



CBC/Radio-Canada Corporate Plan Summary
for 2005-2006 to 2009-2010

Broadcasting Value



Presented to the Minister of Canadian Heritage

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Executive Summary

As Canada's most significant cultural institution, CBC/Radio-Canada is an invaluable instrument in bringing Canadians together, and in communicating Canadian values to Canadians and across the globe. CBC/Radio-Canada unites Canadians by offering high-quality programming that reflects this country, its regions, and all of its creative talent to both regional and national audiences. It is also a powerful mechanism for showcasing Canadian values, artists, and culture on the world stage.

CBC/Radio-Canada's mandate, as Canada's national public broadcaster, is set out in the 1991 *Broadcasting Act*: Provide Radio and Television services incorporating a wide range of programming that informs, enlightens and entertains.

CBC/Radio-Canada delivers on its mandate by offering a comprehensive range of programs and services on 18 different platforms that reflect the interests and aspirations of diverse Canadian communities. It is the only broadcaster delivering high-quality Radio, Television and Internet-based services in English and French across Canada. CBC/Radio-Canada uses every broadcasting platform available to it, so that it can provide Canadians with information and entertainment in the format and via the medium that is most attractive and convenient for them. Whether it is Television (*Shattered City: The Halifax Explosion*, *Les Bougon - c'est aussi ça la vie!*), Radio (*Dispatches*, *Indicatif présent et Sans frontières*), specialty services (*Passionate Eye* on CBC Newsworld, *La part des choses* on RDI, *Galaxie*) or the Internet (Radio 3, *bandeapart.fm*), CBC/Radio-Canada broadcasts programming with a unique Canadian perspective.

The starting point for delivering this mandate is, of course, a focus on broadcasting value and four years ago, CBC/Radio-Canada set itself the challenge of delivering uniquely Canadian programming as efficiently as possible, that is, of broadcasting the greatest possible value to Canadians. The Corporation began by reviewing all of its operations, implementing significant cost-saving and revenue-generating measures and re-investing the proceeds in programming. Today CBC/Radio-Canada is engaged in a multitude of innovative projects to improve the way it operates across the country. In total, CBC/Radio-Canada expects to realize an on-going annual benefit of \$65 million in cost savings and revenue generation from this exercise. These efficiency and revenue initiatives have made and will continue to make a significant contribution to the funding of the Corporation.

If CBC/Radio-Canada is to continue to provide Canadians with broadcasting value, however, it is essential that its public funding at least remains stable, if not increases. At a minimum, the \$60 million of additional funding which has been allocated to the Corporation over the past four years must be made permanent. Even if this is done, CBC/Radio-Canada's funding levels will still be \$415 million less, in constant 2004 dollars, than in 1990.

CBC/Radio-Canada's goal of airing distinctive high-quality programming, created and delivered by the most efficient means possible, is built around the following Corporate priorities:

1. Ensure distinctive Canadian programming of the highest quality.
2. Recognize 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 of its employees – to those who create and those who support them.
6. Position CBC/Radio-Canada to enhance its ability to fulfill 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 stakeholder relationships.

In line with these corporate priorities, key action plans have been developed to bring Canadians the quality programming and broadcasting value that they have come to expect from their public broadcaster.

- **CBC Television**
 - The 2004-2005 broadcast year marked the introduction of Transformation III which builds on the successes of Transformation I and II. Transformation III aims to make CBC Television Canada's most important and popular source of Canadian television programming and the most significant cultural organization in English Canada.
- **Télévision de Radio-Canada**
 - Télévision de Radio-Canada will implement the repositioning strategy that it began in January 2004. This strategy focuses on refining Télévision de Radio-Canada's public identity by engaging viewers as citizens rather than consumers and by ensuring that its programming is open, credible, unifying, innovative and passionate.
- **CBC Radio**
 - CBC Radio will focus on the development of new programs that respond to changing listener needs, increase the awareness of CBC Radio programming and listener reach, and extend CBC Radio programming to new listeners on new platforms.
- **Radio de Radio-Canada**
 - Emphasize the distinctive character of public radio, to permit it to reinforce its key role in the expression of cultural diversity.
 - Reinforce the cultural and information programming on Première Chaîne by taking into account the country's regional realities.
 - Establish Espace musique's role in the radio universe and as the promoter of musical diversity in Canada,
 - Ensure our employees support our objectives and reinforce their commitment toward public radio. Optimize the opportunities offered by the regrouping of unions.
 - Maximize strategic alliances and partnerships within CBC/Radio-Canada
 - Build audiences to and awareness of public radio, and
 - Pursue flexible budget management that protects our programming.
- **CBC.ca and Radio-Canada.ca**
 - CBC.ca and Radio-Canada.ca intend to increase traffic to their sites in the face of a difficult external environment and extend the value of the programming aired by CBC/Radio-Canada's Radio and Television services.

The Government's investment in public broadcasting is, ultimately, an investment in the artists and creators, the culture and values, the very identity and future of the country, and at \$30 per year per Canadian, CBC/Radio-Canada is a very sound investment. It is an investment Canada can proudly make as it moves boldly into the 21st Century.



01 Canada's National Public Broadcaster – A Message from the President and CEO



This is an important time for Canada's cultural institutions. As Canadians, our understanding of our country, its values and its place in the world continues to be challenged by events which often seem beyond our control. While Canada's economy continues to be strong, Canadians must come to grips with the diverse effects of global tensions, demographic shifts, environmental changes, and technological innovation.

As Canada's most significant cultural institution, CBC/Radio-Canada is an invaluable instrument in bringing Canadians together around these events, and in communicating Canadian values to Canadians and across the globe. CBC/Radio-Canada unites Canadians by offering high-quality programming that reflects this country, its regions, and all of its creative talent to both regional and national audiences. It is also a powerful mechanism for showcasing Canadian values, artists, and culture on the world stage.

The starting point for implementing our mandate is, of course, a focus on broadcasting value – the fundamental need to provide high-quality distinctive programming on a cost-effective basis.

Four years ago we set ourselves the challenge of delivering uniquely Canadian programming as efficiently as possible, that is, of broadcasting the greatest possible value to Canadians. We began by reviewing all of our operations, implementing significant cost-saving and revenue-generating measures and re-investing the proceeds in programming. Today we are engaged in a multitude of innovative projects to improve the way we operate across the country, and provide us with important new funding for CBC/Radio-Canada's Canadian Radio and Television programming.

For example, we now are 29 per cent more efficient in our use of physical space and have brought our media services under one roof in Edmonton, Quebec City, and Ottawa. We have saved \$5 million by centralizing our master control operations and another \$5.5 million by increasing our use of satellite to feed our over-the-air transmitters. We have generated more than \$1 million in new revenues by renting space on our transmission towers. We are better managing our fleet of production vehicles and are marketing excess capacity to third parties.

On the content side, we are actively marketing our programming, both domestically and around the world, to enhance our brand recognition, bring in new revenues, and provide support for Canadian creators. Galaxie, our subscription music service, now reaches over four million Canadian households and generates substantial net revenue that is re-invested in our Radio and Television programming and in the many independent producers that help us create this programming.

We are hopeful that satellite radio will also become a significant new showcase for Canadian artists and a source of new revenues. Now that this service has been licensed by the Canadian Radio-Television and Telecommunications Commission (CRTC), this subscription service will bring CBC/Radio-Canada programming, including two new services aimed at youth, to every corner of Canada and beyond, raising the profile of Canadian artists throughout most of North America.



Creative talent – particularly young and emerging talent – is vital to the success of all of these initiatives, and we are very proud to support young and emerging Canadian creators with new programming initiatives like *bandeapart.fm* and *Radio 3*.

Indeed, CBC/Radio-Canada is one of the principal supporters of a rich community of writers, producers and creators in cities and towns across the country. We are part of the civic infrastructure, which economists have demonstrated is necessary to attract and retain people and businesses, and ensure strong economic growth. The link between a healthy culture and a healthy economy has become a priority to governments worldwide. And, in keeping with today's fiscal realities, we fulfill this role in a cost-effective manner that makes efficient use of local, regional, national, and international resources.

Finally, an important part of our efforts to improve our operations and service is employee relations. Among other initiatives, Senior Management now meets with union representatives yearly in a Union Leader's Forum to discuss issues affecting CBC/Radio-Canada. As a result of these efforts, we have been able to create a positive work environment that provides a firm foundation for the creativity, professionalism and efficiency so crucial to our success. We are proud to have been named one of Canada's Top 100 Employers for 2004, for the second straight year.

This is what CBC/Radio-Canada is all about. Every day, on our 18 platforms we offer Canadians an impressive array of Canadian programs they will not find anywhere else: programs in English, French and eight Aboriginal languages, on two Television networks, four Radio networks, five specialty Television channels including *Réseau de l'information* (RDI) and *CBC Newsworld*, on our subscription music service, *Galaxie*, on *Radio Canada International* (RCI) broadcasting in nine languages, and on our websites including *CBC.ca* and *Radio-Canada.ca*, the top Canadian media sites.

This is our mandate and we embrace it with enthusiasm. Capturing the sounds and images, events and imagination of a country as vast as Canada is a challenge. That is why our operations are rooted in the regions, with 23 Television stations, over 80 Radio stations, 30 regional websites and French and English News bureaus across the country. This is why we support Canadian artists in every province and territory of Canada. CBC/Radio-Canada's network of regional resources enables it to bring Canada and its broad cultural and regional diversity to Canadians in multiple formats, across the country and the world.

But in broadcasting, as in all things, change is the only constant. And we must keep pace with the unceasing growth and change in our nation if we are to continue to fulfill our obligations to Canadians. Consequently, we are expanding the reach of our services – both geographically and culturally – to ensure we both reach and reflect all Canadians. In order to meet this goal, we are adapting to new means of delivery: everything from the Internet and wireless communications devices, to the broad availability of our Television signals via satellite, to new operational hardware and software, to High Definition Television (HDTV).

In programming, our Television and Radio services are undergoing considerable re-positioning and transformation exercises to provide Canadians with new creative ideas and the best that new and established Canadian artists and journalists have to offer. The recent launch of *Espace musique* and the review of CBC Radio Two are examples of these initiatives.

