

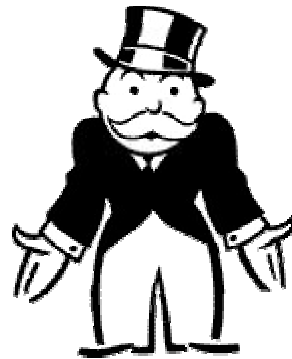
**CBC**  **Radio-Canada**

## **Financial Review**

**February 2000**

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# NO FINANCIAL FLEXIBILITY



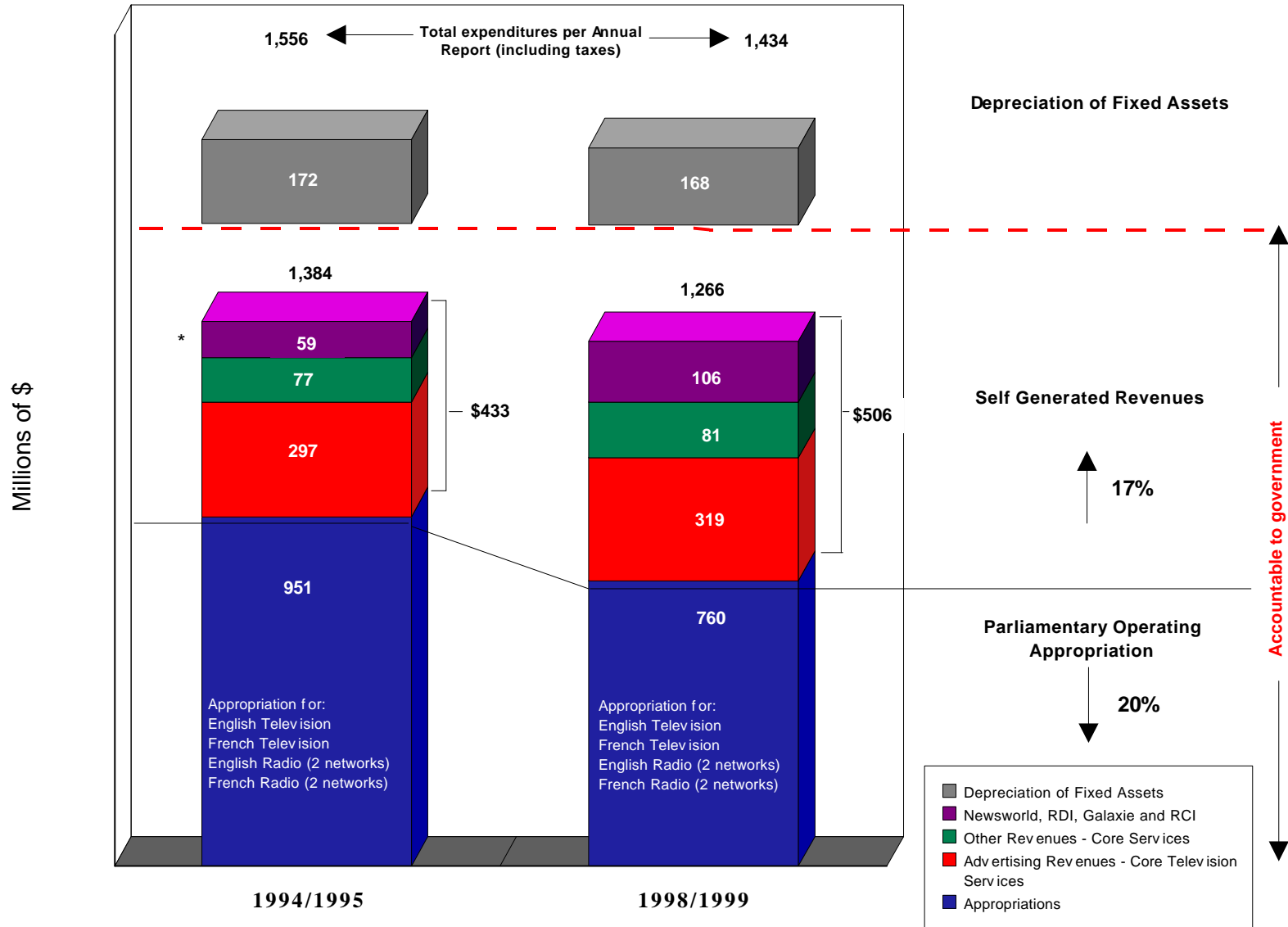
# NOTE TO READER

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- The financial presentation which follows represents expenditures on a full-cost basis (consistent with the way CBC reports expenditures in its Annual Report).
- For illustrative purposes, some of the \$ amounts and percentages have been rounded to easy-to-remember numbers and therefore are not always directly comparable to the figures found in the Annual Report.

