

Another critical element to CBC | Radio-Canada's financial plan is the continuation of the LPIF. This fund contributed \$36.7 million to the Corporation in 2010–2011, which helped fund local television program improvements in smaller population centres.

In addition, we need to continue to grow our self-generated revenues and increase operating efficiencies. By 2015, the Corporation's goal is to be more financially flexible and agile to fund the core elements that will translate its new strategy into action. *Everyone, Every way* commits us to:

- Balance the overall financial plan and enhance the level of service that we provide to Canadians, without abandoning our existing audiences
- Pursue revenue growth initiatives, cost improvements and resource redirections, and to examine our assets to extract as much value as possible
- Further trim operating costs. We have undertaken a corporate general and administrative cost review, and a review of our overall procurement spending for goods and services
- Review our network production methods and use of technology to increase our efficiency
- Explore potential partnership opportunities
- Challenge our priorities in a rapidly evolving environment

Examples of our commitments include a continued move to integrated revenue management (exploring all options available to the Corporation to maximize revenues from its content), a more enterprise-wide approach to procurement and merchandising, and further development of online advertising capabilities as digital opportunities grow and are increasingly linked to traditional media transactions.

5. RISK

RISK MANAGEMENT

As Canada's national public broadcaster, CBC | Radio-Canada occupies an important place in the Canadian broadcasting system and faces a unique set of risks to its plans and operations. Like all broadcasters, the Corporation must adapt to technological changes, shifts in demographics and evolving consumer demands, as well as structural changes in the industry. As a public broadcaster with a statutory mandate to serve all Canadians, CBC | Radio-Canada also faces unique financial challenges and risks.

CBC | Radio-Canada's Risk Management Program is part of an enterprise-wide framework integrated into business processes. Responsibility for risk management is shared amongst the following groups: CBC | Radio-Canada's Board of Directors, the Board's Audit Committee, the Senior Executive Team, Internal Audit, and operational units.

The Board oversees CBC | Radio-Canada's key risks at a governing level, approves major policies and ensures that the processes and systems required to manage risks are in place.

The Audit Committee of the Board monitors key risks by discussing their status with management at quarterly Audit Committee meetings, and by ensuring that management has programs for evaluating the effectiveness of internal controls.

The Senior Executive Team identifies and manages risks, reports on CBC | Radio-Canada's key risks to the Audit Committee and the Board, recommends policies, and oversees financial reporting and internal control systems.

Internal Audit plans its audits in accordance with the results of the risk assessment process, ensuring that major risks are covered on a rotational basis by the annual audit plan.

Media and support business units identify and assess risks through the annual business plan process, and develop and execute detailed plans to manage risks. Risks are prioritized based on their potential impacts and their likelihood of occurring, and they are reported to the Board of Director's Audit Committee quarterly.

LEGEND

Risk Trend: ▼ Decreasing ► Stable ▲ Increasing

The following table discusses the key risks faced by CBC | Radio-Canada during fiscal 2010–2011.

KEY RISK	RISK MITIGATION	RISK TREND 2010–11	FUTURE IMPACT
GOVERNMENT FUNDING		►	
Fiscal pressures exercised by Government may affect CBC Radio-Canada funding in 2011–2012 and beyond.			The impact of the 2011 Federal Budget on the Corporation is:
\$60 million in one-time funding for programming has been renewed every year since 2001–2002 but there is no commitment beyond 2011–2012.	Conducted scenario planning for potential outcomes.		\$60 million funding renewed for 2011–2012.
The Government froze operating appropriations as part of the March 4, 2010 Federal Budget and announced that salary inflation would not be funded for three years ending March 31, 2013, for a cumulative impact of \$41.3 million.	Incorporated the salary inflation impacts into CBC Radio-Canada's five-year strategic plan <i>2015: Everyone, Every way.</i>		The Strategic and Operating Review announced in the budget to reduce program spending may affect future funding.
Budget 2011, tabled on June 6, 2011, announced a review of direct program spending with an objective of ongoing annual savings by 2014–2015 of five per cent of the government's review base.			