This is also why we have developed a local/regional strategy that, if funded by the Government, will enable CBC/Radio-Canada to extend its Television, Radio and Internet services to un-



served locations while providing a greater amount of quality local programming overall. This strategy, following on the work and recommendations of the 2003 report by the Standing Committee on Canadian Heritage, has recently been filed with the Minister of Canadian Heritage for consideration. We are looking forward to the Government's endorsement of this proposal, and to the greater provision of local and regional services in the future.

We are also looking to the world. Through Radio Canada International (RCI), and our participation with other international services, such as TV5 Monde, we have become recognized leaders in public broadcasting. Our expertise has made us a model for developing democracies that often turn to us for help in establishing their own public broadcasting systems, as well as assistance in developing independent journalism in their countries. We have now established a Canadian Institute for Training in Public Broadcasting to help improve the effectiveness of these activities. In addition, Télévision de Radio-Canada is in discussions with TF-1 and France Télévisions with a view to creating an international French all-news service that would provide Francophones around the world with an important international voice.


All of these initiatives have enhanced the ability of CBC/Radio-Canada to fulfill its mandate and provide broadcasting value to Canadians in Radio and Television. And, all of this we do for \$30 per Canadian per year, which is very modest by international standards. Of the 26 OECD countries, Canada ranks 22nd – fourth from last – in terms of funding for public broadcasters, as a percentage of GDP.

CBC/Radio-Canada needs adequate funding on a stable, multi-year basis. Our base Parliamentary appropriation, in 2004 constant dollars, is \$415 million less today than it was in 1990: a 29 per cent reduction. This is to be compared with an increase of 12.5 per cent in the total funding to other Canadian Heritage Portfolio agencies in the last 10 years.

Unfortunately, there has been no reduction in the cost of producing Canadian programs to offset this drop in Government funding. Indeed, creating and airing original Canadian programming is simply not lucrative. Each episode of *Virginie* can cost Télévision de Radio-Canada \$200,000 yet will generate revenues of only about \$66,000. An hour of *Da Vinci's Inquest* can cost \$1 million or more per episode, yet will generate revenues of only \$100,000 per hour. It can take years to bring a program idea to the screen yet multi-year funding is never a guarantee. The lack of stability and predictability in our funding reduces our ability to create programming, to promote Canadian creators, and to increase the value of our services to Canadians.

In addition, we are facing a number of financial challenges from our ongoing operations. For example, significant new capital spending will be required over the next 10 years to refurbish assets associated with the Accelerated Coverage Plan implemented in the late 1970s and early 1980s, if CBC/Radio-Canada is to continue to provide over-the-air radio and television services to Canadians in all communities with a population of 500 or more. The transition to Digital Television (DTV) and High Definition Television (HDTV) are other examples of very costly, but necessary initiatives for the Corporation.





We are confident that we can continue to be both creative and efficient at the same time while facing these many challenges. If we are to sustain our current level of activity, however, and move with confidence into the future, we cannot afford to have our funding reduced once again. Consequently, it is crucial that the \$60 million of additional funding we have been allocated over the past several years – and that we have used exclusively for the creation of Canadian programming - be made permanent. Otherwise, there will be a major impact on both the cultural and journalistic sides of our operations.

The Government's investment in public broadcasting is, ultimately, an investment in the artists and creators, the culture and values, the very identity and future of our country. This is an investment Canada must make if it is to move proudly into the 21st Century.

Robert Rabinovitch
President and CEO



02 CBC/Radio-Canada's Mandate

CBC/Radio-Canada's current mandate is set out in the *Broadcasting Act* that became law in 1991. In 2003, after an exhaustive review of the Canadian broadcasting environment, the Standing Committee on Canadian Heritage reaffirmed the importance of public broadcasting in Canada in its report *Our Cultural Sovereignty*. More recently, the government, in its response to the recommendations of the Heritage Committee, re-affirmed CBC/Radio-Canada's role within Canadian society as envisioned by the Broadcast Act.

The *Broadcasting Act* states that...

"...the Canadian Broadcasting Corporation, as the national public broadcaster, should provide radio and television services incorporating a wide range of programming that informs, enlightens and entertains;

...the programming provided by the Corporation should:

- i. be predominantly and distinctively Canadian,
- ii. reflect Canada and its regions to national and regional audiences, while serving the special needs of those regions,
- iii. actively contribute to the flow and exchange of cultural expression,
- iv. be in English and in French, reflecting the different needs and circumstances of each official language community, including the particular needs and circumstances of English and French linguistic minorities,
- v. strive to be of equivalent quality in English and French,
- vi. contribute to shared national consciousness and identity,
- vii. be made available throughout Canada by the most appropriate and efficient means and as resources become available for the purpose, and
- viii. reflect the multicultural and multiracial nature of Canada;"¹



¹ Broadcasting Policy for Canada: *Broadcasting Act*, section 3(1) (l) and (m)

03 CBC/Radio-Canada's Programs and Services

CBC/Radio-Canada delivers a comprehensive range of programs and services on 18 different platforms that reflect the interests and aspirations of diverse Canadian communities. It is the only Canadian broadcaster delivering high-quality Radio, Television and Internet-based services in English and French across Canada.



Seven Television Platforms

- Two national networks with 23 regional stations and 17 affiliated stations, delivering general and special-interest programming in English and in French across the country, as well as services to Northern Canada in English, French and eight Aboriginal languages
- Two wholly owned 24-hour News and information services (CBC Newsworld and Réseau de l'information RDI) financed entirely by cable subscriptions and advertising revenue
- Three specialty Television services: Country Canada, ARTV and The Documentary Channel (the latter two services offered in partnership with the private sector), extending our reach to Canadians

Six Radio Platforms

- Four commercial-free national networks (CBC Radio One, CBC Radio Two, Première Chaîne and the recently launched Espace musique) with 81 regional stations, broadcasting coast-to-coast-to-coast, in English and in French, offering a unique mix of information, general-interest, music and cultural radio programs
- Services to Northern Canada in English, French and eight Aboriginal languages
- Radio-Canada International (RCI) – One of the most respected shortwave radio services in the world, broadcasting internationally in nine languages (English, French, Spanish, Mandarin, Cantonese, Arabic, Russian, Ukrainian and Portuguese)
- Satellite radio service to be launched shortly on a subscription basis, offering four new CBC/Radio-Canada services (2 English/2 French) in partnership with the private sector

Four Internet-based Platforms

- CBC.ca and Radio-Canada.ca are two of the leading Internet services in Canada carrying CBC/Radio-Canada's Radio and Television content, unique New Media programming and Corporate information
- Radio 3 – English interactive programming for youth on the Internet and bandeapart.fm – French interactive programming for youth on the Internet
- Leading the way in the development of Wireless WAP and SMS messaging services delivering interactive content to PDAs and cell phones

One Pay Audio-based Platform

- Galaxie – a digital pay audio service offering 45 continuous music channels, 24-hours a day without talk or commercials, reaching more than 4 million subscribers



04 The Unique Challenges of Public Broadcasting in Canada



For over 70 years, CBC/Radio-Canada has been Canada's national public broadcaster, providing distinctive Canadian programming to Canadians across the country and throughout the world. Because it is publicly funded, CBC/Radio-Canada is able to develop and deliver innovative and hard-hitting programming, including programming that is not available from the private sector. Through its wide range of cultural, dramatic, journalistic, and sports programming, CBC/Radio-Canada is able to deliver broadcasting value to Canadians.

CBC/Radio-Canada uses every broadcasting platform available to it, so that it can provide Canadians with information and entertainment in the format and via the medium that is most attractive and convenient for them. Whether it is television (*Shattered City: The Halifax Explosion*, *Les Bougon - c'est aussi ça la vie!*), radio (*Dispatches*, *Indicatif présent et Sans frontières*), specialty services (*Passionate Eye* on CBC Newsworld, *La part des choses* on RDI, *Galaxie*) or the Internet (Radio 3, *bandeapart.fm*), the Corporation broadcasts programming with a unique Canadian perspective that no other broadcaster provides.

CBC/Radio-Canada deemed essential

In CBC/Radio-Canada's latest annual survey monitoring Corporate performance, 97 per cent of Canadians said they considered CBC/Radio-Canada to be "essential". In this same survey, 82 per cent of Anglophone viewers of CBC Television stated that they were satisfied with the quality of the programming it offered and 88 per cent of listeners said they were satisfied with CBC Radio. Télévision de Radio-Canada also experienced high satisfaction ratings, as would be expected, given its ability to attract over one fifth of all prime time viewing by Francophones. Similarly, Première Chaîne has experienced tremendous growth in its listener base over the past several years, achieving a share of 12.5 per cent in Spring 2004. The Corporation's websites are among the most popular online media sites in Canada, attracting more than 3.7 million visitors a month*. And, in our increasingly culturally diverse nation, it is especially gratifying to see that CBC Television ranked first among English-Canadian broadcasters in reflecting Canada's ethnic and cultural make-up.

Appropriation Remains Primary Source of Funds

As Canada's national public broadcaster, CBC/Radio-Canada remains primarily reliant on the public funding provided by Parliament annually. CBC/Radio-Canada's base Parliamentary appropriation, in constant (2004) dollars and including the \$60 million in additional funding, is \$415 million less today than it was in 1990, a 29 per cent reduction. Over the last ten years, while total funding to Canadian Heritage Portfolio agencies has increased by 12.5 per cent,

* In home usage only

CBC/Radio-Canada's total funding has decreased by 23 per cent. CBC/Radio-Canada has consistently been the hardest hit by cuts among all Portfolio agencies. Despite this decrease in funding, the Corporation is now broadcasting over more media platforms to a larger, more diversified Canadian population and adapting to new technological developments on an ongoing basis. This is not an easy task. And, it cannot be sustained if public funding is reduced.

It is important to recognize that the Corporation's Parliamentary operating appropriation of \$936.7 million is equivalent to \$30 per Canadian per year – an amount which is comparable to the **monthly** subscription fee for a daily newspaper or for cable or satellite television. This amount can also be compared with the \$111 per person received by the BBC.

Pursuit of Efficiencies to Re-Invest in Programming

It has become essential for the CBC/Radio-Canada to take maximum advantage of economies of scope and scale and share physical resources (vehicles, equipment, facilities) across media. For example, our Real Estate Division is ensuring that we use our physical space more efficiently. It has reduced the total space we use by more than 12 per cent, to 4.4 million square feet. In fact, since 2000, the Real Estate Division has generated savings and revenue of \$44 million, of which \$10.6 million recurs annually.

