

AUDIENCES ENJOY OUR SERVICES EVERYDAY. OUR PROGRAMMING REFLECTS CANADA'S DIVERSITY, REGIONS AND COMMUNITIES. AND BEHIND THE SCENES IS AN EFFICIENT CORPORATION SUPPORTING THOSE SERVICES.

BEFORE THE

BETTER PROGRAMMING THROUGH NEW TECHNOLOGY AND EFFICIENCIES

In the challenging context of a limited budget, dramatically increasing production costs, and fragmented audiences and media competition, CBC | Radio-Canada is optimising assets and strategically deploying available funds to deliver on its programming mandate.

During 2005–2006, the Corporation undertook numerous internal projects to achieve greater efficiency, boost flexibility or generate additional revenue. Since 2000-2001, in addition to one-time productivity savings and revenue increases of \$115 million, initiatives have been generating \$74 million a year in savings and revenues, allowing us to increase the value of our

services and to further our strategic priority: *Demonstrate that CBC | Radio-Canada is a well-managed company and generate cash flow to re-invest in programming.*

REAL ESTATE

One main objective of the Real Estate Division is to maximise the Corporation's use of buildings and assets in order to free-up or generate monies for investment in programming.

This year, the Division helped to develop and obtain approval for a major redevelopment project in Vancouver, and consolidation of our St. John's, Newfoundland, locations. These projects will integrate our French and English Radio, Television and New Media networks and newsrooms, for increased collaboration and better use of assets; making more

efficient use of real estate; and bringing us into the heart of the community – all to support the production of excellent programming. These new projects will complement our successful consolidations in Ottawa, Edmonton and Québec City, completed in the last three fiscal years. Already, more than 10 per cent of CBC | Radio-Canada's employees have been relocated to more modern and better working spaces. Similar projects are being considered for other locations across the country.

To operate more efficiently, the Division utilises best-industry practices across the Corporation. Energy management programs provide us with approximately \$2 million of recurring annual savings while improving employee comfort. We continue to explore new energy saving measures as part of the Corporation's commitment towards the environment. To date, CBC | Radio-Canada Vancouver and Montréal locations have been certified "Go Green" by their respective provincial BOMA (Building Owners and Managers Association) chapters. The Maison de Radio-Canada in Montréal has won the National Earth Award from BOMA Canada for its continuing environmental practices, and it is in the running for the International Earth Award.

Since 2000, real estate initiatives have freed up more than \$82 million of which approximately \$13 million is annually recurring.

MERCHANDISING

CBC | Radio-Canada is one of the most recognised brands in the country. To leverage our programming assets and achieve all possible revenues for investment in programming, the Corporation created its Merchandising Division in 2002, to license, sell and distribute our content nationally and internationally.

During 2005–2006, the Division brought in \$6.5 million in revenue – an 18 per cent increase over the previous year – and opened a store in Montréal and a kiosk in Ottawa to join our Toronto venue and online stores (*cbcshop.ca* and *boutiqueradio-canada.ca*) in providing the Corporation with additional funds for programming. Next year, the Division will continue to consolidate its retail presence and expand its licensing activities to generate more re-investment in programming.

CURTAIN RISES

TECHNOLOGY

CBC | Radio-Canada continues to invest in state-of-the-art technology to increase efficiency and quality in the Corporation's production and business processes and to allow the introduction of new means of production and distribution.

CBC Technology began to implement new telecom and broadcast technologies last year, resulting in approximate annual savings of \$1.4 million initially, and \$3.7 million in annual savings with full implementation this year. The Distribution Relay Optimization Project (DROP), which replaced terrestrial networks with satellite, generated annual savings of \$5.2 million for our Television networks, with an additional \$1.1 million in annual savings beginning this year, overachieving its savings target. One million dollars of additional savings in distribution costs for CBC Newsworld, Galaxie, ARTV, and CBC Country Canada were also achieved.

CBC | Radio-Canada Transmission increased revenue by \$412,000 in 2005–2006 by renting space on our towers, sites and buildings to private broadcasters, cell phone companies and government services; and selling shortwave transmission services and providing technical maintenance services to other broadcasters.

