Jubilee Tour of Canada in October 2002 or the Quebec City Summit of the Americas.

CBC/Radio-Canada also offers more opportunities for Canadians to cheer their athletes across a broader range of events. Only CBC/Radio-Canada covered the world-class amateur athletic competition at the IV^{es} Jeux de la Francophonie in Ottawa/Hull and the 8th IAAF (International Amateur Athletic Federation) World Championships in Edmonton. CBC/Radio-Canada again offered complete, balanced and informed coverage as Canada's finest athletes competed for gold at the Salt Lake City Winter Olympics.

Last Fall, Canadians celebrated 50 years of Canadian public television. Thousands of Canadians tuned in and logged on for special 50th anniversary programming that looked back on five decades of news and entertainment at CBC/Radio-Canada.

Our strategy for change is working. Our media have enhanced their programming schedules to clearly define CBC/Radio-Canada as a true public broadcaster. In cross-cultural programming, a number of programming successes such as *The Last Chapter / Le Dernier chapitre* (with over five million French and English viewers for the first episode) have been the result of the joint work of our English and French Television networks.

Thanks to special budgetary infusions of \$60 million in each of 2001-2002 and 2002-2003, CBC/Radio-Canada has posted two years of programming growth (with two consecutive years of audience share increases for English Television) and renewed programming vitality (with French Television's revamping of most of its program schedule). Additionally, both English and French Radio services have enhanced their listening audiences.

In each media line, funds have been used to meet the Corporation's strategic priorities, particularly in the regions of Canada – enhancing regional news and information and non-news programming, cross-cultural programs and co-productions between services, and increasing talent development.

English Television

The impact of the additional funding for English Television is seen most clearly in the striking list of high-quality entertainment and drama programming developed, piloted and destined for airing in the current and upcoming seasons. A \$12 million investment has produced such programming as the *Mary Walsh Book Show*, the Torrens project (youth programming), *Comedy Gold*, *Rideau Hall*, *Scar Tissue*, *Escape from the Newsroom*, *Tom Stone*, *Céline Dion*, *the Great Canadian Music Dream* (development only), and *An American in Canada*.

An additional \$3.5 million ensured the continued success and critical acclaim of the commercial-free arts program *Opening Night* and funded new initiatives in the arts such as *the Black Musician's Project* and *Live to Air*.



An \$18 million investment has strengthened information and documentary programming. New programming such as *CBC News: Disclosure*, *CBC News: Sunday* and *CBC News Big Picture* co-productions with the regions, as well as new documentary programming and the development of documentaries such as the CBC/Radio-Canada co-production of *The Canadian Experience* have been created through this funding. This new funding has also allowed significant investment in our domestic and foreign News bureaus.

Close to \$4 million has been invested in regional programming initiatives in non-news programming genres, such as comedy, documentaries, and children's programming. English Television has also been able to achieve key goals of increasing amateur sports coverage and cross-cultural projects with investments of \$4 million and \$5 million, respectively.

French Television

In French Television an investment of \$3.8 million in 2001-2002 in regional infrastructure to enhance news coverage and introduce new programming paved the way for a further investment of \$5 million in 2002-2003 in regional independent production, regional development funds, and the creation of permanent journalistic presence in such underserved regions as the Atlantic Provinces, Manitoba and the Prairies.

Over \$10 million in new funding each year enabled French Television to complete financing for planned programming (e.g., the drama series *Rivière-des-Jérémie*) to produce new drama and variety series (e.g., *Les Super Mamies*, *Stars à domicile*), to bring back new programming for a second season (e.g., *Music Hall*) and to produce high-quality cross-cultural programs on arts, culture and youth with English Television, as well as high-impact cross-media drama, such as *Le Dernier chapitre / The Last Chapter*.

English Radio

Close to 45 per cent of the additional funding allocated to English Radio, or \$4.5 million over two years, has been injected into regional programming. Every region in Canada received "New Voices" funding to bring a broader range of voices, opinions and perspectives to Canadians through English Radio. As part of this package, regional operations also received funding to enhance program quality, to pursue investigative journalism and to extend journalistic presence. The deployment of reporters to more rural areas means Canadians now have a better understanding of events in previously underserved areas of Saskatchewan, Manitoba and Ontario. English Radio now has news gathering resources in place during evenings and weekends in locations that could not previously afford this level of coverage.

French Radio

With an investment of just over \$1 million, French Radio was able to cover an additional 30 regional events, including the 400th anniversary of Acadia and the Aboriginal Games in Manitoba. A \$2.5 million investment contributed to the creation, completion and pursuit of more than 15 programs, including cutting-edge documentaries, humour, "radiatoromans", musical and spoken word programming.

Another \$2.5 million was instrumental in enhancing French Radio's national and international news gathering and coverage, increasing regional contributions to network programs (over 300 in the first year), and adding foreign correspondents in Brazil and Israel.



Papal Visit and World Youth Day

In Summer 2002, CBC/Radio-Canada was able to act as host broadcaster for the Papal visit and events surrounding World Youth Day, which would not have been possible without the additional funding from the government. CBC/Radio-Canada broadcast five different specials related to this event, reaching over five million Canadians.

Leveraging existing assets and partnerships

Also at the heart of CBC/Radio-Canada priorities is leveraging existing assets to generate substantial savings and new revenues for re-investment in programming. More efficient management of our more than five million square feet of real estate across Canada, for example, will yield substantial savings.

Over the past two years, exciting new partnerships and alliances have also proven to be successful at extending CBC/Radio-Canada's reach to new audiences on new platforms. We take particular pride in our specialty channels, which were launched as media partnership initiatives: *ARTV*, *The Documentary Channel* and *Country Canada*¹. As well, through an agreement with Le Groupe Gesca / *La Presse*, the Corporation is now cooperating on complementary activities, notably the Internet, special events and promotion.

With the help of additional funding from the government in 2001-2002 and 2002-2003, and with additional resources generated from its renewal initiatives, CBC/Radio-Canada is well on its way to maximising its capacity to connect Canadians.

¹ In Fall 2002, CBC/Radio-Canada acquired 100 per cent ownership of *Country Canada* from Corus Entertainment Inc.



B. CBC/Radio-Canada's Strategic Directions: Building on Our Successes

We have identified key priorities to strengthen our ability to connect Canadians.

Two years ago, CBC/Radio-Canada launched a new strategic course to strengthen its capacity to serve and connect Canadians with high-quality, distinctive Canadian programming. At the heart of this renewal work are a number of key priorities that reflect our role and responsibility for *Connecting Canadians* and guide the way we do business.