Technical and information systems are being integrated and made interoperable to the greatest extent possible. We have created a Shared Services Organization which has brought together all of CBC/Radio-Canada's financial, human resources and information technology activities and as a result we are able to negotiate national agreements for all of CBC/Radio-Canada. Together, these two initiatives will save the Corporation \$4 million a year. Communications and distribution systems are also being rationalized as new digital technologies are implemented.



These improvements in infrastructure also enable further efficiencies in the development and production of programming. For example, significant improvements continue to be made in Newsgathering, analysis and presentation across our Radio, Television and Internet-based services. Moreover, CBC/Radio-Canada has found better ways to deliver its services to Canadians in every region of the country. We have centralized our Television master control operations and have begun to feed our transmitters by satellite. In addition, we have concluded over 500 contracts to rent space on our transmission towers. While the total financial impact of these initiatives is difficult to quantify – since they permit the Corporation to do more with the same or fewer resources – their ongoing value for operations in 2005-2006 is estimated to be at least \$65 million annually.



Revenue Generation

Advertising continues to be CBC/Radio-Canada's most important source of revenue bringing in approximately \$280 million annually. However, the Corporation's advertising revenue is under-pressure given the on-going fragmentation of the marketplace and the arrival of new technologies, such as the PVR. Moreover, advertising revenue is unpredictable, dependent on the performance, not only of our key prime time properties, but the Canadian economy as a whole. Ultimately, given the uncertainty and the mass adoption of new technologies, the advertising-based business model for conventional television services will need to be revisited and replaced.

Given the historical reduction in CBC/Radio-Canada's Parliamentary appropriation, however, we have had to find alternate sources of revenue, the proceeds of which have been re-invested in programming. This leveraging of our assets has led to the generation of new revenue streams on an ongoing basis. Some of the more important sources of self-generated revenue include program sales, various initiatives of the Merchandising Division, the Mobile Division, NewsExpress, Newsworld International, rental of facilities, host broadcasting, the Centre Ice Package, The Documentary Channel and Radio de Radio-Canada's syndicated News service

The plain fact is that the current level of public funding provided to CBC/Radio-Canada is the minimum necessary for the Corporation to maintain its current high level of activities. If the funding level was to be reduced – in particular, if the \$60 million in temporary funding is not made permanent, the Corporation would have no choice but to begin to cut programming and other expenditures. Not only would this affect viewers and listeners, it would also have a direct, negative impact on the writers, composers, actors, artists, and musicians who create our programming. To put it bluntly, we would not be able to provide as much work for people in the Canadian creative community. And, in particular, CBC/Radio-Canada would be unable to contribute in a meaningful way to the solution of the crisis of English-language Canadian drama

Adequate stable funding on a multi-year basis, the continued pursuit of efficiencies, the savings of which are invested in programming and increased revenue generation are all essential if CBC/Radio-Canada is to continue to fulfill its mandate as Canada's national public broadcaster.

05 Strategic Directions: Broadcasting Value

Four years ago, CBC/Radio-Canada embarked on a new strategic course, which focused on the airing of distinctive high-quality programming, created and delivered by the most efficient means possible.



Specifically, our strategic directions are built around the following key thrusts:

High-Quality, Distinctive Canadian Programming

1. Ensure distinctive programming of the highest quality
2. Recognize 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 fulfill 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



06 Broadcasting Value: Key Results and Action Plans

CBC/Radio-Canada recognizes that accountability is a key requirement for any corporation in today's world. As Canada's national public broadcaster, CBC/Radio-Canada is held accountable in two very distinct but equally important ways.

First, CBC/Radio-Canada is accountable to the Canadian public. CBC/Radio-Canada must provide Canadians with distinctive, high-quality Canadian programming, which gives them the information, and entertainment they require and deserve. And, it must do so in the formats and via the media that are most convenient and well suited to the different segments of our society. On this front, CBC/Radio-Canada is put to the test and held accountable every day of the week throughout the year.

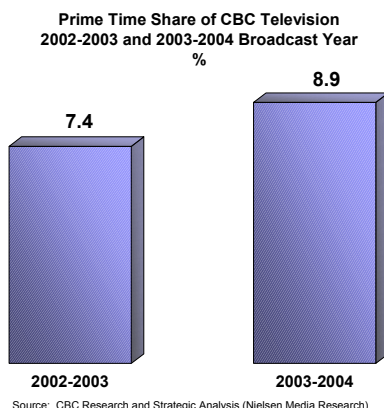
Second, CBC/Radio-Canada is accountable to the Canadian Parliament through the Minister of Canadian Heritage. The Corporation must demonstrate that it is fulfilling its mandate and using the public funds it receives wisely.

This section of the Corporate Plan outlines the key achievements of CBC/Radio-Canada in the 2003-2004 broadcasting year and its plans for the 2005 to 2010 period.

Key Results

CBC Television

In 2003-2004, CBC Television experienced both continuing success with established series, as well as new successes with new programming ventures. Even though more Canadians had access to greater choice throughout the 2003-2004 broadcast year, CBC Television's prime time share increased by one and a half share points to 8.9 per cent. And, CBC Television continues to be the home of Canadian content with Canadian programs comprising 86 per cent of its prime time schedule; that is, Canadian programs account for 24 out of the 28 hours that CBC Television broadcasts during prime time, every week of the year.



However, CBC Television not only offers Canadian programs to Canadian audiences, it delivers the audience to Canadian programming. For example, in the September 2003 to March 2004 Television season, 6 out of the 10 most popular Canadian drama/comedy series on English-language Television in Canada aired on CBC Television.

CBC/Radio-Canada comedy has been and continues to be an ongoing delight for Canadians. *Royal Canadian Air Farce*, *This Hour Has 22 Minutes*, *Red Green*; and *Rick Mercer's Monday Report* continue to

provide incisive commentary with a comedic twist, as well as plain old belly laughs, as Canadians see themselves reflected in a mirror that is too true not to be funny. Each of these programs attracted audiences, which placed them among the ten most popular Canadian drama/comedy series on English-language Television in Canada.

CBC Television's high-impact strategy continued to generate both significant audiences and critical acclaim in 2003-2004. While *Shattered City: The Halifax Explosion* attracted an average of 1.5 million viewers per episode, it also garnered nine Gemini Award nominations. Specials such as *Human Cargo* and *Sex Traffic* brought home the dramatic and often tragic realities of life. This is the type of programming that only a public broadcaster would air – cutting edge, critical, dramatic, and, of the highest quality. In all, CBC Television Arts and Entertainment programming received 143 Gemini Award nominations.



Monday night documentaries have also found a niche with viewers who are fascinated by the science and sociology of shows like *Rage Against the Darkness*, *Asteroid: Doomsday Rock* and *Sex, Drugs & Middle Age*. Established series like *CBC News: Venture*, *The Nature of Things* and *fifth estate* also remain popular with the broad range of viewers who have inquiring minds. No other Canadian conventional broadcaster offers the range and number of hours of documentary/public affairs programming in prime time, as does CBC Television. And no other broadcaster does so with such integrity, innovation and flare. CBC Television's public affairs and documentary programming received some 55 Gemini Award nominations in 2004.

And, of course, CBC/Radio-Canada continues to broadcast sports events that resonate with the Canadian identity: the *Summer Olympics* from Athens, *World Cup Hockey* and *Hockey Night in Canada*.

Canadians' appetite for hockey is legendary, as is demonstrated by the audiences achieved by *Hockey Night in Canada* throughout its regular season and playoffs as well as the high viewer numbers for the World Cup of Hockey. Throughout the 2003-2004 NHL season, game one of HNIC averaged almost 1.3 million viewers, with audiences in the Playoffs peaking at 3.7 million for the final round, which featured the Calgary Flames and the Tampa Bay Lightning. There was also widespread interest in the World Cup of Hockey, which aired between August 30 and September 14, 2004. CBC Television's prime time coverage of eleven games averaged 1.5 million viewers per game. But hockey is not the end of the story. It is important to recognize that CBC/Radio-Canada's coverage of the Olympics is truly nation binding. It is estimated that 26 million Canadians watched at least some of the Olympics on either CBC Television or Télévision de Radio-Canada. And it is also important to remember that the Olympics are a part of CBC/Radio-Canada's amateur sport strategy. While we only air the Summer Olympics once every four years, we are committed to covering amateur sport in Canada every week throughout the year.

Finally, from a News perspective, CBC/Radio-Canada remains the country's most trusted source of information with its top-rated coverage of the 2004 Federal Election, as well as daily reporting on domestic and international events. Audiences to CBC Television's *The National* rebounded in 2003-2004 to 705,000, helped in part by the audience it achieved when it went "on the road".



Télévision de Radio-Canada

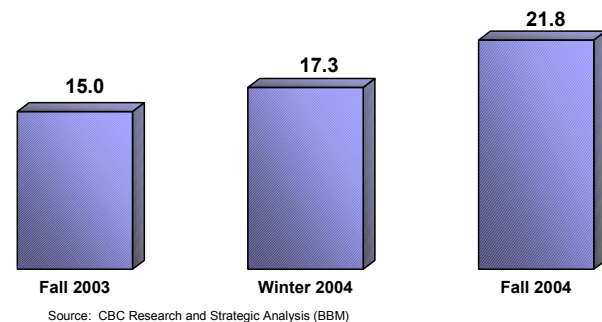


Four out of five francophones tuned into Télévision de Radio-Canada week after week throughout the 2003-2004 broadcast year. And while the network's share did decline in 2003-2004, its prime time share of 16 per cent, achieved with a schedule comprised of 88 per cent Canadian programming, represents a substantial viewing share. And this was achieved, even though Télévision de Radio-Canada's repositioned schedule was

introduced only in January 2004. In the second half of the 2003-2004 TV season Radio-Canada's prime time share increased by 15 per cent over the first half. One of the remarkable programs introduced in that second half was *Les Bougon – c'est aussi ça la vie!* This program, with its biting hilarity, was the second most-watched series on French-language Television during the 2003-2004 television season, averaging more than two million viewers per episode.