Various technologies allow us to achieve savings, and create and deliver a larger number and range of high-quality News stories. These include iNews, for greater sharing of production material between our French, English, Radio and Television services; ParkerVision, for reducing the number of studio employees required to produce newscasts; and Desktop Television, for improving the workflow in newsrooms. Desktop Television is being rolled out in



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Toronto, and the technology will be introduced on a reduced scale in smaller locations in the future. A second generation of Desktop Radio was introduced this year, as well as more elements of our Vision Project which will ultimately replace 45 aging and obsolete computer systems with three new, fully integrated systems to manage contracts, program inventory, broadcast schedule, marketing and sales activities, promos, media management, and CRTC reporting.

Sophisticated technology allowed the Corporation to employ remote production methods to cover the 2005 IAAF Games in Helsinki and the 2006 Winter Olympic Games in Turin, as it had the previous year for the 2004 Summer Olympic Games in Athens and the 2005 ISU World Figure Skating Championships in Moscow. Efficient compression technologies, low-cost, high-speed and high-capacity optical fibre, and servers with extensive online storage capacity permitted much of the editing and production to occur in our network production centres in Toronto and Montréal. Fewer staff and less equipment on location resulted in significant savings.

In June 2005, the CRTC granted Sirius Canada Inc. and Canadian Satellite Radio Inc. licences to provide subscription radio via satellite. CBC | Radio-Canada Transmission was instrumental in building eight terrestrial transmitters for Sirius this year, and is providing monitoring and maintenance services for Sirius, generating important revenue for the Corporation's programming budgets.

DIGITAL AND HIGH DEFINITION TELEVISION

Since 2003–2004, we have been making the transition to digital high definition transmission, in order to produce and broadcast excellent television for Canadians. The Corporation is building two HD studios in Toronto and three in Montréal. Four HD transmitters offer digital and high definition (HD) services in Montréal and Toronto and, new this year, in Québec City (French) and Vancouver (English). Transmitters for both the English and French networks will be on air in Ottawa in Autumn 2006.

CBC | RADIO-CANADA OFFERS DIGITAL AND HIGH DEFINITION TELEVISION IN MONTRÉAL, TORONTO, QUÉBEC CITY, AND VANCOUVER. NEXT YEAR: OTTAWA.

In September 2005, in response to an invitation from the Government of Canada, CBC | Radio-Canada developed and filed an accelerated strategy for the Corporation's transition to digital television. If funded by Government, this proposal will permit CBC | Radio-Canada to offer all of its prime-time programming in HD format more quickly than would otherwise have been the case.

In November 2005, CBC Television created a Video Syndication (VS) unit within CBC's Digital Programming and Business Development group, in order to satisfy the growing demand for content on new platforms – from cable video-on-demand, to the Internet (on *CBC.ca* and commercial portals), to private and public screens, to cellular and other mobile devices. The VS unit will develop programming strategies for



High Definition Mobile Truck



Canadian Broadcasting Centre, Toronto

these platforms in such a way that production pays for itself, and is self-sustaining. The focus will be on commercial opportunities in video syndication, such as sales to cable or telecommunications companies, or ad-supported video programming on *CBC.ca*. The VS unit will bring in needed revenue for our programming budgets, while complementing the work of our New Media division which has been syndicating text and video on the Internet and cellular devices for some years. Importantly, it will also better serve our audiences on the move.

MOBILE DIVISION

Our Mobile Division was created two years ago to make more efficient use of our mobile production equipment; to ensure that programs have access to the material and expertise they need; and to generate revenue, for investment in programming, by aggressively marketing excess capacity. The Division has full responsibility for maintenance and deployment of all of our Television mobile fleet. Our first High Definition Mobile Truck, built and placed in service this year, is helping us make spectacular Television programming. A second HD mobile was approved by the Board of Directors, with a target in-service date of April of 2007.

SHARED SERVICES

Two years ago, we created our CBC | Radio-Canada Shared Services, to update delivery of transactional and administrative services in Human Resources, Information Technology and Finance and Administration. Shared Services has worked to standardise processes, leverage investments in leading-edge technology, and achieve economies of scale in transaction-intensive services. Much of this was completed this year and the last phase, the transition of HR services, is slated for completion in 2006–2007. Shared Services' On-going Quality Assurance program allows it to monitor performance vis-à-vis established Service Level Agreements requirements. To help streamline operations and review processes, Shared Services is continuing to develop and refine metric and monitoring systems. Key Performance Indicators have been identified and Shared Services is developing a proper interface for data gathering and reporting using Corporate standards. Shared Services is also conducting a survey, in consultation with CBC Research, to measure employees' satisfaction with its services, with the aim of improving performance next year.