In 2003-2004 we will stress the importance of regional reflection and of the changing face of Canada; and our commitment to CBC/Radio-Canada's employees.

Our strategic directions are built around the following key thrusts.

High-quality, Distinctive Canadian Programming

1. Ensure distinctive programming of the highest quality
2. Recognise the importance of regional reflection and of the changing face of Canada
3. Ensure the sustainability of CBC/Radio-Canada's Canadian schedules

Efficiency

4. Demonstrate that CBC/Radio-Canada is a well-managed company and generate cash flow to re-invest in programming

Creative and Human Resources

5. Strengthen CBC/Radio-Canada's commitment to all its employees – to those who create and those who support them

Strategic Partnerships

6. Position CBC/Radio-Canada to enhance its ability to fulfil its mandate through selective alliances and partnerships

Collaboration

7. Reinforce the capacity of CBC/Radio-Canada to work as one integrated company

Strong Stakeholder Relations

8. Enhance/strengthen CBC/Radio-Canada's stakeholder relationships

Our goal remains that of enhancing our programming capacity, while ensuring we are a benchmark of efficiency. Through new program development, we will continue to enhance the distinctiveness and regional make-up of our Radio, Television and New Media Services. We will continue to increase collaboration across media lines. We will strengthen our creative resources, as we reach out to new partners and stakeholders.



1. Ensure distinctive programming of the highest quality.

English Television

Having clearly established itself as *Canada's Own* broadcaster, English Television will now focus on consolidating its achievements. This will mean refining the hosted theme nights, making further reductions in commercial time and investing in exciting new programming of all types.

Television News Renewal will continue working towards an integrated, streamlined and decentralised CBC News operation. English Television information programming will be putting more emphasis on new program development and on documentary series, including Mark Starowicz's new *The Canadian Experience*.

CBC Sports will continue its work to heighten the profile of amateur sports in Canada. An initiative called *From Playground to Podium* will result in a wholesale redesign of the network's flagship for amateur sports, *CBC Sports Saturday*.

In arts and entertainment, English Television expects more high-impact drama such as the prequel to *Trudeau* and *Third World*, which will explore contemporary issues around immigration. In arts, we will present *The Fairy Queen*, a British Columbia produced ballet adaptation of *A Midsummer Night's Dream*, and *Measha's Music*, a Prince Edward Island-produced profile of Canadian opera's hottest new diva, Measha Bruggergosman. For variety, English Television will offer more regionally based series like *The Great Canadian Music Dream* and *CBC's Winnipeg Comedy Festival*. *Comedy Gold* will feature a look at all those Canadians comedy talents who have gained international star status. For youth, there will be even more award-winning original Canadian programs such as *POKO*, a new pre-school title scheduled to come out of Halifax. Also watch for *DOT*, English Television new "virtual" host.

French Television

French Television has historically performed very strongly and still captures a key part of Francophone viewing. However, our current audience share has declined significantly in the face of market fragmentation. We are concerned by this situation and believe that immediate action is required. For this reason, French Television has launched a new positioning exercise touching on virtually every aspect of its operations.

Our purpose is to develop a stimulating Corporate and Television project that will attract our employees' support and maximise synergies among programming areas and with other media components. Coupled with plans to modernise our production centres, our efforts are aimed at guaranteeing program quality.

The new positioning will help French Television prepare its broadcast schedule and develop new programs. It provides both our in-house staff and outside partners with a creative environment. Relying on French Television's strengths, this new positioning highlights the credibility of our journalistic coverage, the innovative character of our teams, our desire to embrace the world and the passion of our creative people. Our new positioning also makes more room for public participation and seeks to bring the regions closer to the decision centres with regards to programming.



High-quality, Distinctive Canadian Programming

English Radio

Even as English Radio's ratings soared to record heights in the Spring of 2002, with a share of 13 per cent, the network began a process of redesigning and renewing its services for Canadians. The goal is to maintain audience share and high satisfaction levels, while increasing the extent to which English Radio is seen as being connected to the lives of listeners across the country and reflective of the widest possible range of values and interests.

Program development is at the centre of English Radio's action plans and key to providing programming with ongoing impact on Canadians' lives. The goal is to respond quickly and wisely to the changing face of Canada, the aging of the radio audience, technological change, and increased competition for audience attention. A first phase of development will be to consolidate new network and regional programs, especially in the morning schedule. Toronto and Vancouver 6:00 to 8:30 a.m. local shows will be reviewed first.

French Radio

French Radio has experienced good results with the Première Chaîne, in particular, capturing its highest share ever in the Spring of 2002. French Radio will continue to build on its market leading position for commercial-free programming and radio journalism excellence. It will be building and maintaining a dynamic team of highly qualified announcers and artists. It will boost efforts to reach out to new audiences and stakeholders through integrated, dynamic promotional activities.

French Radio wishes to embrace the world more fully, by playing an active role in the "Radios francophones publiques" movement, by increasing the reach of network programs and by making maximum use of our correspondents. We are currently working on an integrated strategy for developing talent and producing musical programming. The quality and distinctive nature of our programming will also be supported by a greater regional presence and a communications strategy aimed at clearly positioning French Radio services vis-à-vis others in an increasingly competitive environment.



High-quality, Distinctive Canadian Programming

Our strategy to ensure high-quality, distinctive programming is also linked to a number of common objectives among media divisions.

High-impact, Cross-cultural Programming

CBC/Radio-Canada will continue contributing to Canadian awareness and identity through innovative, nation-binding programming that is unique in Canada. Building on the critical and popular successes of *Canada: A People's History / Le Canada : Une histoire populaire*; *The Last Chapter / Le Dernier chapitre*; *Random Passage / Cap Random* and *Trudeau*, the Corporation will invest in productions that enhance Canadians' understanding of themselves and their country. In that vein, future plans include a mini-series on Rene Levesque, a prequel to *Trudeau*, a 13-part comedy series called *Escaping*, and a drama depicting the 1990 Oka crisis.

Continued Excellence in Journalism

CBC/Radio-Canada is Canada's trusted source of news and information from across Canada and around the world. With the help of additional funding in 2002-2003, the Corporation has built further on its excellent reputation in journalism through re-investment and innovation in our journalistic practices and programs.

We will continue to solidify our leadership position in delivering unique and relevant Canadian insights on regional, national and international events. Innovation in journalism is a priority for 2003-2004.

Our programming will continue to encompass regional reflection and production to an unprecedented degree. Our radio services will provide for increased journalistic coverage of world events and a greater capacity to reflect Canadian diversity.