It is important to emphasize that Télévision de Radio-Canada achieves its substantial audience, while offering a balanced schedule of both entertainment and information programs. For example, no other conventional broadcaster offers five hours of public affairs programming week after week in prime time. Télévision de Radio-Canada's *Le Téléjournal/Le Point* provides daily national and international news, as well as in-depth reports on major stories. Regional arts and cultural programming from outside Québec is provided by *Zig Zag*, *Brio* and *Le Garage*.

Success of Télévision de Radio-Canada Repositioning
Audience Share, 7pm - 11pm
Fall 2003, Winter 2004, Fall 2004
%



Coverage of the *Summer Olympics* was a major sports highlight for Télévision de Radio-Canada in 2003-2004.

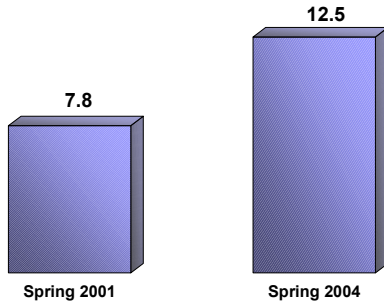
Radio de Radio-Canada



Over 1.1 million Canadians aged 12-plus listened to either the Première Chaîne or the Chaîne culturelle in Spring 2004. Usage of the two networks has increased by over 300,000 listeners since Fall 2000, and the Spring 2004 results represented the highest reach numbers ever recorded for the French-language Radio services. In Fall 2003, Radio de Radio-Canada's, Première Chaîne and Chaîne culturelle, recorded their highest combined audience share ever; 15.6 per cent. Since Fall 2000, the audience share for the Première Chaîne has almost doubled. The audience share for the Chaîne culturelle, on the other hand, has not shown any growth during this period and in an effort to increase its audience, it has been re-branded as Espace musique, which launched in September 2004. First results suggest that the launch of Espace musique has proved popular among Francophones with the results from BBM's Fall 2004 survey

indicating a 30 per cent increase in listening from a year ago. With the addition of 10 new transmitters, Espace musique is now available to 90 per cent of Francophones in Canada.

Growth of Première Chaîne's Audience Share*
Spring 2001 and Spring 2004
%



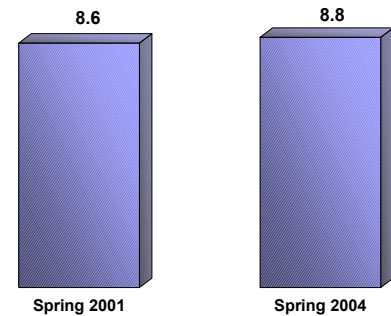
* In Areas with a Première Chaîne Station
Source: CBC Research and Strategic Analysis (BBM)

The Première Chaîne's and Espace musique's audience growth is a testament to the excellent programming available on these two core CBC/Radio-Canada services. This programming included two prestigious series featuring the Canadian personalities « Claude Gauthier » and « Diane Dufresne », as well as coverage of the 400th anniversary of Acadia and the annual Montréal and Vancouver Jazz Festivals.

CBC Radio

According to the most recent BBM data, more than 3.7 million Canadians (aged 12-plus) listen to either CBC Radio One or CBC Radio Two each week. In Spring 2004, English Radio captured a combined share of 12.2 per cent, which is within one share point of its highest total ever. Thus, CBC Radio has been able to maintain its share even though the competitive environment has become more fragmented. Radio One's share of 8.8 per cent in Spring 2004 was up a half a point from Fall 2003, but 0.4 points below its share of a year ago. Radio Two's share has remained stable over the past year.

Growth of CBC Radio One's Audience Share*
Spring 2001 and Spring 2004
%



* In CBC Areas
Source: CBC Research and Strategic Analysis (BBM)

While Radio One is available to virtually all (99 per cent) Canadians whose mother tongue is English, the coverage of Radio Two has been considerably less. However, as of Fall 2004, Radio Two now reaches more than 83 per cent of the Canadian population (English Mother Tongue), up from less than 75 per cent five years ago. New areas now served by Radio Two include Whitehorse, Chilliwack, Red Deer, Prince Albert; and Grand Falls.

CBC Radio also emphasized regional connectedness and decentralization in 2003-2004. Thirteen of the 19 Summer 2004 pilot programs were produced in the regions, with *Sweet Justice* and *Anything Goes* coming out of Halifax, *The Circuit* from Edmonton and *Bunny Watson* from Vancouver.

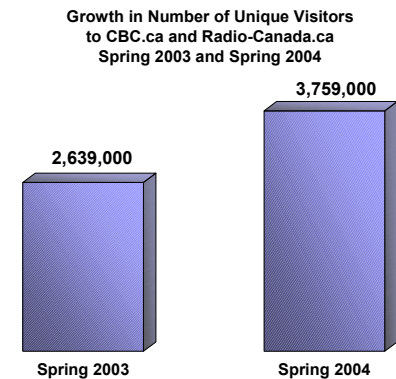
On the cultural side, CBC Radio has a wide range of successful programming, including *Global Village*, *Big City*, *Small World*, *Omnivore*, and the revamped *Roundup*.

News and current events remain a strong focus with programs such as *As It Happens*, *Dispatches* and *The Current*. In keeping with CBC/Radio-Canada's mandate to reach out to the world, *As It Happens*, which just celebrated 25 years on the air, is heard in some 90 markets in the U.S.



CBC.ca and Radio-Canada.ca

CBC.ca and Radio-Canada.ca, CBC/Radio-Canada's two main websites, are managed by the English and French media. According to comscore MediaMetrix, almost 4 million Canadian adults used either CBC.ca or Radio-Canada.ca from home in the first quarter of 2004, the highest number of unique visitors on record for CBC/Radio-Canada's websites.¹ The combined usage of CBC.ca and Radio-Canada.ca increased by more than 40 per cent between the second quarter of 2003 and the second quarter of 2004.



Source: CBC Research and Strategic Analysis (Comscore Media Metrix)



Our Radio services currently stream all of their content over the Internet. CBC Television and Télévision de Radio-Canada each make clips from some of their Television programming available over the Web. The Corporation also offers special interactive features such as ZeD on its websites and has created two unique Internet-only services: CBC Radio 3 and Radio-Canada's bandeapart.fm.

Action Plans

CBC/Radio-Canada's 2005-2006 Corporate Plan is based on the eight corporate priorities that formed the basis of the 2004-2005 Plan. These priorities focus on CBC/Radio-Canada's core activity which is the delivery of high-quality distinctive Canadian programming and those activities that support and generate revenue for programming. The continued focus on these priorities ensures consistency of direction and execution.

Given the dynamic nature of the Canadian broadcasting environment, CBC/Radio-Canada faces increasing pressures on a number of fronts. The pace of technological change remains fast as digital technologies, High Definition Television (HDTV), interactive television and Internet programming is implemented in the Canadian broadcasting system. There will be pressure on the Corporation to keep pace with other broadcasters as they implement these new technologies.

There is also ongoing demand to expand the scope and reach of the Corporation's activities – within Canada's regions and internationally. New forms of programming must be invented and traditional programming must continue to evolve in order to reflect the changing nature of Canada.

At the same time, the Corporation faces significant fiscal challenges. At best, public funding appears to be static,



¹ These figures underestimate the overall usage of CBC.ca and Radio-Canada.ca because usage outside the home is not counted.

while the ability of CBC/Radio-Canada to raise funds in other ways is impaired by the continuing fragmentation of broadcasting audiences, as well as shorter-term pressures such as the effects of the National Hockey League labour dispute.

The combination of increased demands and tightened funding have forced the Corporation to focus even more vigorously on broadcasting value – setting priorities and seeking ever greater efficiencies.

Without additional funding, CBC/Radio-Canada will likely fall behind technologically. This may mean that CBC/Radio-Canada may fail to meet its obligation to reflect the full linguistic and cultural diversity of Canada, across all regions. Unfortunately, this means that hard choices must be made, as to which activities are absolutely necessary and which projects must be abandoned or delayed.

For example, for financial reasons the implementation of HDTV for both CBC Television and Télévision de Radio-Canada is going forward, but more slowly than in the U.S. This delayed implementation of new technology affects the programming CBC/Radio-Canada can produce, as well as its perception by the public as a leader in broadcasting. It is a direct result of the fiscal realities faced by the Corporation. While the Government has called on the Corporation to provide a strategic plan for the transition to HDTV, until the associated funding is made available, CBC/Radio-Canada must pursue a more conservative implementation plan, consistent with existing resources.

The Corporation's plans to implement each Corporate priority reflect the ways in which CBC/Radio-Canada continues to meet the challenge of providing Canadians with broadcasting value.

Objective 1: High-quality Distinctive Programming

All CBC/Radio-Canada media strive to provide the highest quality programming, reflecting the full spectrum of the Canadian experience. Looking forward, each media division has developed an action plan based on the state of its schedule and evolving environmental pressures.

CBC Television

The 2004-2005 broadcast year marks the first year of Transformation III which builds on the successes of Transformation I and II. Transformation I and II focused on the delivery of a high-quality distinctive Canadian schedule and the establishment of public value as the service's primary orientation. In addition, some progress was made on improving productivity (e.g., News Integration) during Transformation I and II.

The main objective of Transformation III is to make CBC Television Canada's most important and popular source of Canadian television programming and the most significant cultural organization in English Canada by becoming:

1. The number one source of Canadian drama and entertainment,
2. The most respected and important source of News and Current Affairs,



3. Number one in Children's programming,
4. Number one in sports, and
5. Significantly stronger in the regions.

These are ambitious goals and action plans have been developed for 2005-2006, 2006-2007 and 2007-2008, which focus on:

1. Strengthening the distinctiveness and quality of CBC Television's schedule:

Program directions and targets have been set out regarding distinctiveness and quality for the 2004-2008 period. The plan concentrates on three key program areas:

- Strengthening the News Service
CBC Television will focus on building back the audience and impact of its key News properties, including The National, the Early Evening News and CBC Newsworld.
- A New High-Impact Entertainment and Drama Strategy
CBC Television is developing a "blockbuster" Arts and Entertainment strategy that will put CBC Television in the lead in solving the Canadian drama crisis.
- Enhancing CBC Television's Regional Connection
CBC Television is developing a regional strategy, which will involve adding local TV interstitials on the hour throughout weekday afternoons. Pilots are to be conducted in Halifax and Vancouver in Spring 2005 with the rollout to remaining CBC Television locations in 2006-2007 and 2007-2008. A one-hour early evening newscast will be tested in Edmonton, Montreal and St. John's in Fall 2005.