# Financing CBC's Operations

For the years ended March 31  
Including Newsworld, RDI, Galaxie and RCI



\* RDI was not in service for the full year

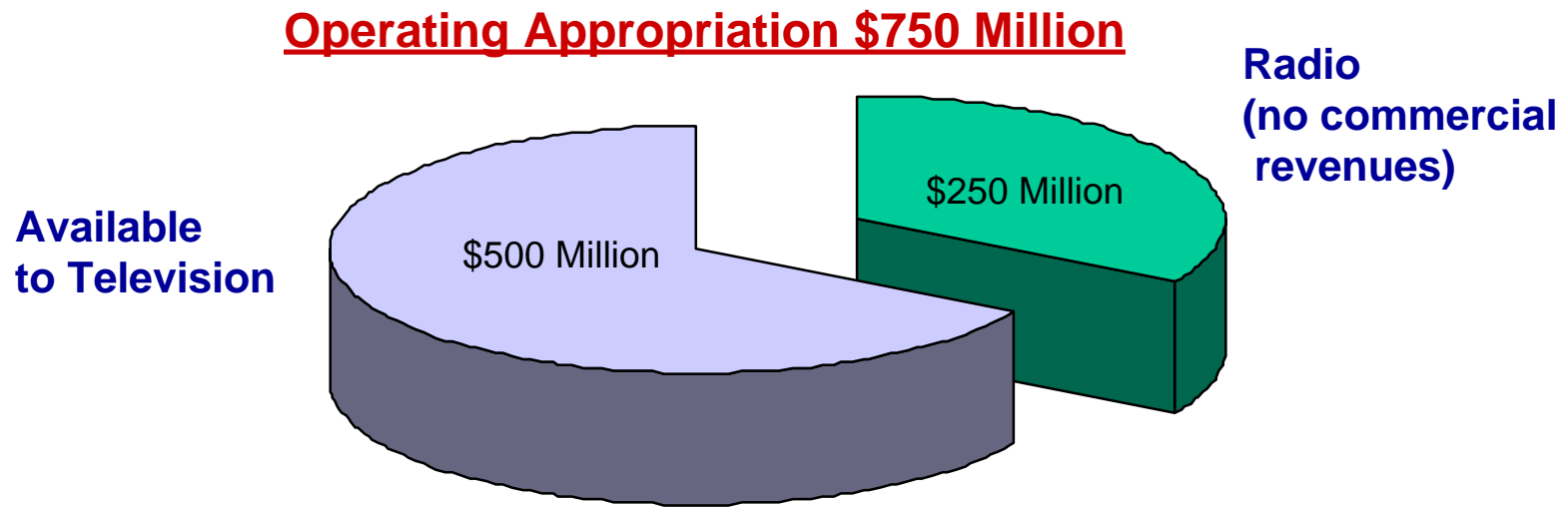
# FUNDING FOR TV SERVICES

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- **Dependence on self-generated revenue has increased.**
- **As the 1999 McKinsey Report concluded:**  
*“Advertising can have an even more profound effect. Our analysis shows clearly that an increased dependence on advertising has led inexorably to a more populist and less distinctive schedule. This has significant ramifications in those markets which have increasing competition for advertising. This effect is strengthened if the channel also depends on government grant funding, which tends to ebb and flow depending on the mood of the government. This reliance on populism at the expense of distinctiveness can potentially compromise the rigour of a PSB schedule.”*

# FUNDING FOR TV SERVICES

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- Without fundamental changes, \$500 M cannot fund 2 national networks including 25 local stations and a national distribution network...

# FUNDING FOR TV SERVICES

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## ■ Funding sources for Television:

	<u>Total</u>	<u>FTV</u>	<u>ETV</u>
Appropriations	\$500M (60%)	\$200M	\$300M
Self-generated Revenues	<u>350M</u> (40%)	<u>120M</u>	<u>230M</u>
Total available to TV	\$850M	\$320M	\$530M

# **COSTS ARE INCREASING**

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- **Inflation**
- **Wage settlements greater than Treasury Board funding**
- **Increased broadcasting and copyright expense**
- **Taxes**