English Television is solidifying its leadership position in delivering unique and relevant Canadian insights on regional, national and international events. Innovation in journalism is a priority for 2003-2004. French Television has already amalgamated *Le Téléjournal* and *Le Point*, launched the highly interactive *5 sur 5*, extended *L'Heure du Midi* to include more regional news, and extended the supper hour of its four Western stations to include more public affairs coverage. Fall 2002 saw the launch of Radio One's two new weekday network programs: *The Current*, hosted by Anna-Maria Tremonti from 8:30-10:00 a.m., and *Sounds Like Canada*, with Shelagh Rogers from 10:00 a.m.-Noon. French Radio's strategy also provides for increased journalistic coverage of world events and a greater capacity to reflect Canadian diversity. French Radio will continue to report extensively on events taking place throughout the world so that francophone Canadians have a better grasp of their place in this ever-changing environment.

Top Showcase for Canadian Talent, Voices and Faces

CBC/Radio-Canada is strongly committed to showcasing Canadian arts and culture, and to nurturing Canadian creative endeavours.

English Television recently launched *Opening Night*, a two-hour commercial-free prime-time Television program featuring full-length musical, dance and theatrical performances from mostly Canadian artists. Every week, French Television offers Francophone viewers major cultural works created and performed by Canadian artists through *Les Beaux Dimanches*. Our English and French Radio services continue to promote new talent, composers and performers of classical, jazz, orchestra, opera, folk, and alternative pop music. New drama, comedy and literature also feature prominently on our Radio schedules.



High-quality, Distinctive Canadian Programming

Proving that home grown drama is as good as that produced anywhere in the world, English Television will introduce a number of new dramatic series, including one new family drama series and such culturally diverse titles as *Jinnah*, *Sanctuary* and *Third World*. New documentaries and mini-series such as *Churchill* and *Sin Cities* are also in the works, as is a 13-part series on *The Canadian Experience* by the producer of the ground-breaking *Canada: A People's History / Le Canada : Une histoire populaire*.

Over the next three years, French Television will further enhance its cultural programming selection by adding new drama and plays in the *Les Beaux Dimanches* series, such as *Bilan*, by Marcel Dubé, *Durocher le milliardaire* by Robert Gravel, *La dame de cent ans*, *24 poses*, *L'Officier de la garde* and *Exils*. Several new drama series are also in production, such as *Jack Carter* and *La grande ourse*. This Fall, French Television launched a new daily morning program, *Tous les matins*, which also covers cultural development as part of its review. Finally, *Christiane Charette en direct* will be returning with a new 90-minute format to be broadcast Sunday afternoons and Monday evenings.

Each year our radio services provide Canadians with their most listened to and effective home for new and emerging talent – especially musical talent.

Non-violent, Commercial-free Programming for Canada's Youth

CBC/Radio-Canada will continue to strengthen its position as Canada's leading source of non-violent, commercial-free programming for Canada's next generation.

English Television attracts more children to its 9:00-11:00 a.m. programming than any other Canadian service. Having added 750 hours of new programming for children and youth, English Television will continue to replace foreign programming with original Canadian productions.

In 2001-2002, French Television presented more than 1,200 hours of high-quality programming for children and youth. Under development are a number of short information programs targeting pre-teens and teenagers to be broadcast in the daily series *0340*. The series intends to address important matters such as sexuality, bullying and youth violence in general.

The close integration of production teams from New Media, Radio and Television has helped CBC/Radio-Canada reach out to youth audiences who are more difficult to reach through traditional media. New Media will continue to work within media lines to strengthen the current selection of Internet-based programming.



High-quality, Distinctive Canadian Programming

Commitment to Amateur Sports

CBC/Radio-Canada has long reflected the special place held by sports in the Canadian imagination. Watching or listening to broadcast games and getting to know our Canadian athletes has helped to bind Canadians to one another across the country.

Professional sports play a key role in our commitment to amateur sports. By offering a place for Canadians to connect with high-calibre professional athletes, we help build strong interest in amateur sports. Our presentation of professional sports also helps us leverage our resources to ensure coverage of amateur events.

Olympic Games coverage is another important part of CBC/Radio-Canada's commitment to amateur sport. We are proud to hold the Canadian rights to the Olympics until 2008 to showcase amateur Canadian athletes to Canadians and to the rest of the world.



2. Recognise the importance of regional reflection and of the changing face of Canada.

CBC/Radio-Canada receives positive ratings in meeting our mandate to reflect Canada and its regions to national and regional audiences, while serving the special needs of the regions. In a recent IPSOS/Reid poll eight-in-ten Canadians (79 per cent) indicated that it is important that programming made in and about their part of the country be produced. In addition, seven-in-ten Canadians indicated that CBC/Radio-Canada Television (70 per cent) and CBC/Radio-Canada Radio (65 per cent) do a good job in making programs in and about their part of Canada.

Canada's increasing diversity and regional dynamism necessitate even stronger actions to ensure we are connecting Canadians across regional and cultural lines. As CBC/Radio-Canada moves forward, we will ensure that the perspectives, issues and concerns of Canada's regional and cultural mosaic are well reflected in our programming by bringing regional issues and perspectives to national audiences more often.

To further build English Television as a window on Canada's diverse regions, the network will feature more regional blockbusters (e.g., Halifax Explosion) and more regionally produced Opening Night specials. It will also introduce a new daytime show with a strong regional component. In January 2003, a new 30-minute legal affairs show, produced in Halifax will debut. As well, the regional series; Comedy Trail and Documentaries, will continue.

French Television will increase its regional current affairs program portfolio in Quebec City. A new Saturday afternoon regional program is under development. In addition, French Television will increase regional contributions from Sherbrooke, Trois-Rivières and Saguenay to network programs.

Radio One's local early morning programs across the country – from The Morning Show in St-John's to Victoria's On The Island, to Iqaluit's English and Inuktitut-language QULLIQ – provide the most extensive and in-depth coverage of regional stories and issues on any national Canadian network. In line with program innovation and increasing quality standards, English Radio morning shows have changed their formats and staffing to better reflect their changing local communities and to provide greater input to the network programs.

English Radio has begun to develop ways to share its extensive journalistic capacity across the country with other media components of CBC/Radio-Canada. Already English Television and English Radio have amalgamated News bureaus in some small communities and further development of programming on CBC Newsworld and Country Canada will increase the leveraging of these resources.