2. Building audiences:

Building audiences and greater public value are the key measures of success used by CBC Television. Audience targets now exist for every program in the schedule and targets will be re-defined for the 2005-2006 television season.

3. Finding sufficient resources:

CBC Television needs to find significant new money over the next three years, whether in the short term to fund the current budget shortfall or to re-develop the schedule as envisaged by Transformation III (strengthened News, high-impact entertainment and drama strategy and enhanced Regional connections). CBC Television has begun a comprehensive review and will be seeking new money for the programming initiatives that have been identified by reallocating existing program funds; examining new ways to conduct business; reducing support area costs, and aggressively seeking new revenue opportunities.

All of this means that CBC Television will stop doing some of the things it currently does, and do other things radically differently.

Télévision de Radio-Canada

In the 2004-2005 broadcast year, the repositioning strategy that Télévision de Radio-Canada initiated the previous year will be implemented in full. This strategy focuses on refining Télévision de Radio-Canada's public identity, engaging viewers as citizens rather than consumers, and ensuring that its programming is



open, credible, unifying, innovative, and passionate. Programming will increasingly aim to incorporate greater social content, with enhanced opportunities for direct public contact and participation. Already at the start of the 2004-2005 broadcast year (September to the end of November) the strategy is paying dividends with Radio-Canada's prime time share having increased by 6.8 share points from the same point in the season last year. Some of the particularly successful programs that Télévision de Radio-Canada has already launched at the start of the 2004-2005 season include *Tout le monde en parle* and *La vie rêvée de Mario Jean*.



In 2005-2006, Télévision de Radio-Canada will move into the next phase of consolidating its re-positioning strategy. In this phase of the plan, Télévision de Radio-Canada expects to focus on strengthening certain parts of its schedule (children and youth, off-prime, for example) that received less attention in the past. Success in achieving these initiatives will be measured and analyzed on a regular basis.

One of the key goals of Télévision de Radio-Canada's re-positioning strategy is to strengthen and extend its relationship with its audience. While Télévision de Radio-Canada expects to maintain its nucleus of viewers, it also expects that appreciation of its programming among all viewers will increase. Given an emphasis on the increased participation of the public, Télévision de Radio-Canada, is developing programming formats which facilitate the public's participation and interest in discussion.

CBC Radio

CBC Radio's action plans fall under three areas: 1) Program Development, 2) Audience Awareness and Growth, and 3) Multi-Platform Availability.

1. Program development:

All existing programs and schedules will be re-examined and new programs will be developed that respond to changing listener needs. CBC Radio One will build on the success of the 2004 Summer schedule, in which 19 new pilots aired and will innovate and experiment to reflect the changing Canadian reality. CBC Radio Two will take into account the findings of the comprehensive Arts and Culture Study, with structural and programming initiatives being developed between 2005 and 2007.

2. Audience awareness and growth:

Each program on Radio One and Radio Two is targeted to attract specific new audiences. Radio 3 has been identified as the vehicle by which CBC Radio can extend its reach among youth.

3. Multi-platform availability:

The goal is to make CBC Radio programming available widely on satellite, on FM in key western Canadian markets and internationally through program exchanges, extend coverage of Radio Two strategically beyond the requirements that have been set by the CRTC, and ensure that Radio 3 becomes available to a national audience via satellite.



Radio de Radio-Canada

Radio de Radio-Canada intends to accentuate the distinctive character of public radio by emphasizing its fundamental values: airing programming that is musically and culturally diverse as well as reflecting a wide range of points of view; setting the standard of excellence for spoken French and journalistic proficiency, providing a working environment that encourages personal and professional growth, while promoting creativity and innovation in program development; and doing all this through the most efficient means possible, including modernizing the production methods in order to provide a reliable service from one end of the country to the other. The programming of Radio de Radio-Canada will be varied and of a high quality, and will take into account the regional and cultural diversity of Canada. Moreover, Radio-Canada will look for opportunities to work with the other media within CBC/Radio-Canada and on international co-productions aided by RCI.

Radio de Radio-Canada also intends to reinforce the information and cultural programming on Première Chaîne. It will be examining its regional and network programming aired on the weekend and looking for opportunities to improve network and regional programming, promoting the use of regional stations in the network's most important programs dealing with society and culture, and finding the proper regional, network and international balance in the schedule to best reflect the life of Canadians.

Radio de Radio-Canada intends to ensure that Espace musique which was launched in September 2004 plays a dominant role in the development and promotion of French-language Canadian music talent for francophone Canadians. Espace musique focuses on the development of musical diversity in Canada by promoting music of all genres (Classical, jazz, world music, and emerging music), and by establishing new contacts with the cultural communities in all regions across Canada.

Radio de Radio-Canada intends to strengthen its position among its listeners and increase the awareness of public radio among francophones in Canada by renewing content and formats of radio in certain niches; bringing more flexibility to its schedules; leveraging the creativity of Radio de Radio-Canada employees to reinforce the brand and awareness of the French Radio services, and putting in place an integrated and focused communication plan in order to increase the audience and public service value of Radio de Radio-Canada.

CBC.ca and Radio-Canada.ca

CBC.ca's strategy is based on the mantra "Put the user first/focus on the basics." CBC.ca will target resources to the core content users expect; that is News and information. With this in mind, the News zone will be redesigned to improve user experience and functionality. A new Editorial Publishing Tool will be launched that improves the efficiency and speed to publish, along with site quality, user-friendliness, consistency, and layout flexibility. In addition, this tool allows stories to be shared among the News, Sports and Arts zones.

CBC.ca will also work to support the high-impact programming strategies of CBC Television and CBC Radio, with relevant, timely and compelling value-added content for the online user. Radio-Canada.ca intends to strengthen its position as the leading provider of quality information online for Francophone Canadians by continuing to maximize synergies with radio and television newsrooms.

In addition, Radio-Canada.ca will support Radio and Television in their strategies by producing complementary content that helps increase the loyalty of listeners and viewers. Radio-Canada.ca also intends to re-inforce its position as the number one Children's and Youth site by offering a more secure and informative online environment. Moreover, through the promotion of Canadian musical talent, Radio-Canada.ca will help to make Espace musique the centre for music on the Canadian Francophone Web.

Objective 2: Reflecting Canada's Regions and the Changing Face of Canada

CBC/Radio-Canada is deeply rooted in the regions with each media establishing its regional connectedness in its own way. The Corporation has launched a number of initiatives to enhance regional reflection and better represent the diversity of the Canadian population.

The initiatives discussed in this section are those that CBC/Radio-Canada is able to achieve with its existing funding levels and do not reflect those additional initiatives outlined in the Local/Regional Strategy filed with the Minister of Canadian Heritage on December 6, 2004, that would require new funding.



Reflecting Regional Realities

The different CBC/Radio-Canada media are each taking steps to ensure that Canadians across the country have access to programming that reflects local and regional realities. These initiatives range from introducing new regional programming on existing services to extending CBC/Radio-Canada's reach by establishing new local or regional stations or websites.

CBC Television

CBC Television will increase its regional connection with viewers in all of Canada's regions by introducing locally hosted programming in the noon to 7pm weekday period. This will involve hourly local interstitials of News, weather, sports; and community events. This new initiative will be Beta-tested in Vancouver and Halifax, starting in Spring 2005 and by increasing local content in Canada Now. One-hour local News formats will be introduced on an experimental basis in Edmonton, Montreal and St. John's, starting in Fall 2005.

Télévision de Radio-Canada

Télévision de Radio-Canada intends to affirm its essential role as the only French-language generalist public television service in Canada, which brings together the regions and centres of decision-making, while continuing to increase its presence in the regions. In particular, Télévision de Radio-Canada intends to integrate even more of its journalistic content from the regions and the network into a 'single source of information'.



CBC Radio

CBC Radio's three strategies to increase its connection with listeners in all of Canada's regions include the decentralization of network production; the airing of a broader variety of local information and local programming, and filling the "Black Holes".

Radio de Radio-Canada

Radio de Radio-Canada will pursue flexible budget management that protects its programming, by redesigning work methods to increase productivity, the gains of which will be reinvested in programming, by increasing the synergies between media through the use of CBC/Radio-Canada's consolidated production centers in Ottawa, Edmonton and Quebec and by optimizing the sharing of resources while respecting the uniqueness of each media.

Radio de Radio-Canada intends to increase the contribution and representativeness of the regions in network programs (society, music and culture).

CBC.ca and Radio-Canada.ca

CBC.ca will launch the redesign of the regional sections of its website to improve user experience and functionality. It will also participate in the development of a new, integrated regional strategy in conjunction with CBC Television. Similarly, Radio-Canada.ca will take steps to regionalize the Radio-Canada.ca website.

Finally, in response to one of the recommendations of the Lincoln Report, CBC/Radio-Canada has developed a costed strategy which lays out how the Corporation's Radio and Television services might better meet the regional needs of Canadians from coast-to-coast-to-coast. It will not be possible to implement this strategy, however, unless the Government provides funding that is earmarked for that purpose.

Reflecting Diversity

Canada is one of the most ethnically diverse countries in the world. According to the United Nations Human Development Report for 2004, Toronto and Vancouver have the second and fourth largest proportions of foreign-born residents of any world cities. Canadian visible minorities now total almost four million, representing 13 per cent of Canada's population. CBC/Radio-Canada sets a high priority on ensuring that this diversity is reflected in both the programming it produces and in the workplace.

CBC Television and CBC Radio

CBC Television and CBC Radio are working together to bring workforce and on-air representation significantly closer to a reflection of the Canadian population. A three-pronged strategy, "Educating Diversity", including programming, workforce and outreach/community partnerships has been developed.

Specific program initiatives, such as the Arts and Entertainment Daytime project, have been identified and a monitoring plan, using content analysis, has been developed. CBC Radio is developing program-based strategies to reflect the full cultural diversity of large, urban communities, based on a model developed for CBL Toronto.