CONTENT MANAGEMENT

Again in 2005–2006, the Corporation successfully expanded use of programming and revenue from our archives, and made advances in rights management to obtain and exploit rights for program content.

REGIONAL REFLECTION, DIVERSITY, AND SERVING THE COMMUNITY

As Canada's national public broadcaster, CBC | Radio-Canada creates and broadcasts high-quality programming that reflects the country's different regions, broadening diversity and evolving culture; and maintains a strong presence in communities. These activities are supported by the Corporation's strategic priorities.

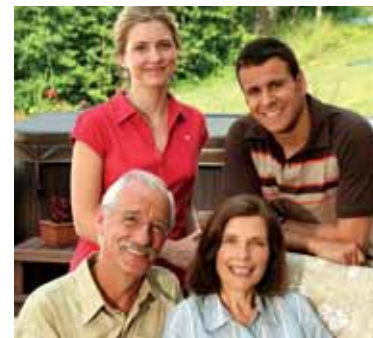
CBC | Radio-Canada invests in the regions by posting journalists in nearly 70 Canadian communities and covering, in-depth, the local and regional stories that matter to audiences; featuring local speakers and perspective; and sharing stories with national audiences, to connect citizens across the country. We are the only Canadian broadcaster to air programs in English and French across the country, in eight Aboriginal languages in the North, and in nine



Adrian Harewood, guest host and upcoming host of *All in a Day*, Ottawa, CBC Radio One



Jeff Gilhooly, *The Morning Show*, St. John's, CBC Radio One



Francoeur, Télévision de Radio-Canada



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languages around the world on Radio Canada International. We evaluate our programming to ensure that it meets Canadians' expectations, innovating and improving, wherever funding allows. For instance, this year, CBC Television's *CBC News: Canada Now* piloted *Here and Now*, a regional show in Newfoundland and Labrador, to speak directly to regional needs and expectations. To round out its Arts and Entertainment coverage on regional newscasts, Télévision de Radio-Canada aired *Art circuit*, a magazine devoted to cultural life across the country, live out of Ottawa.

To ensure that we reflect contemporary Canada on-screen and behind-the-scenes, we have a number of initiatives, including the following:

- ▶ CBC Television's Express Diversity (with results such as changes in hiring practices and story selection within News and Current Affairs; and the requirement for approved internal diversity plans);
- ▶ CBC Radio's New Voices strategy (which has introduced thousands of new voices and perspectives in programs such as *Outfront*, *Global Village*; and *Legends* which, since 2004, has focused on the preservation of at-risk Aboriginal languages through voice recordings);
- ▶ Over 30 cross-cultural initiatives involving CBC | Radio-Canada's English and French services, which help create synergy and foster productive inter-media exchanges, while bringing communities closer together and raising awareness of their respective realities. Some such initiatives take the form of special programming centred on specific themes. For instance, from December 26 to 30, 2005, the Première Chaîne aired *Mosaïques*, a five-part series on regional immigration. Originally produced in Rimouski and broadcast on selected regional stations in Québec, the series was also aired across Canada;
- ▶ Télévision de Radio-Canada's strengthened regional content in its News and information service; this speaks to our desire to reflect Canada's myriad regional perspectives and characteristics; and
- ▶ Espace musique, Radio de Radio-Canada's Canada-wide music network, brings audiences a musically diverse environment that fosters the multiplicity of musical genres through such initiatives as partnerships with events in cultural communities, like Le festival du monde arabe and Nuits d'Afrique, artistic creation, and support for homegrown talent via programs like *Sacré talent*.

For nearly 70 years, CBC | Radio-Canada has been a vital member of the communities we serve. Everyday, we are part of Canada's experience, and not just on our airwaves. We seek out programming opportunities by playing an active role in hundreds of community events, festivals, literary and artistic competitions, and fundraising events all over the country.

In recent years, we have worked to strengthen our integration into the community even more fully, and to boost professional collaboration, resource-sharing and efficiency, by bringing together all of our media lines under one roof in the heart of three communities: Edmonton, Québec City and Ottawa. Similar downtown moves for our media lines in other communities are being considered.