French Radio will further enrich its regional presence through a number of initiatives, including a repositioning of services in Acadia, implementing new programming approaches in Estrie, Mauricie and central Quebec, inaugurating 18 new transmitters, and the further extension of the Chaîne culturelle.

To address the needs of new regional audiences benefiting from our expansion of the Chaîne culturelle, French Radio will be developing a variety of new programs.



High-quality, Distinctive Canadian Programming




3. Ensure the sustainability of our Canadian schedules.

CBC/Radio-Canada remains committed to providing high-quality, distinctive Canadian programming to Canadians and our strategy for enhancing our capacity to do so is clearly working. As shown in the comparative program schedule below, English Television is the Home of Canadian Content.

Now even with Canadians having literally hundreds of channels from which to choose, CBC/Radio-Canada generates one-third of all viewing to Canadians programs in prime time English and French television.

CBC English Television – Home of Canadian Content

Winter 2002 Canadian Foreign

Network	pm	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
	7	22 Mins It's A Living	Life & Times	Air Farce MarketPlace	Country Can On The Road	Our Hero Mr. Bean	Hockey Night In Canada	Emily Of New Moon
	8	Random Passage / Da Vinci's Inquest	The Nature Of Things	Witness	Open -ing Night	22 Mins Red Green Air Farce Made In Can		Random Passage / Da Vinci's Inquest
	9	Disclosure	the fifth estate	The National		Hockey		
	10	The National						Hockey
	7	Wheel Of Fortune Jeopardy					eTalk	Degraasi
	8	Who Wants Millionaire	Imagine That Wife & Kids	'80s Show Accord. Jim	Who's Line / CSI	Weakest Link	Mysterious Ways	Alias
	9	Ally McBeal	Drew Carey Scrubs	The West Wing	CSI: Crime Scene Inv.	The Associates	Figure Skating / Cold Squad	Specials
	10	Third Watch	Philly	Law & Order	E R	Law & Order SVU	W-FIVE	
	7	Bob & Margaret Entertainment Tonight					Psi Factor	Blackfly King Of Hill
	8	Boston Public	'70s Show Spin City	Smallville	Survivor / Friends	Dawson's Creek	Andromeda	Simpsons Malcolm
	9	Raymond Becker	Frasier The Job	Gilmore Girls	Will & Grace Shoot Me	Dark Angel	Mutant X	The X-Files
	10	NYPD Blue	Judging Amy	Blue Murder	The Agency	20 / 20	Outer Limits	The Practice

Only titles and country of origin of programs which most frequently occupy time periods are shown.

CBC/Radio-Canada's French Television service maintains a higher level of Canadian content than other French-language broadcasters. In fact, French Television's prime-time schedule is virtually 100 per cent Canadian. As shown below, French Television offers the greatest amount of Canadian information programming, Canadian drama and culture and variety programs available in the French-language market.



High-quality, Distinctive Canadian Programming

French Television – Prime-time Schedule – Fall 2002

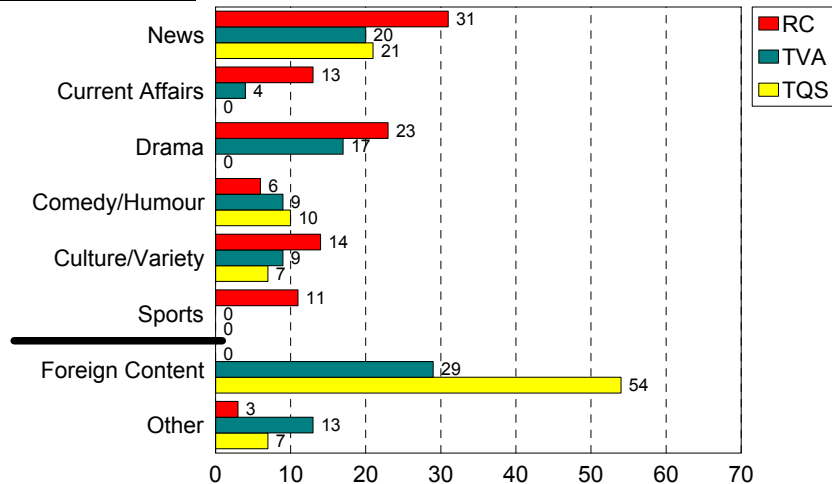
Réseau	Hrs	Lundi	Mardi	Mercredi	Judi	Vendredi	Samedi	Dimanche	
CBC	18	Ce Soir					Le Téléjournal		
	19	Virginie					Justice	Découverte	
	20	Un gars, une fille	La Facture	Le Monde de Charlotte	Catherine	Infoman	La soirée du Hockey	Les Beaux Dimanches	
	21	Mon meilleur ennemi	Les Super Mamies	Le Plateau	Fred-Dy	La Fureur			
	22	Bunker, le cirque	Enjeux	Tag l'épilogue / Trudeau	Chasse à l'homme	Zone libre			
	22	Téléjournal / Le Point					Le Téléjournal Les Nouvelles du sport		
TVA	18	Le TVA 18 heures					Ciné-extra	Les Gags	
	19	La lampe magique	Cauchemar d'amour	La Poule aux œufs d'or	Les Incontournables	J.E.		Juste pour rire	
	20	Dans ma caméra	Histoires de filles	Arcand	Tabou	Histoire vraie	Ciné-dimanche		
	21	Caméra café	Km/h	Les Poupées russes	Tribu.com				
	22	Le TVA Réseau					Cinéma		
	22	Le Grand blond avec un show sournois					Je regarde, moi non plus	Le TVA Réseau	
TQS	18	Le Grand journal					Cinéma Prime	La Porte des étoiles	
	19	Flash						Cinéma Prime	Super cinéma
	20	Faut le voir	Karaké	Insolences d'une caméra	Coroner	La Porte des étoiles			
	21	Cinéma Faits vécus	Cinéma du mardi	Dominic et Martin	Cinéma du jeudi	Cinéma du vendredi			
	22	Le Grand journal					Cinéma Prime		

■ Canadian ■ Foreign

French Television Schedule Breakdown 6:00 to 11:00 p.m. - 7 Days

Canadian Content

Fall 2002 Schedules



Source: Research and Planning, CBC French Television



High-quality, Distinctive Canadian Programming

CBC/Radio-Canada's strategy of providing distinctive Canadian programming is founded on three key sources of financing: government appropriations, the Canadian Television Fund (CTF), and our Television advertising revenues. Each of these makes an essential contribution to our ability to sustain our Canadian schedules.