In regard to the workforce, hiring goals have been set with specific directives being implemented in all locations to ensure that they are met. In addition, changes to hiring/recruitment and staff development/training have been developed.

The third prong of the strategy involves reaching out to Canadians and extending community partnerships. For example, each CBC Radio program and location is committed to building at least one new community connection per year.

Télévision de Radio-Canada and Radio de Radio-Canada

Télévision de Radio-Canada's programming is being reviewed and, where necessary, revised to ensure that the expression of cultural diversity is reinforced throughout all its programming so that it reflects the diversity of the Francophone population in Canada. Télévision de Radio-Canada is also implementing specific measures to ensure that it is embracing diversity as an employer.

Radio de Radio-Canada is launching initiatives to increase the reflection of a culturally diverse Canada in its schedule and to follow the evolution of social, political and demographic trends so that it can remain at the forefront of News and consolidate its position as the leading provider of French-language audio services in Canada.



Objective 3: Sustaining Canadian Schedules

A key goal for CBC/Radio-Canada is to ensure that its broadcasting activities are planned and structured so that they are sustainable over the long term. This requires thoroughness in planning, efficiency in production and stability in funding. In order to sustain its Canadian schedules CBC/Radio-Canada's English and French Radio and Television services must:

1. Maintain a significant audience share:

Advertising revenue provides a very important revenue source for CBC Television and Télévision de Radio-Canada. Over recent years CBC/Radio-Canada's advertising revenue has been adversely impacted by fragmentation in the broadcasting market and the increased competition for advertising dollars as more specialty services have entered the marketplace. This difficult environment is expected to continue for the foreseeable future. Moreover, in the short term, the advertising revenues of CBC Television are also being affected by the NHL labour dispute. In order to counter these trends, CBC Television and Télévision de Radio-Canada are continuing to search for innovative ways to sell television airtime (e.g., use of creative spots) and to maximize the usage of each network's inventory through the use of the new VISION system.

2. Obtain access to Canadian Television Fund financing:

In the past, CBC Television and Télévision de Radio-Canada have received an important proportion of the monies available from the Canadian Television Fund (CTF) and the



continued existence of a strong Canadian Television Fund is important for both CBC Television and Télévision de Radio-Canada. While there has been considerable uncertainty about the future of the CTF, CBC/Radio-Canada is encouraged by two recent announcements. The first is the Minister's announcement of \$100 million in funding for the CTF for the fiscal year 2006-2007. In addition, the Corporation was pleased to see that the Government has now proposed the establishment of a separate dedicated envelope for CBC/Radio-Canada sponsored projects, although the level has not been set at a high enough level for CBC/Radio-Canada to address the crisis in Canadian drama.

3. Secure long-term access to the Government's \$60 million in additional funding for Canadian programming and minimize other appropriation cuts:

The primary source of funds for the Corporation is the Parliamentary operating appropriation, which has been virtually unchanged at \$936.7 million for the past several years. If CBC/Radio-Canada is to maintain the current high level of quality Canadian programming in its Radio and Television schedules, a long-term commitment to the \$60 million must be provided by Government for continued and long-term programming excellence.

Objective 4: Well-managed Company

CBC/Radio-Canada faces significant challenges looking forward and must continue to coordinate and streamline its activities to ensure the most efficient use of its resources. Each of the Corporation's media services need to find solutions to budget shortfalls arising from financial pressures outside of their control, such as the NHL lock-out, and the Corporation's \$10 million annual funding cut imposed by the Government's re-allocation exercise.

All Media/Non-Media Components

In response to these challenges each of the media have developed plans to ensure that key programming goals are protected while budget shortfalls are eliminated. In addition, the Corporation has introduced a number of initiatives to increase efficiency or generate additional revenue that cut across media lines. These initiatives include:

- The tighter integration of program planning, scheduling and budgeting;
- The development of a coordinated approach to rights management so that high-quality programming can be delivered across multiple platforms;
- Resource evaluations that match needs with available resources;
- The implementation of new technologies, such as server-based production in News and sports, which increase efficiency and reduce costs;
- More efficient delivery of support services through the creation of a Shared Services Organisation;
- The reduction in the number of administrative, human resources and IT-based systems;
- The streamlining of labour relations within CBC/Radio-Canada;
- The more efficient use of technology;
- The more efficient use of space.

These operational improvements are supplemented by a variety of revenue-generating activities.

While advertising continues to be CBC/Radio-Canada's most important source of revenue, the reduction in CBC/Radio-Canada's Parliamentary appropriation has meant that the Corporation has had to find alternate sources of revenue, the proceeds of which can be reinvested in programming. The leveraging of the Corporation's assets has led to the generation of new revenue streams on an ongoing basis. Some of the more important sources of self-generated revenue include program sales, various initiatives of the Merchandising Division, the Mobile Division, NewsExpress, rental of facilities, host broadcasting, the Centre Ice Package, The Documentary Channel and Radio de Radio-Canada's syndicated News service.

In total, CBC/Radio-Canada expects an ongoing annual benefit of \$65 million in cost savings and revenue generation. These efficiency and revenue initiatives are making and will continue to make a significant contribution to the funding of the Corporation.

Objective 5: Strengthen Our Commitment to Employees



As Canada's national public broadcaster, CBC/Radio-Canada has almost 7,500 permanent employees across the country and throughout the world. These employees do everything from payroll to reporting. They are technicians, writers, on-air personalities. They are clerks, artists, engineers; and managers. They work in small communities like Grand Falls, Newfoundland and Inuvik in the North West Territories, and major centres like Montréal, Toronto and Vancouver. All of these employees are critical to the success of the Corporation and Management is committed to encouraging a meaningful dialogue with all of its employees. One means by which it does this is by conducting a comprehensive, anonymous survey, which allows it to track its performance on key measures regarding the satisfaction of its employees. The year 2003 marked the second year in which the Hay Group conducted such a survey, and the Corporation is committed to responding to the needs expressed by employees in the Hay survey and to conducting such surveys on an ongoing basis.

CBC/Radio-Canada is proud that in 2004, for the second year in a row, it was named one of Canada's Top 100 Employers. The achievements of the past, while gratifying, are not sufficient to ensure success in the future. Consequently, the Corporation has developed several important initiatives to strengthen its commitment to its employees.

First, all media and Corporate divisions are developing performance management mechanisms to ensure that there is greater linkage of performance management with employee career objectives. This will ensure that achievement is properly recognized and rewarded and that concerns are addressed in a timely and effective manner that benefits all. In the case of CBC Radio, performance management interviews are to be completed with 85 per cent of staff by the end of the year, with senior managers being accountable to the target.

Second, Management is initiating programs to better inform the Corporation's staff about the general media environment and CBC/Radio-Canada's role in and response to that environment. CBC Television and CBC Radio have developed a package of information (Working Knowledge) on the Canadian media environment, including CBC/Radio-Canada's response to environmental challenges and changes. This information package is provided regularly to staff. Enhanced information about the overall context of the Corporation's activities assists employees in their



understanding of their particular role in the organization, while building pride in the Corporation's goals and achievements. The CEO's weekly breakfast with staff, and senior management's regular meetings with staff, also provide for two-way communication between management and employees. Another effort in this direction is the 'Union Forum', which offers the opportunity for senior management and union leaders to meet and discuss the broadcasting industry, outside context of labour negotiations.

Third, the Corporation has taken proactive steps today to ensure that leaders are available tomorrow to guide CBC/Radio-Canada into the future. While this has meant a renewed emphasis on succession planning, it has also meant that training, job exchanges, and employment equity initiatives are promoted across all services. The Annual Leader's Forum also ensures that the Corporation's key leaders are up to speed on the latest developments in the broadcasting environment and on CBC/Radio-Canada's priorities for the future.

Finally, an increased emphasis on the development of employee skills across all media benefits employees by enriching their skill set, while also improving the efficiency and operational flexibility of the Corporation.

Each of these initiatives is being implemented throughout CBC/Radio-Canada. And each should help ensure that the Corporation remains one of the best employers in Canada, with employees who are able to make the highest use of their skills and talents.

Objective 6: Further Alliances and Partnerships

Over the years, each of CBC/Radio-Canada's media has developed alliances and partnerships both within Canada and internationally. These relationships help the Corporation undertake co-productions, share Newsgathering, increase the range of programming available and generate new revenues from program sales. Relationships with foreign broadcasters also raise the profile of CBC/Radio-Canada internationally and thereby help the Corporation deliver distinctive Canadian programming to the rest of the world. The extent to which each media engages in alliances and partnerships is determined to some extent by the environment in which it operates. CBC/Radio-Canada, in partnership with Standard Broadcasting and Sirius Satellite Radio, has recently received a license from the CRTC for a new Canadian satellite radio service, which will deliver four CBC/Radio-Canada services (including two new services) to all Canadians nationally by satellite.



CBC Television and CBC Radio

CBC Television and CBC Radio have identified three key priorities in the area of alliances and partnerships; the development of a Canadian Internet Portal, International Program Sales/Sharing and the Documentary Channel.

CBC Television is investigating the development of a Canadian Internet portal to ensure that CBC.ca continues to be widely available and that it maintains its number one online News ranking. Recent agreements by Microsoft and Yahoo with Bell and Rogers have meant a loss of access for CBC.ca.

CBC Television and CBC Radio will expand their relationship with other public broadcasters to maximize co-production opportunities, share Newsgathering and generate increased revenue from program sales. CBC Radio expects to build on the current eight programs, which it sells internationally (e.g., *As It Happens* is available in over 90 markets in the United States). Of particular importance to CBC Television, is the negotiation of a Canada-UK co-production agreement. CBC Radio wants to establish new relationships beyond the United States, and is looking toward Europe and Australia, in particular.

CBC Television intends to assess its continued partnership arrangement in the Documentary Channel. CBC Television's goal is to ensure that CBC Television programming is made widely available on the basis of a sound business plan.

Télévision de Radio-Canada and Radio de Radio-Canada

Télévision de Radio-Canada is working to enhance partnership opportunities that add value to Télévision Radio-Canada's image and brand, and explore strategic alliances that promote audience growth.