KEY RISK	RISK MITIGATION	RISK TREND 2010-11	FUTURE IMPACT
REGULATORY ISSUES		▶	
<i>Value for Signal</i>			
<p>On March 1, 2011, the Federal Court of Appeal cleared the way for private broadcasters to charge cable and satellite providers for carrying their programs. The Federal Court ruled 2-1 that the CRTC had the right to establish a regime whereby private broadcasters could attach value to their signals.</p> <p>Opposition by some Broadcast Distribution Undertakings (BDUs) to this decision continues. However, following the finalization of the BCE acquisition of CTV on April 1, 2011, BCE announced that it now supports CRTC's fee for carriage regime and LPIF.</p>	Monitor the situation and adjust plans accordingly.		The CRTC's decision to exclude CBC Radio-Canada from Value for Signal leaves CBC Radio-Canada reliant on two less predictable sources of funding (conventional television advertising and government funding).
<i>Local Programming Improvement Fund (LPIF)</i>			
LPIF funding received by CBC Radio-Canada for the fiscal year ending March 31, 2011 was \$37 million. The LPIF is slated for review by August 31, 2012. The review could result in a change to the amount CBC Radio-Canada receives from the fund.	Maximize LPIF eligibility while maintaining budget flexibility.		LPIF funding for the broadcast year ending August 31, 2012 is estimated to be \$39.7 million and has been incorporated in CBC Radio-Canada plans. Continuation of LPIF funding after August 31, 2012 is uncertain.
<i>Licence Renewal</i>			
Renewals for all CBC Radio-Canada licences, including for specialty services, are scheduled for September 2011. The outcome of this hearing will set the terms and conditions of our CRTC licence over the next five years and determine whether we are able to meet the objectives of <i>Everyone, Every way</i> .	<p>CBC Radio-Canada's licence renewal application is seeking a streamlined regulatory framework to enable the Corporation to operate efficiently and effectively in an evolving multiplatform environment.</p> <p>Will work with CRTC to reach mutually acceptable conditions of license.</p>		Licence renewal hearings are scheduled for September 2011. On March 29, 2011, the CRTC administratively renewed CBC Radio-Canada's television programming undertakings until August 31, 2012.

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<i>CRTC Vertical Integration Hearing</i>			
CBC Radio-Canada is the only major broadcaster in Canada without distribution affiliations. There is a risk that BDUs will drop optional television services and/or there will be downward pressure on wholesale rates for the Corporation's specialty services, thereby resulting in decreased revenues.	Protect the broad availability of our services to Canadians across regulated platforms by arguing for stronger regulatory rules and better dispute resolution processes.		The CRTC has announced a moratorium on exclusive deals for TV content on mobile services until the vertical integration hearings are finished.
GOVERNMENT POLICY		▶	
Government policies on the broadcasting and communications industries such as foreign ownership rules may affect the business model of broadcasters, including CBC Radio-Canada.	Discussed issues with Government officials. Participated in committees and studies. Will monitor the situation and adjust plans accordingly.		Changes to how foreign ownership rules are applied could dramatically impact the broadcasting landscape as more foreign competition could enter the marketplace.
STRATEGY, BUDGET AND PLANNING		▶	
Structural changes in the conventional broadcasting sector prompted by technological advances, vertical integration and shifting consumption habits require long-term strategy reformulation. Limited financial flexibility.	Developed and implementing <i>Everyone, Every way</i> . Objective is to set longer-term strategic objectives for the Corporation. This exercise will impact the 2011–2012 planning cycle and beyond. Improved transparency to stakeholders by increasing the volume and frequency of financial information made public. Reviewed areas where the Corporation needs additional financial flexibility and engaged key government department players to achieve increased flexibility.		<i>Everyone, Every way</i> was announced in February 2011. Business plans have been developed and budgets allocated in support of strategic objectives. Key Performance Indicators (KPIs) have been developed to monitor attainment of the strategic objectives. Continued regular communication to staff and stakeholders on status of <i>Everyone, Every way</i> . The first public quarterly financial report as at June 30, 2011 is expected to be issued in late summer. Will continue to pursue increased financial flexibility to more effectively respond to CBC Radio-Canada's operating environment.

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		2010–11	FUTURE IMPACT
INFRASTRUCTURE REPLACEMENTS AND OPTIMIZATION		►	
Limited resources to meet capital asset needs for building repairs and renovations.	Scheduled and prioritized maintenance, with emphasis on health and safety, and business continuation.		Additional budgets over the next two years have been allocated to priority building maintenance projects. A multi-disciplinary Critical Space Committee is currently proceeding with the selection and hiring of outside experts to assist in establishing standards for critical space management.
Replacement of aging broadcasting equipment and transition to high definition (HD) production.	Replacement will continue with available resources on a prioritized basis. Majority of production facilities in Montreal and Toronto network centres have been converted to HD.		Transition of aging production equipment in regional locations to HD is planned for future years, at a pace that budgets allow.
Radio transmitters across the country are nearing the end of their useful life.	A new transmitter asset strategy has been developed to reduce the size and investment requirements of the current system while maintaining coverage.		Incremental capital funding for radio Accelerated Coverage Plan (ACP) transmitters has been identified in the multi-year capital budget commencing in 2012–2013.
Real estate assets must be exploited to reduce excess space and costs.	A complete Real Estate strategy has now been developed and approved to maximize proceeds from portfolio and reduce operational costs.		Portfolio strategic plans will be implemented by CBC Radio-Canada's Real Estate Services during the coming years.