The Government of Canada showed its confidence in CBC/Radio-Canada's renewal work with the provision of an additional \$60 million of one-time funding in each of 2001-2002 and 2002-2003. With production costs rising and competition intensifying, the continuing success of our strategy can only be maintained if the \$60 million becomes a permanent addition to our base budget.

The complete program development cycle usually extends over a two- to three-year gestation period for good quality programs. Therefore, being able to make long-term financial commitments becomes absolutely critical to the development of high impact Canadian programming. Commitments must also be made early in the production planning cycle to attract the remainder of the funding required to complete the project.

In this context, the CTF also plays a key role in financing CBC/Radio-Canada's Canadian schedules. A significant portion of our prime-time programming receives CTF funding.

From its inception, the CTF has contributed more than \$1 billion to thousands of film and television programs in underrepresented categories such as drama, documentaries and children's programs. In fact, the CTF was established at a time when CBC/Radio-Canada was facing unprecedented budget cuts. The Fund played a key role in partly protecting the erosion of CBC/Radio-Canada's programming quality. For an important period of time, CBC/Radio-Canada was provided with a 50% guaranteed access to the Fund. However, effective 2000-2001, the Government removed such guaranteed access, diminishing our ability to trigger the Fund.

Without the CTF, and without equitable access to the Fund, CBC/Radio-Canada would no longer be able to play a leading role in delivering substantial viewing to Canadian programs. Access to the CTF has played a paramount role in the successful implementation of English Television's Transformation project and will play a critical role in French Television's new positioning initiative.

If CBC/Radio-Canada is to evolve and change to meet the needs of Canadians, more remains to be done:

- We continue to seek effective and predictable multi-year funding.
- We are working on securing continuous and equitable access to the Canadian Television Fund.
- We are encouraging a re-balancing of public policies in support of distinctive Canadian television.

Our goal is to build a strong and vibrant CBC/Radio-Canada that serves Canadians with high-quality, distinctive Canadian Television, Radio and New Media programming.



4. Demonstrate that CBC/Radio-Canada is a well-managed company and generate cash flow to re-invest in programming.

As Canada's national public broadcaster, CBC/Radio-Canada must provide Canadians with high-quality, distinctive Canadian programming in a fiscally responsible manner. To further build CBC/Radio-Canada's capacity to deliver on its mandate, the Corporation has sought to leverage existing assets to generate savings and new revenues for re-investment in programming. These changes encompass highly inter-related pan-corporate efforts involving real estate, technology, content management, and transmission.

Real Estate

Through more efficient management of over five million square feet of real estate across Canada, CBC/Radio-Canada's new Real Estate Division has begun to show impressive results.

CBC/Radio-Canada has initiated the consolidation of all its operations in Ottawa, Edmonton and Quebec City. The consolidation of operations will allow the Corporation to significantly reduce the space requirement in these regions while allowing greater efficiency throughout.

The Real Estate Division has already rented out 166,000 square feet of surplus space and will generate significant cash flow over the next 15 years.

In the years ahead, Real Estate will continue to ensure the most productive use of the space currently occupied by the Corporation. Several opportunities have been identified and specific action plans are being developed to that end.

Transmission Assets

Transmission is another area where the Corporation is actively exploring new ways of doing business. CBC/Radio-Canada's over-the-air television and radio transmission infrastructure, which includes 962 transmission sites, 657 towers and 2,471 transmitters, offers potential as a source of additional revenue.

The Corporation created a new Transmission Division in November 2001 to generate new revenues by leasing our transmission capabilities to other telecommunications and broadcasting entities.

On October 1, 2002, we received an unsolicited Management Buy-out (MBO) proposal for the maintenance and operations services that support the Corporation's transmission assets. Developed from within the Transmission Division, the MBO proposal is based on the premise that an entity separate from CBC/Radio-Canada would provide a strong viable base on which to build a dominant communications services entity. The Corporation has now determined that there are savings and operational efficiencies to be realized within our internal operating structure. Consequently, there will be no further discussions of the MBO or other proposal. We will initiate steps to investigate means to improve the efficiency of our internal delivery systems. This could result in internal redesign, changes to the Transmission Division's structure, and/or where and how work is performed.



Merchandising

CBC/Radio-Canada is one of the most recognised brands in the country, and there is significant demand for our programming-related products. Market research shows that a more coherent strategic focus to our merchandising and licensing activities has significant potential benefits. Not only will a renewed approach boost revenues, but it will also contribute significantly to enhancing CBC/Radio-Canada brand awareness.

In September 2002, the Corporation created a new Merchandising Division to focus its efforts and leverage our programming assets. It will build on the strength of our current activities and resources.

Affiliate Relationships

In 2001-2002 CBC/Radio-Canada paid close to \$16.8 million to its affiliated stations to deliver about nine per cent of English and 25 per cent of French network Television viewing hours during the regular 2001-2002 television season. These affiliates are vital to the Corporation's ability to reach Canadians. However, many of our affiliates do not carry the full CBC/Radio-Canada schedule, and thereby deprive Canadians of full CBC/Radio-Canada service.

To provide regional audiences with greater access to CBC/Radio-Canada programming, the Corporation has begun to review its Affiliate Agreements and their underlying financial arrangements.



5. Strengthen CBC/Radio-Canada commitment to all its employees – to those who create and those who support them

Creative organisations like CBC/Radio-Canada survive and thrive on the basis of their ability to attract, retain and motivate creative talent. The Corporation is committed to creating and maintaining a work environment where employees are equipped and motivated to succeed in their work, where they understand how their work fits into the corporation's overall direction.

Employee Communications

The Employee Communication strategy has consistently provided an opportunity for 2-way communication between management and employees providing employees with an opportunity for input and feedback.

A number of new initiatives are being reviewed including a revamped Intranet making it easier for employees to access the information they need.

To further enhance employee communications, the Board of Directors has also provided employees with timely summaries of decisions taken at Board meetings.

Employee Development

CBC/Radio-Canada's strategic directions and priorities approved by the Board have been communicated to all employees who are now participating in performance management and staff development so they understand how their own objectives tie into the overall corporate direction.

The Corporation is particularly dedicated to the development of its employees. In this regard, the Corporation has renewed and will possibly increase its investment in training, secondments and "Help" funds under employment equity.

Union Relationships

CBC/Radio-Canada is committed to improving relations with its employees through their bargaining agents. In keeping with this goal, a forum for Senior Management and Union Leaders was held in Fall 2002. This forum was extremely successful and will pave the way to enhanced communications and a further strengthening of relations between CBC/Radio-Canada and its employees' bargaining agents.