Radio de Radio-Canada is seeking to strengthen its national partnerships with actor and creator groups in the cultural and music communities throughout the country, using Espace musique to promote and disseminate musical diversity in all its forms. In addition, Radio de Radio-Canada intends to increase the coverage of information by Radio de Radio-Canada in native communities and renew its agreements with such national partners as the Fédération culturelle canadienne-française and the Fédération des communautés francophones et acadienne. Internationally, CBC/Radio-Canada plans to expand its relationships with other public broadcasters. While Télévision de Radio-Canada is currently in negotiations with France Télévisions to develop a French-language News service, which could be available throughout the globe, Radio de Radio-Canada has signed an agreement with Radio France internationale which will give it access to a vast network of reporters around the world.

Radio-Canada.ca is pursuing content partnerships with key players in the new media industry. It is also improving editorial quality by exchanging content with Francophone broadcasters and promoting the exchange of ideas, expertise and content with French-language European public Radio and Television broadcasters.

In all of these ways, CBC/Radio-Canada is continuing to seek out partners and alliances which will provide the basis for better programming, greater efficiencies and a wider distribution of the Corporation's programming across Canada and the world.



Objective 7: Work as One Company

CBC/Radio-Canada is Canada's largest broadcaster and offers services over every available media platform. In order to take proper advantage of each medium's characteristics, specialization is necessary. Radio is not Television. And neither of them are New Media. Similarly, each service must know and respond to its unique audience. Cultural, linguistic and demographic differences are critical factors when developing and delivering programming to a target audience. There is no such thing as "one size fits all" in broadcasting.



Nonetheless, there are areas where synergies between media can be developed and efficiency gains achieved. The foremost example is News gathering, analysis and delivery. The Corporation has already taken significant steps towards the full integration of its News operations and developing synergies between Radio, Television and Internet services. For example, CBC Radio and CBC Television have begun to share News bureaus in several locations and CBC.ca provides active support and program

feeds to News Express. Moreover, the English services are working together on an initiative called 'Working Knowledge' which ensures that CBC staff is regularly updated on new developments in the Canadian media environment and the CBC's response to these changes.

Télévision de Radio-Canada encourages the participation of Radio de Radio-Canada and New Media in all initiatives aimed at supporting Francophone culture and those that increase the brand image of the Corporation. This is particularly true with respect to regional and national News. Moreover, Télévision de Radio-Canada and Radio de Radio-Canada work together to offer joint coverage in the areas of music and culture.

Sports coverage provides significant opportunities for coordinated efforts among all the different media. For example, during the Athens Olympics - CBC Television and Télévision de Radio-Canada collaborated to produce documentaries and portraits of athletes, to use the most efficient state of the art technology and to share personnel for the Games. Cross-promotion is also an area of significant activity through the coordination of advertising and marketing efforts. And, underlying all of these activities, the Corporation's cross-cultural programs between CBC Television and Télévision de Radio-Canada, Radio de Radio-Canada and CBC Radio, help to develop unique, innovative programming while, at the same time, promoting a shared vision of Canada's culture, goals and achievements. Moreover, the English and French radio services work together on more than thirty cross-cultural projects each year and these collaborations result in a number of large-scale series and documentaries.

The Corporation has also introduced new management tools and structures, which allow it to function more efficiently as one company. An example of the former is the Vision Project, which integrated some 46 different systems across the Corporation's Radio and Television networks. This system now allows a single tool to be used across networks for contract management, on-air scheduling, marketing and sales operations; and revenue management. An example of the latter is the Shared Services Organization, which was created to consolidate CBC/Radio-Canada's internal services in information technology, human resources; and financial administration. The consolidation of the Corporation's operations in a single location in Ottawa,

Quebec City and Edmonton is another effective means of encouraging CBC/Radio-Canada's English and French Radio, Television and New Media services to work together.

In all of these areas, CBC/Radio-Canada is seeking to build on its strengths across all media and to capitalize on the accompanying economies of scope and scale.

Objective 8: Strengthen Stakeholder Relationships

As Canada's national public broadcaster, CBC/Radio-Canada has an obligation to ensure that all Canadians recognize the Corporation as an entity that serves their needs. Canadians throughout the country – in small villages and major urban centres should be able to see their lives and interests reflected in the programming and activities they support through their tax dollars.



All media within CBC/Radio-Canada have developed action plans to broaden their relationships with stakeholders, including Government, taxpayers and the Canadian community. These action plans focus on creating a stronger CBC/Radio-Canada community presence across Canada (E.g., CBC Radio will continue to decentralize its network programming, producing more information and cultural programming from across Canada), promoting an ongoing dialogue with stakeholders from various sectors including; business, arts, sports and education (E.g., CBC Radio is expanding its community partnerships – with a target of one new community per year), enhancing programming impact. (E.g., The National Road Show), and by strengthening the CBC/Radio-Canada brand.

07 Broadcasting Value: Key Operational Requirements

CBC/Radio-Canada has been given a broad mandate by Parliament. As Canada's national public broadcaster, the Corporation must provide programming that is distinctively Canadian. That programming must reflect all of the regions of Canada and it must do so in French and English, meeting the needs and circumstances of these linguistic communities. The programming provided by the Corporation must also reflect the multiracial and multicultural nature of Canada and must contribute to a shared national consciousness and identity. Finally, CBC/Radio-Canada must make its programming available throughout Canada by the most appropriate and efficient means possible.

That is a tall order. In order to fulfill this mandate and provide Canadians with broadcasting value, CBC/Radio-Canada must operate on an extremely focused and efficient basis. It must also be adequately funded.

The preceding sections of this Plan discussed the ways in which the Corporation has improved its efficiency and how it continues to do so. They also discussed the achievements of the past year, as well as the Corporation's goals and priorities for the future. Taken together, these sections demonstrate that CBC/Radio-Canada has become a focused organization that makes efficient use of its resources.

The Corporation has generated an annual benefit of \$65 million in cost savings and revenue generation, in addition to one-time productivity savings and revenue increases of \$102 million. At the same time, CBC/Radio-Canada is broadcasting more widely, over more media, throughout more regions of Canada and internationally, than ever before.

If the Corporation is to be able to maintain its current course it requires stable, multi-year funding. At \$30 per person, CBC/Radio-Canada's annual public funding is modest by international standards. Of the 26 OECD countries, Canada ranks 22nd - or fourth from last - in terms of funding provided to public broadcasters, as a percentage of GDP. And yet, on the basis of its relatively limited funding, CBC/Radio-Canada offers service in English, French and eight Aboriginal languages, offers Radio and Television, on eight networks, offers what no other public broadcaster does: three specialty channels and a 45-channel digital pay audio service, offers a shortwave radio service broadcasting internationally in nine languages, and offers two of the most popular Internet services in Canada.

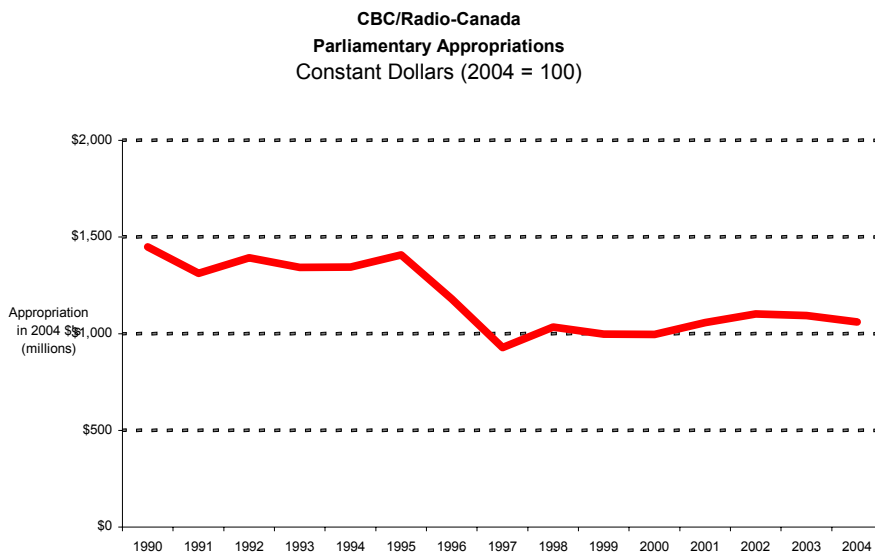
The Corporation believes that new funding frameworks, such as indexing current funding to population growth, are worth exploring. Such an approach would ensure that the Corporation's funding keeps pace with its obligations, while putting no additional strain on Canadian taxpayers. But whatever the mechanism, stable, multi-year funding is necessary if CBC/Radio-Canada is to be able to plan for the medium and longer term with confidence. Major programming initiatives typically span several years, as do entry plans for new platforms such as HDTV, video-on-demand or satellite radio. CBC/Radio-Canada cannot properly fulfill its mandate in a rapidly changing broadcasting environment, unless it has the assurance of stable, multi-year funding.

08 Financial Overview

CBC/Radio-Canada needs predictable, stable funding in order to continue to fulfill its mandate to provide Canadians with a wide range of distinctively Canadian, high quality programming that informs, enlightens and entertains. Furthermore, funding must be at a level that is sufficient to allow the Corporation to sustain the current level of programming.

Declining Appropriations

While total government program spending in the last five years has increased by 23 per cent, CBC/Radio-Canada's funding from government, including the \$60M re-investment, has grown by only 4 per cent. Since 1990, CBC/Radio-Canada appropriations, in constant dollars, have actually declined by 29 per cent.



While CBC/Radio-Canada does receive funding for inflation on the salary portion of its expenditures, inflation on goods and services is not funded. This erodes CBC/Radio-Canada's purchasing power by approximately \$12 million per year.

In spite of declining funding, the Corporation has managed to meet the challenges of fulfilling its mandate. Through a corporate-wide efficiency and revenue generating exercise, CBC/Radio-Canada has generated an annual benefit of \$65 million in cost savings and revenue generation, in addition to one-time productivity savings and revenue increases of \$102 million.

Beginning in 2001, the government provided CBC/Radio-Canada with a re-investment of \$60 million in each of the fiscal years 2001-2002 and 2002-2003. This has been subsequently renewed for the following three years ending in 2005-2006. This funding was used to strengthen and enhance radio and television programming, particularly in the areas of drama, children's programs, documentaries and arts and culture.



Coupled with CBC/Radio-Canada initiatives to cut costs and increase revenues, the \$60 million re-investment helped to, among other things, increase Canadian content, allow the Corporation to take risks and innovate, develop emerging talent, reduce commercials in selected genres and to develop high-impact original programming that it would not otherwise have been able to produce.

