



3. FINANCIAL PLAN →→

3.1 FINANCIAL OVERVIEW

The Financial Overview in Appendix A presents the Corporation's financial picture for 2006–2007 through 2011–2012.

The operating appropriation is assumed to remain stable over the forecast period. The apparent increase from 2006–2007 to 2007–2008 is due to transfers from the operating to capital vote. The 2008–2009 operating appropriation is \$20 million higher as funds were transferred from 2004–2005 in order to help fund the Beijing Olympics that will be held in that year. Salary funding increases for the years beyond 2006–2007 are not known, so the forecast assumes that salary funding increases will approximate the actual increases in salary expenditures.

While CBC|Radio-Canada receives 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.

Beginning in 2001–2002, the Government has provided CBC|Radio-Canada with a re-investment in programming of \$60 million. This funding has been renewed each fiscal year up to and including 2008–2009. The much-appreciated funding has been used to strengthen and enhance Radio and Television programming, particularly in the areas of drama, children's programs, documentaries, and arts and culture.

Including the \$60 million re-investment and salary inflation funding, CBC|Radio-Canada's funding has increased by only three per cent between 1990 and 2006. In constant dollars this means that CBC|Radio-Canada's funding has actually declined by approximately \$394 million or 26 per cent over the past 16 years.

With the exception of the expected increased revenues in 2008–2009 due to the Beijing Olympics, it is assumed that revenues will increase each year by an amount that is less than inflation.

Operating expenditures for all services are relatively stable from year to year to match available funding, with the exception of increased expenditures for Television services for the Olympics.

3.2 MATERIAL RISKS TO FINANCIAL PLAN

Continued fragmentation in the industry and increased competition from other technologies is continuing to exert pressure on television advertising revenue and is expected to continue to do so in the foreseeable future. Therefore, revenues for the Corporation are expected to decline in real terms.

Increasing concentration in the broadcasting – particularly television – marketplace is expected to put additional stress on CBC|Radio-Canada's advertising revenues and program acquisition opportunities. The effect would be particularly felt in CBC Television, as over 50 per cent of its funding comes from commercial revenues. In addition, the substantial buying

power of large media conglomerates would allow them to outbid CBC|Radio-Canada for the most popular programming, including sports programming and the Olympics.

In the early 1970s, the Government provided special funding to CBC|Radio-Canada to embark on an accelerated coverage plan (ACP) designed to ensure that all communities with populations of 500 or more would have access to CBC|Radio-Canada's over-the-air Radio and Television signals. As a result, CBC|Radio-Canada's over-the-air infrastructure was expanded significantly. In its recent CRTC submission on television technologies, the Corporation proposed a hybrid solution for continued ACP coverage. The estimated cost to replace the aging transmitters for Radio alone is \$46 million. A proposal explaining this plan was submitted to the Minister of Canadian Heritage in January 2006.

Finally, there has been dissatisfaction among some cable distributors with respect to the operation and governance of the Canadian Television Fund (CTF), and more specifically with the funding envelope of 37 per cent allocated for productions destined for broadcast on CBC|Radio-Canada. The latter represents \$92.5 million of the \$250 million total fund. The CRTC has set up a task force to review these longstanding concerns. The task force has issued recommendations and the CRTC's final decision is expected in Fall 2007. Any reduction in CBC|Radio-Canada's envelope

would result in higher costs to acquire independent programming or to develop in-house programming.

3.3 BORROWING PLAN

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 investments or 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.