The Corporation also continues its efforts to simplify its Industrial Relations structure and processes through application to the Canada Industrial Relations Board (Section 18) to merge bargaining units in order to have one bargaining agent for the English Network and one bargaining agent for the French Network.

The case for the English services was completed in the Fall of 2001 and the Canadian Industrial Relations Board (CIRB) rendered a decision in support of the Corporation's application to the CIRB under Section 18.1 to consolidate its bargaining units. The case for the French services is at the hearing stage and will not be completed until the late Spring or Summer of 2003.



6. Position CBC/Radio-Canada to enhance its ability to fulfil its mandate through selective alliances and partnerships.

Over the last two years, CBC/Radio-Canada has pursued strategic partnerships and alliances to extend our reach, optimise our investment, mitigate risk, and create new revenue streams.

Specialty Television Services

We were particularly proud to announce, in September 2001, the launch of three specialty television services in which CBC /Radio-Canada 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.

ARTV, a French Television service which offers a place for discourse and dialogue between artists and the public, is the product of a partnership with Télé-Québec, BCE Media, ARTE France and Spectra. As one of the last licensed analogue specialty services, ARTV is now available to more than 1.6 million subscribers across Canada.

The Documentary Channel, a 24-hour source of documentary films from across Canada and around the world. As Canada's first channel of this sort, *The Documentary Channel* unites the expertise of CBC/Radio-Canada, Corus Entertainment Inc., the National Film Board and four independent production companies. The Documentary Channel, a new digital service is now enjoyed by more than 530,000 subscribers.

Country Canada, which explores and celebrates rural Canada, was initially made possible through a partnership between CBC/Radio-Canada and Corus. On October 24, 2002, CBC/Radio-Canada received the Canadian Radio-television and Telecommunications Commission (CRTC) approval to acquire Corus' 70 per cent interest in the channel. This acquisition represents an important part of our strategy to strengthen our regional reflection. Country Canada currently counts more than 415,000 subscribers. Its penetration is expected to grow as digital services available through digital cable and Direct-to-Home (DTH) continue to roll-out.



7. Reinforce the capacity of CBC/Radio-Canada to work as one integrated company.

The list of programming accomplishments that CBC/Radio-Canada has already achieved through cross-media collaboration is nothing short of astonishing. Programs such as *Canada: A People's History / Le Canada : Une histoire populaire*, *The Last Chapter / Le Dernier Chapitre*, *Random Passage / Cap Random* have helped millions of Canadians to better understand their country and one another.

Unprecedented levels of cooperation across all our media platforms brought complete, balanced and timely coverage of the Sydney Olympics and the Salt Lake City Winter Olympics to millions of Canadians eager to cheer their athletes. That same spirit of collaboration delivered timely, complete coverage and thoughtful Canadian perspectives on the events of September 11th to the 16 million television viewers and 4 million radio listeners who turned to CBC/Radio-Canada in the hours and days that followed.

Building on these successes, such collaborative efforts will continue in the coming years.

- Our English and French Television networks are planning the joint development of exciting new high-impact, bilingual productions, including a mini-series on René Lévesque; a prequel to *Trudeau*, a 13-part comedy series called *Escaping*; and a drama depicting the 1990 Oka crisis.
- Nowhere are the benefits of increased collaboration more evident than in CBC/Radio-Canada's News services. From 11 international News bureaus around the world, most foreign correspondents are filing reports in English and French, for Radio, Television and, increasingly our websites. Domestically, integration efforts across Canada are maximising the use of human and creative resources on multiple programs, locations and platforms.
- Our Radio and Television media lines will continue to seek opportunities for multi-platform programming efforts for other programming genres as well. For example, we will continue such joint Radio and Television initiatives as *Smart Ask!*, a new quiz show featuring high school students from across the country competing in a high-energy game; and *The Great Canadian Music Dream*, a cross-Canada talent search and competition open to emerging singers and musicians.



8. Strengthen CBC/Radio-Canada's Stakeholder Relationships.

A key priority for CBC/Radio-Canada is to promote a sustained dialogue with our key stakeholders and to strengthen our stakeholder relationships. We are pursuing this objective in a number of areas and through a number of new initiatives

Government Relations

CBC/Radio-Canada has continued to re-orient its Government Relations activities to focus more concretely on enhancing the company's accountability and transparency to the public through their representatives – parliamentarians and their shareholder – the government. CBC/Radio-Canada's participation in the legislative and public policy arenas has become concurrently more active.

One particular focus is on maintaining a strong relationship with the Standing Committee of Canadian Heritage on The State of the Canadian Broadcasting System and its individual members, and with other Committees of the House and Senate on a more regular basis.

CBC/Radio-Canada Board of Directors Activities

As part of its 2003-2004 action plan, CBC/Radio-Canada will initiate the development of a comprehensive outreach program for the Chair of the Board. A series of round-table meetings will promote dialogue and strengthen relationships with key internal and external audiences through discussions of key themes and issues for the Corporation. The main objectives of this initiative are: to promote the unique value of CBC/Radio-Canada as the national public broadcaster, particularly in an expanding, multi-channel media universe; and to advance the CBC/Radio-Canada's strategic priorities through effective and focused communication.

Audience Relations

In October 2002, the Corporation introduced a national toll-free telephone service (1-866-306-INFO[4636]) providing quick access to our audience services for our English and French Radio and Television networks, specialty channels, and our digital and New Media services. A new toll-free number is also offered for the hearing impaired. With these services, CBC/Radio-Canada is bringing itself even closer to Canadians across the country by providing them with easy, equal and affordable access to their national public broadcaster.

Over the next five years, we will continue to develop programming in Radio and Television in which members of the public will directly participate, for the purpose of connecting Canadians in all regions.