The government's reallocation exercise announced in Budget 2003 has further exacerbated the uncertainty surrounding future funding levels. CBC/Radio-Canada's funding was permanently cut by \$10 million in 2003-2004, even though the Corporation has demonstrated that it has already made great strides in revenue generation and internal reallocation initiatives.

Local/Regional Strategy

In its June 2003 report to Parliament, the Standing Committee on Canadian Heritage recommended that CBC/Radio-Canada provide Parliament with a strategic plan, including estimated resource requirements, for delivering a greater level of local and regional programming consistent with its mandate as set out in the *Broadcasting Act*. A plan to improve the reach of our radio and television services, to enhance the level of service to francophones across the country and to better reflect the cultural vitality and diversity of the regions has now been drafted and presented to the Minister of Canadian Heritage.

Based on its strategic plan to enhance regional and community programming, CBC/Radio-Canada estimates that it will require an additional \$34.4M in 2005-2006, increasing to \$61.2M in 2006-2007 and to \$82.8M in 2007-2008. The ongoing annual requirement after 2007-2008 to maintain the level of service is estimated at \$82.8M. This is over and above the \$60 million needed to sustain current programming. And there are a number of other funding pressures related to capital, including rust-out and rapid technological change.

The Accelerated Coverage Plan

Over a number of years in the late 1970s and early 1980s, the government provided CBC/Radio-Canada with special one-time capital funding and base operating funds to extend over-the-air transmission of radio and television services to all communities in Canada with a population of 500 or more. The earliest installed transmission assets purchased through this Accelerated Coverage Plan are now nearing the end of their useful life and are at risk of failure.

CBC/Radio-Canada estimates that approximately \$113 million of new capital spending will be required over the next 10 years – approximately \$11 million per year – to refurbish these assets and to continue to provide over-the-air radio and TV transmission service to Canadians in these areas.

The Challenge of New Technologies

The rapid pace of technological change adds to the funding pressures. The transitions to Digital Radio Broadcast (DRB), Digital Television (DTV) and High Definition Television (HDTV) are very costly, but necessary. In order to remain relevant to Canadians, who now have access to a range of HDTV programs from the U.S., CBC/Radio-Canada will need to make significant capital investments in transmission and distribution infrastructure, as well as production studios

and other equipment. HD equipment costs on average 25 percent more than comparable standard digital equipment.

Current Financial Picture

The Financial Operating Overview in Appendix A presents the Corporation's financial picture for 2004-2005 through 2009-2010. In order to maintain current production levels, CBC/Radio-Canada requires that the \$60 million re-investment be allocated to it on a long-term basis. The non-renewal of this funding coupled with the impact of additional funding cuts by government would be severe.

It is worth noting that the effect of the current hockey strike on 2005-2006 revenues will also have to be absorbed by CBC/Radio-Canada. The impact has not been taken into account in this financial overview, as it is too early to determine the impact with confidence. In addition, the funding required to implement the Regional Strategy (\$34.4 million rising to \$82.8 million over 3 years) is also not included in the costs presented.

CBC/Radio-Canada is seeking the government's support to remove the uncertainty surrounding its government funding and to provide the financial stability that will allow it effectively plan for the future.

Borrowing Plan for 2005-2006

Pursuant to the provisions of Section 46.1(1) and 54(3.1) of the *Broadcasting Act*, CBC/Radio-Canada seeks the approval in principle of the Minister of Finance to borrow money, not exceeding in the aggregate \$25 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.



Appendix A: Financial Overview

FINANCIAL OPERATING OVERVIEW

	<u>2004/2005</u>	<u>2005/2006</u>	<u>2006/2007</u>	<u>2007/2008</u>	<u>2008/2009</u>	<u>2009/2010</u>
SOURCES OF INCOME						
Operating Appropriation	876,711 ⁶	966,206 ⁶	946,015 ⁶	946,015 ⁵⁻⁶	946,015 ⁵⁻⁶	946,015 ⁵
Additional funding for programming initiatives ¹	60,000	60,000	60,000	60,000	60,000	60,000
Total Operating Appropriation	936,711	1,026,206	1,006,015	1,006,015	1,006,015	1,006,015
Advertising and program sales	315,618 ⁷	353,463 ⁷	283,363	284,743	339,830 ⁷	287,524
Real Estate	7,522	8,711	8,578	8,664	8,751	8,838
Transmission and Distribution	6,155	5,676	5,960	6,020	6,080	6,141
Galaxie	16,119	19,344	20,919	21,756	22,626	23,531
Other revenues ²	200,249	178,571	181,908	176,395	170,829	165,206
TOTAL SOURCES OF INCOME	1,482,374	1,591,971	1,506,743	1,503,593	1,554,131	1,497,255
OPERATING EXPENDITURES:						
Television and radio services ³	1,401,955 ⁷⁻⁸	1,510,868 ⁷⁻⁸	1,424,890 ⁸	1,421,026 ⁸	1,470,853 ⁷⁻⁸	1,414,397 ⁸
Transmission, distribution and collection	62,117	62,738	63,366	63,999	64,639	65,286
Corporate Management	16,986	17,156	17,327	17,501	17,676	17,852
Provision for tax/Large Corporation Tax	482	369	310	208	95	118
Amortization of capital assets	120,061	121,261	122,475	123,700	124,937	125,311
Deduct: Items not requiring current operating funds	(119,227)	(120,421)	(121,625)	(122,841)	(124,069)	(125,709)
TOTAL OPERATING EXPENDITURES	1,482,374	1,591,971	1,506,743	1,503,593	1,554,131	1,497,255
NET POSITION	-	-	-	-	-	-
Net position after reduction of funding for programming and other expenditures ⁽⁴⁾		(60,000)	(60,000)	(60,000)	(60,000)	(60,000)

⁽¹⁾ Assumes that the temporary funding for programming initiatives (\$60 million) will become permanent as of 2005/2006.

⁽²⁾ Includes Specialty Services (CBC Newsworld, Le Réseau de l'information and Country Canada) and other miscellaneous revenues.

⁽³⁾ Includes expenditures related to CBC's main services and Specialty Services (CBC Newsworld, Le Réseau de l'information and Country Canada).

⁽⁴⁾ If the \$60 million in temporary funding is not made permanent as of 2005/2006, programming and other expenditures will be impacted.

⁽⁵⁾ Includes no funding from Treasury Board for salary increases. It is assumed that any salary funding received would be equivalent to the increase. The impacts of any difference between approved funding and related increases will be accommodated within the CBC's current funding level.

⁽⁶⁾ Includes a transfer of funds from NATV proceeds which will offset a transfer to Capital included in the Main Estimates (\$37,168 000 in 2004-05) and includes the repayments of these funds (\$9,277,000 in 2005-06, 2006-07, 2007-08 and 2008-09).

⁽⁷⁾ Includes Olympics revenues and expenditures: Athens in summer 2004, Turin in winter 2006 and Beijing in 2008.

⁽⁸⁾ Includes \$60 million spending on programming initiatives.

Appendix B: Capital Budget

Capital

CBC/Radio-Canada's internal capital process has undergone a 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 base in 2005-2006 is planned to be \$91.5 million, excluding funds carryover from 2004-2005 to complete projects started in the previous year. Beyond 2005-2006 it will remain at approximately \$92 million.

Roughly half of the capital budget over the next three years is planned to be spent on production infrastructure where major initiatives include replacing failing obsolete analogue equipment with digital standards, modernizing Radio production facilities, converting La Maison de Radio-Canada facility in Montreal to digital standards, further rollout of Desktop Television production and initial investments in High Definition Television (HDTV) production and presentation facilities.

Approximately one-third 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 46 separate systems to support these activities. Other system investments include updating our desktop radio production system, which has been pushed to the limits of its useful life, and an electronic newsroom system to enable journalists to share information and media clips between English and French Radio and Television operations. Further investments include completing the consolidation of our facilities in Edmonton, Ottawa and Quebec City, updating our integrated support services systems and server infrastructure and software upgrades.

The majority of the remaining budget will be spent on transmitter and tower maintenance, and to improve and extend Radio services in line with CRTC commitments and to make initial investments in new digital television transmitters capable of delivering HDTV signals. Other investments include building improvements and changes to comply with codes and regulations, as well as optimizing space utilization to reduce operating costs and investments to refresh part of our fleet.

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 70s and early 80s. Generally, these assets have a useful life of 20 to 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. On June 12, 2002, the CRTC issued its licensing framework for the transition to digital (PN 2002-31) and a



proposed framework for the distribution of digital television services (PN 2002-32). Private Broadcasters as well as the CBC/Radio-Canada have commenced to roll DTV out and will continue to do so over the next few years.

CBC/Radio-Canada has made an application to secure core spectrum channels (below Channel 60) in initial markets. CBC/Radio-Canada was granted Digital Terrestrial broadcasting licenses for Toronto on Channel 20 (CBLT) and Channel 24 (CBLFT), as well as Montreal's Channel 19 (CBFT) & Channel 20 (CBLFT). Applications have also been filed and CRTC decisions are pending for Vancouver on Channel 58 (CBUT) & Quebec City Channel 12 (CBVT). Private broadcasters have also either applied for and received DTV licenses and/or commenced interim broadcasting of HDTV programs on cable.

Consumer expectations and appetite for better image quality, wide screen image (16:9 aspect ratio) and multi-channel digital sound is increasing. Last year there were more than 1 million HD and wide screen capable display devices sold in Canada. In the U.S., there were 15 million HD sets in consumer homes by the end of 2004 and the expected forecast is 24 million in 2005 and 40 million in 2006.

The DTV rollout in the U.S. made significant progress again this year reaching US top 221 markets with a total of 1491 stations. The U.S. broadcast networks are producing and distributing over 60 hours per week of HDTV programming in prime time. When the HDTV programming from Cable Networks and Satellite Direct-To-Home (DTH) in the U.S. is added in, there are now about 1,000 hours per week of HDTV programming in the U.S. from some 40 sources. A significant portion of these programs is accessible to Canadians via U.S. DTV transmitters along the border, Canadian DTV transmitters, and Canadian Satellite DTH and Digital Cable services.