We will continue to build strategic partnerships to extend our reach and enhance the range of our services to Canadians. We will also continue to listen to citizens across the country in order to strengthen relationships with our audiences and to provide programming that remains relevant to them.

BUILDING AND STRENGTHENING OUR TEAM

One of the Corporation's eight strategic priorities, *Strengthen CBC/Radio-Canada's commitment to all its employees – to those who create and those who support them*, articulates the important place of employees in the company and the need to shape a working environment that continues to encourage and facilitate the production of excellent programming for our audiences.

To create such a supportive environment, the Corporation has put forward strategies that focus on improving internal communications to enable employees to understand the Corporate direction and equip them to meet current and future challenges. Professional development and training continues to be one of our top priorities. In today's competitive media environment, we need to provide employees with the right tools to fulfill their job requirements to the highest standards.

Also in support of fostering conditions that promote creative programming is the Corporation's annual tradition of holding a Leaders' Forum. In May 2005, CBC | Radio-Canada held its fifth such forum to discuss positioning the Corporation for the challenging future, and to look for new ways of increasing creativity in an evolving business environment. Management and Union leaders also met for the fourth Union-Management Leaders Forum in April 2005.

ORGANISATIONAL HEALTH AND WELLNESS INITIATIVE

A creative organisation needs to provide a healthy environment in which creativity can flourish. Following the Corporation's employee surveys of 2001 and 2004, CBC | Radio-Canada Management and Unions recognised the need to act on certain employee-related wellness issues cited in the survey findings, and Human Resources is making this a priority. A Director of Wellness was appointed in April 2005 to implement overall, integrated and proactive strategies on health and wellness for staff and the organisation as a whole, and to oversee Safety and Environment operations. Recognising the value of gathering concrete data on health issues, in June 2005, the Corporation conducted a survey on the psychological well-being of employees that revealed certain work-related health, security and mental illness risk-factors. Survey results have led to a number of concrete actions, where Management, Unions and employees are working together to address challenges in the workplace.



Set for *The Greatest Canadian*. Studio 40, Canadian Broadcasting Centre, Toronto

A STRATEGIC APPROACH TO INDUSTRIAL RELATIONS

The Corporation this year concluded agreements with its two largest French-language unions, the Syndicat des communications de Radio-Canada (SCRC) and the Syndicat des Technicien(ne)s et Artisan(ne)s du réseau français de Radio-Canada (STARF). In both cases, agreement was reached before the collective agreements had expired and in an atmosphere of mutual respect throughout the bargaining process. These agreements will be in effect for three years.

CBC | Radio-Canada also reached agreement on a new contract with the Association of Professionals and Supervisors (APS) this year in a calm and productive process.

To facilitate the creation and broadcast of high-quality programming, for the last seven years the Corporation has taken a strategic approach to industrial relations with the intention of rationalising our complex labour environment. Following a 2003–2004 Canadian Industrial Relations Board (CIRB) decision, three bargaining units were amalgamated into one to allow CBC English Services to more effectively and efficiently manage its business with more flexibility, which is a crucial requirement in a highly competitive and evolving media environment. In 2004–2005, the Corporation began negotiations with the Canadian Media Guild (CMG) to achieve one collective agreement for three formerly separate bargaining units. The objective was to craft an agreement that meets the needs of employees and the CMG, while supporting the Corporation's goals as a well-managed company in a changing broadcasting environment.

Negotiations did not go as smoothly as hoped this fiscal year, and after 15 months in pursuit of a negotiated contract settlement, Management came to the conclusion that an agreement would not be reached without a work stoppage and made the difficult decision to lock out its CMG employees in order to force the negotiations to a conclusion. While this decision most certainly caused short-term difficulties for employees and inconvenience for our audiences, it was necessary for the longer term health of public service broadcasting in Canada. An agreement between Management and the CMG was ratified in October 2005. To help CMG's effective return to work, Management provided numerous information and re-integration sessions across the country for both CMG employees and Management. This year's difficult events have encouraged the Corporation to review its employee relations strategy, with particular attention to the management of organisational change as it affects the workforce and the work we do.

Employment equity, official languages, health and safety, workforce diversity, and business continuity planning were also among our Corporate priorities this year.

Overall, CBC | Radio-Canada's strategy is designed to help us shape a workplace where creativity, programming and service to Canadians will flourish in fiscally responsible ways.