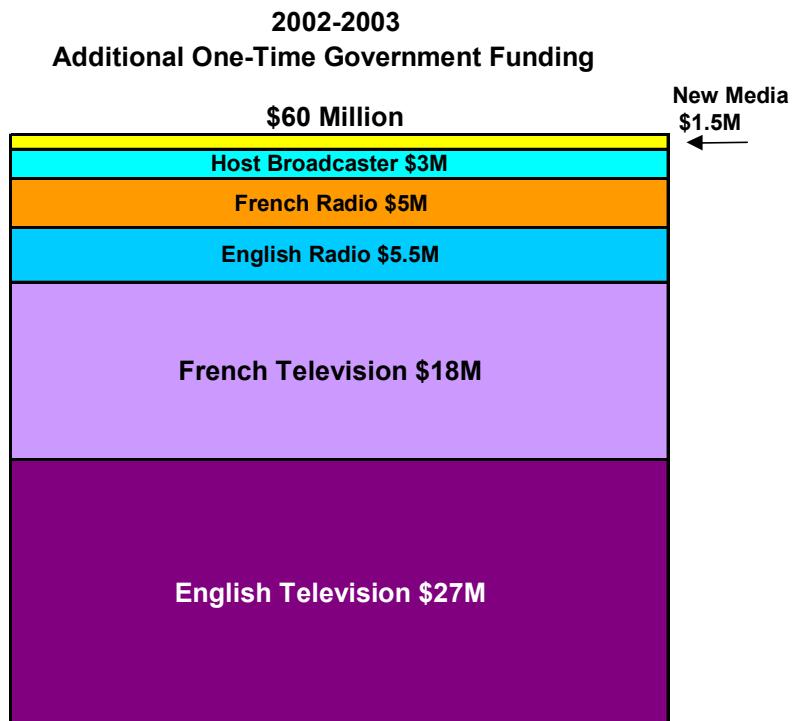
IV) SUPPORTING CBC/RADIO-CANADA'S STRATEGIC DIRECTIONS

A. Adequate Funding

CBC/Radio-Canada is committed to applying every available dollar to program creation. In both French and English Television, however, high-quality, high-impact, distinctive Canadian programming can only be achieved with a long-term commitment to production dollars. The television program development process, from development to filming to broadcast, requires a two- to three-year gestation period for good-quality programs.

Faced with increasing competition and rising costs, CBC/Radio-Canada's capacity to fulfil its pivotal role in Canadian broadcasting is under pressure. If we are to continue to properly serve the people of Canada, we must have the tools and the financial flexibility to pursue our strategic priorities.

Thanks to special government budgetary infusions of \$60 million in each of 2001-2002 and 2002-2003, the Corporation has been able to achieve renewed programming vitality across all media lines. Over two years, the \$120 million was allocated to our media services according to their needs and identified priorities. Some \$59 million was allocated to English Television's fundamental programming transformation. About \$36 million was directed towards French Television's programming renewal. Another \$20.5 million was invested in the redesign and extension of our English and French Radio services. Finally, about \$4.5 million went towards improving and expanding our Internet-based programming activities.



The additional funding has clearly opened the door to more risk taking and more innovation – an appropriate role for public broadcasters. It removed difficult choices between delivering expensive, high-impact drama, such as *Trudeau*, or making longer-term commitments to new programming such as *Rideau Hall*, *Tom Stone* or *L'Auberge du chien noir*, *Ayoye !* and *5 sur 5*. The new money also afforded CBC/Radio-Canada the capacity to act as host broadcaster for the visit to Canada of Pope John Paul II and the events surrounding World Youth Day in Summer 2002.

Overall, the additional funding has been fundamental in enhancing our distinctiveness as the public broadcaster that connects Canadians to each other and to the world. Over the past two years, we have made great strides in increasing relevancy, quality, value, and impact of programming across all our media lines.

The \$60 million in each of 2001-2002 and 2002-2003 were delivered as a one-time special budgetary allocation rather than as part of CBC/Radio-Canada's regular annual appropriations. To meet the goals and challenges set out in our Corporate Plan and to allow adequate planning, CBC/Radio-Canada requires a minimum of \$60



million in additional base funding. This kind of budgetary certainty and flexibility is indeed necessary to ensure the production of good quality programming, in particular, as it normally takes about three years for a new program to go from concept to broadcast.

Independent production and the CTF play a paramount role in CBC/Radio-Canada's ability to deliver distinctive Canadian program schedules. Without the CTF, and without equitable access to the Fund, CBC/Radio-Canada would no longer be able to play a leading role in delivering significant viewing to Canadian programs.

Since the beginning of the year, however, there has been a number of developments with respect to the CTF. As part of its last federal budget, the Department of Finance announced that it would reduce its funding to the Fund from \$100 million to \$75 million per annum for the next two years. As a result of this decision funding to Canadian programming triggered by CBC/Radio-Canada is expected to fall short by approximately \$23 million. On June 5, the Government announced that it would advance \$12.5 million in funding for the CTF for 2003-2004 from next year's allocation. This announcement should help to alleviate some of the pressures resulting from this year's cut to the CTF, although concerns about funding levels for future years remain. There are growing concerns among industry players that an alternative to the CTF must be developed.



B. Financial Operating Overview

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. This is especially relevant in the Canadian marketplace where there is very little depth in key players in the industry. Both strategic alliances and creative ideas for new opportunities must flourish quickly to stake out competitive advantages.

To seize new opportunities in its marketplace and maximise its value to Canadians, CBC/Radio-Canada needs increased flexibility and financial certainty. 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 as a primary choice for new business opportunities. Increased flexibility would allow CBC/Radio-Canada to become more responsive to the needs of Canadians, more efficient in the management of its resources and more fiscally responsible for the delivery of its mandate.

CBC/Radio-Canada requires operational flexibility in the following key areas:

Flexibility to Acquire, Hold and Dispose of Shares

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 to acquire, hold or dispose of shares in a corporation (*Broadcasting Act* S.46 (1) (q)). The process for such approval is time-consuming and it can take several months before final authority is granted.

As this flexibility requires a change to the *Broadcasting Act*, the recommendation that the Corporation have the authority to acquire, hold and dispose of shares has been made by CBC/Radio-Canada to the Standing Committee on Canadian Heritage on the State of the Canadian Broadcasting System.

Flexibility in Obtaining Loans

CBC/Radio-Canada must currently obtain the approval of the Minister of Finance to borrow money (*Broadcasting Act* S. 46.1 (1)) and its total indebtedness is limited to \$25 million (*Broadcasting Act* 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.

As such flexibility can only be effected through an Appropriation Act or by changing the *Broadcasting Act*, a recommendation has been made to the Standing Committee to raise the borrowing limit in the *Broadcasting Act* to \$50 million.



Increased Flexibility for Real or Personal Property

Section 48(2) of the *Broadcasting Act* restricts CBC/Radio-Canada's ability to dispose of or acquire real property or to dispose of any personal property in excess of \$4 million by requiring Governor-in-Council (GIC) approval of these transactions. The \$4 million limit applies to the sale or purchase of an asset, including real estate. These restrictions discourage the Corporation from pursuing productive asset disposals.