# BOOKS MUST BE BALANCED

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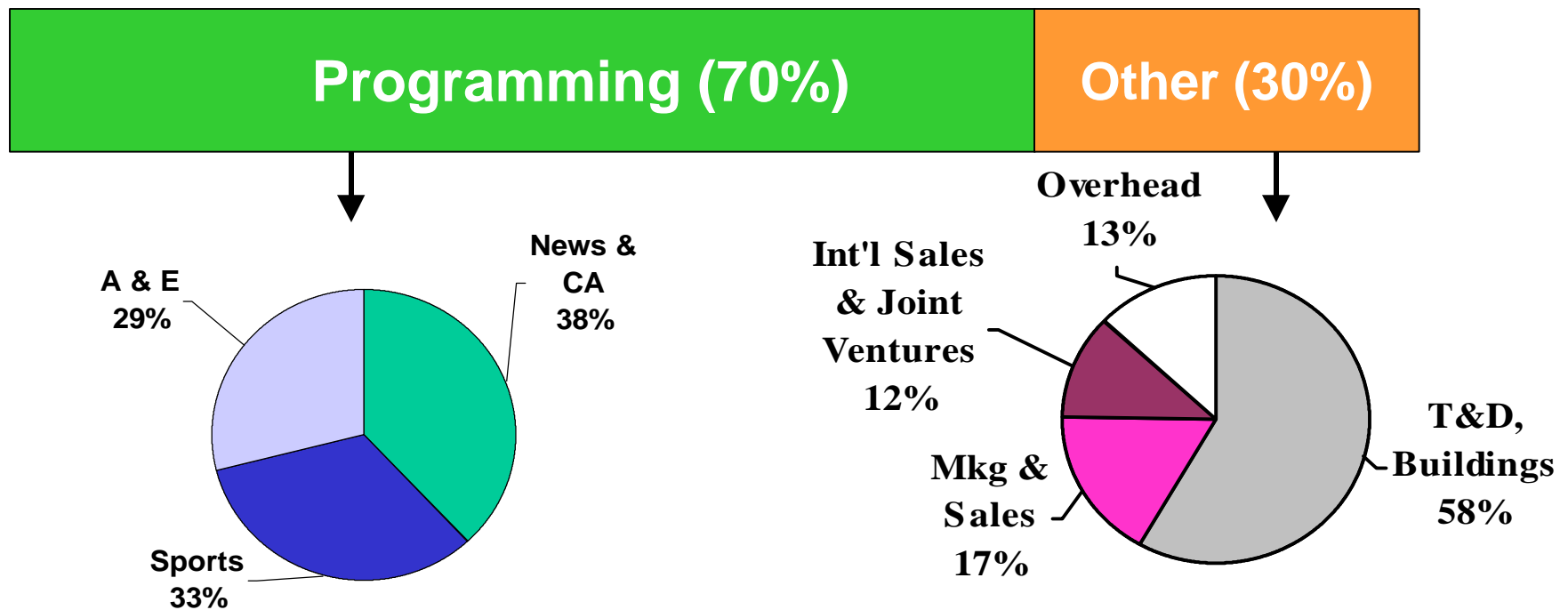
- **3-year overview indicates Corporation can barely balance budget even assuming:**
  - no significant service improvements;
  - productivity improvements of \$60 M;
  - improvements must include workforce reductions;
  - **no negative impact on revenues.**
- **Strategy to balance books is currently a series of one-time solutions.**
- **To date, no fundamental changes in the delivery of services, attempting to do the same things with less \$.**

# BOOKS MUST BE BALANCED

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- **Competition and convergence will inevitably result in less audiences.**
- **By attempting to do the same with less, CBC risks declining quality and declining audience.**
- **As audiences decrease, advertising revenues become at risk.**
- **To hold on to audience and to protect revenues, CBC must enrich its programming.**
- **Require fundamental change:**
  - **to strengthen core services;**
  - **to consider less commercials;**
  - **recognize CBC cannot continue to be all things to all Canadians.**

# ETV EXPENDITURES



**Sports generate 40% of revenues and ~1000 hours of programming that breaks even.**

**Any reduction to sports programming will need to be replaced with other self-financing programming.**

# THE CHALLENGE

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**FINDING \$ FOR  
PROGRAMS**

# SUMMARY

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- **Appropriation:** decreasing in real terms.
- **Self Generated Revenue:** increased dependence, 40% of Television funding at risk.
- **Costs:** increasing.
- **Budgets:** must balance.

**The current strategy of attempting to do the same with less \$ is not viable**

# SUMMARY

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- **Fundamental changes**, which will include workforce adjustments.
- Canadians must confront the **hard questions** of what they expect from the public broadcaster
- Trying to do everything will result in CBC bleeding to death.