The Corporation is allowed to dispose of program material or rights without limitation (*Broadcasting Act* S48(2)(a)). The Corporation should similarly have the right to dispose of and keep the proceeds of all personal property without restriction. In the case of real estate, the current limitation on disposition of real estate is too low to allow the Corporation the flexibility it requires to put in place an effective real estate strategy to meet its mandate objectives.

Accordingly, CBC/Radio-Canada has recommended to the Standing Committee of Canadian Heritage on The State of the Canadian Broadcasting System that the \$4 million limit be abolished in the case of personal property and 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 in the current business environment.

Transfer Funds Between Capital and Operating Votes

Unlike its private sector counterparts, CBC/Radio-Canada 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 appreciates the ongoing support of government for allowing it to transfer funds between capital and operating votes.

Income Tax Status

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



FINANCIAL REQUIREMENTS

Borrowing Plan for 2003-2004

Pursuant to the provisions of Section 46.1(1) of the *Broadcasting Act and 54(3.1)*, CBC/Radio-Canada seeks the approval in principle 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 Corporation'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 Corporation 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 this Corporate Plan submission.

Capital

CBC/Radio-Canada's internal capital process has undergone significant overhaul to ensure that all capital investments support business strategies that are in line with priorities. 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 2003-2004 is planned to be \$133.3 million and beyond 2003-2004, it will level off at approximately \$100 million.

CBC/Radio-Canada's base capital appropriation is approximately \$100 million annually; however, capital spending in 2003-2004 will be supplemented through an advance of funds from the NATV sale proceeds to help finance the large initial investment for facility consolidation projects in Edmonton, Ottawa and Quebec City. The advanced funds will be repaid from the capital budget over five years beginning in 2005-2006.

Roughly half of the capital budget over the next three years is planned to be spent on production infrastructure where major initiatives include replacing failing obsolete analogue equipment with digital standards, modernising Radio production facilities, converting La Maison de Radio-Canada facility in Montreal to digital standards and centralising the presentation operations in both French and English 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, thereby eliminating the need to currently operate 45 separate systems to support these activities. 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.

The Corporation will also be grappling with the pressures of replacing its aging towers and transmitters that were introduced during the Accelerated Coverage Program (ACP) of the late 70's and 80's. Generally, these assets have a useful life between 20 and 30 years. The concentration of towers and transmitters introduced over the ACP period presents an anomaly in the replacement cycle of these assets, with a resultant spike in the demand on the capital funds.

The transition to Digital Radio Broadcast (DRB), Digital Television (DTV) and High Definition Television (HDTV) will be market driven, and will be very costly but necessary. We foresee private broadcasters rolling out DTV within the next few years. CityTV became the first broadcaster to apply for a transition digital television license. DTV rollout in the US made significant progress this year with the introduction of FCC Chairman Michael Powell's voluntary DTV transition plan. There are now more than 900 stations broadcasting in digital in the US. With the close proximity of the US, Canadian broadcasters must introduce DTV to remain competitive.

CBC/Radio-Canada must not fall behind private broadcasters in the transition to digital. Capital investments will be required in transmission and distribution infrastructure as well as production studios and other equipment. Over the next three years CBC/Radio-Canada is planning to make some investments in DTV and HD production equipment. Currently HD equipment costs at least 25 per cent more than the comparable standard digital equipment.

On May 29, 2003, CBC/Radio-Canada filed a licence application with the CRTC for two digital transmitters in Toronto, CBLT and CBLFT.



Financial Operating Overview

	2002/2003	2003/2004	2004/2005 ⁴	2005/2006 ⁴	2006/2007	2007/2008
SOURCES OF INCOME						
Operating Appropriation	877,432 ⁶	877,059 ⁵⁻⁶⁻⁷⁻⁸	869,978 ⁵⁻⁷⁻⁸	869,524 ⁵⁻⁸	869,524 ⁵⁻⁸	869,524 ⁵⁻⁸
Operating Appropriation (programming initiatives)	60,000	60,000	60,000	-	-	-
Advertising and program sales	285,796	270,352	324,987	343,457	276,835	278,219
Real Estate	11,266	13,902	15,131	15,650	15,807	15,965
Transmission and Distribution	4,903	5,295	5,719	6,177	6,671	7,204
Galaxie	13,380	17,627	20,703	23,433	23,433	23,433
Other revenues ⁽¹⁾	173,726	149,007	150,770	152,100	153,441	154,793
TOTAL SOURCES OF INCOME	1,426,503	1,393,242	1,447,288	1,410,341	1,345,710	1,349,138
REQUIREMENTS						
Operating expenditures:						
Television and radio services ⁽²⁾	1,249,291	1,214,909	1,267,823	1,289,733	1,223,947	1,226,209
Special funding for programming initiative ⁽³⁾	60,000	60,000	60,000	-	-	-
Transmission, distribution and collection	79,396	80,190	80,992	81,802	82,620	83,446
Corporate Management	15,525	15,649	15,775	15,901	16,028	16,156
Provision for tax/Large Corporation Tax	2,000	2,000	2,000	2,000	2,000	2,000
Amortization of capital assets	132,263	133,585	134,921	136,270	137,633	139,009
Deduct: Items not requiring current operating funds	111,972	113,091	114,222	115,364	116,518	117,683
Cost increases	-	18,635	14,991	15,885	15,885	15,885
TOTAL OPERATING EXPENDITURES	1,426,503	1,411,877	1,462,279	1,426,226	1,361,595	1,365,022
NET POSITION	0	(18,635)	(14,991)	(15,885)	(15,885)	(15,885)

- (1) Includes Specialty Services (CBC Newsworld, Le Réseau de l'information and Country Canada) and other miscellaneous revenues.
- (2) Includes expenditures related to CBC's main services, Specialty Services (CBC Newsworld, Le Réseau de l'information and Country Canada).
- (3) Funding used for special programming initiatives such as Disclosure, Smart Ask, Trudeau mini-series, Last Chapter, strengthening Regional news, English Radio's Program Development
- (4) Includes Olympics revenues and expenditures: Athens in summer 2004 and Turin in winter 2006.
- (5) Assumes no funding from Treasury Board for salary increases. 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 the CBC's current funding level.
- (6) Reflects the reprofiling of operating funds approved by Treasury Board.
- (7) Includes a transfer of funds from NATV proceeds which will offset a transfer to Capital included in the Main Estimates (\$33,342,000 in 2003-04 and \$2,536,000 in 2004-05)
- (8) CBC/Radio-Canada received Treasury Board authorization to include, in its approved parliamentary appropriation, \$15.5 million for Radio-Canada International (RCI). These funds were previously included in the category "other revenues".