LEGEND

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DTV TRANSITION		►	
<p>In March 2010, the CRTC reaffirmed the deadline for transition to digital television (DTV) over-the-air transmission as August 31, 2011.</p> <p>The Corporation is making every effort to install 27 transmitters across the country, one for every one of its originating television stations, by August 31, 2011. For CBC/Radio-Canada, going digital in all of the CRTC's "mandatory markets" would require the replacement of 51 transmitters. The Corporation does not have the capital spending capacity to achieve that.</p> <p>The result is that some markets are facing the prospect of no longer receiving an over-the-air signal from CBC or Radio-Canada.</p>	<p>As of March 2011, the total number of digital television transmitters on air is eight.</p> <p>DTV implementation and funding plans have been accelerated to implement 14 English DTV and 13 French DTV transmitters by August 31, 2011.</p>		<p>On March 18, 2011, the CRTC issued its expectations for Public Service Announcements (PSAs) related to conversion to digital television on August 31, 2011. These PSAs began airing on May 1, 2011.</p> <p>On March 23, 2011, the CRTC rejected CBC/Radio-Canada's application for a new digital transmitter for Fredericton. CBC/Radio-Canada will be re-filing its application with more detailed information to support its application.</p> <p>The Corporation will also seek CRTC authority to continue operating in analogue in a number of markets across Canada.</p>
ADVERTISING REVENUE		▼	
<p>Softening advertising market due to change in economic conditions.</p> <p>Shift from conventional television advertising to specialty channel and broadband advertising.</p>	<p>Sales strategies are evolving to offer integrated packages (ad spots, product placement, online) to move away from traditional-only buying.</p>		<p>The strong performance of the schedule, a strengthening economy, better pricing strategies and improved relationships with agencies have all contributed to an increase in advertising revenue in 2010–2011. These conditions are expected to continue to be favourable in 2011–2012.</p>
CMF CHALLENGES		►	
<p>New Canada Media Fund (CMF) funding allocation rules could result in reduced support for CBC/Radio-Canada.</p>	<p>Proactively advanced the Corporation's position with the CMF, including participation in the CMF National Focus Group.</p>		<p>CBC/Radio-Canada's 2011–2012 CMF allocation is virtually the same as last year's allocation.</p>

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KEY RISK	RISK MITIGATION	RISK TREND 2010-11	FUTURE IMPACT
WORKFORCE CHALLENGES		▶	
Challenges to recruiting, training, retaining and empowering a skilled workforce	<p>Continue employee communication strategy. Examples include:</p> <p>The “Dialogue” engagement survey results were communicated between February and April 2011. A National Advisory Committee was announced.</p> <p><i>Everyone, Every way</i> was communicated to staff in a variety of ways: live presentations, interactive on-line presentations, webcasts and iO! intranet site dedicated to the strategy.</p> <p>Continue to implement the 2009-2012 Corporate Diversity and Equity Action Plan.</p> <p>Continue to implement the talent management strategy.</p>		<p>Ensure appropriate workforce planning and training are in place to plan for redirection of operations in line with <i>Everyone, Every way</i> and ensure employees are appropriately skilled.</p>
IMPACT OF EMERGING PLATFORMS		▲	
Loss of conventional broadcast audiences to emerging platforms.	<p>Developed enhanced emerging platform strategies and began implementation.</p> <p>Increased budgets have been allocated to the digital spend over the next five years.</p>		<p>The transition to emerging platforms is a major component of <i>Everyone, Every way</i>.</p>
BUSINESS INTERRUPTION		▶	
Unforeseen event could affect the Corporation's ability to deliver services.	<p>Undertook a self-assessment of the maturity level of business continuity plan (BCP) processes and also evaluated what is currently in place across CBCI Radio-Canada. This will enable the organization to identify critical process improvement opportunities.</p> <p>Continued investment in IT Disaster Recovery Plans (DRPs) on all mission-critical systems.</p>		<p>Based on the self-assessment of the maturity level of BCP processes, corrective measures will be established where needed.</p> <p>The IT DRPs will be reviewed and aligned with business strategy and recovery plans. The self assessment on the existing business continuity program will be used to establish corrective measures where needed.</p>

KEY RISK	RISK MITIGATION	RISK TREND	
		2010–11	FUTURE IMPACT
ACCESS TO INFORMATION		►	
Office of the Information Commissioner's release of its special examination report analyzing CBC Radio-Canada's Access to Information (ATI) performance.	<p>Launched the Proactive Disclosure website in December 2010.</p> <p>Continued to invest in improving the management and processing of ATI requests.</p>		<p>On March 11, 2011, the Office of the Information Commissioner issued its special report, <i>Open Outlook, Open Access 2009–2010 Report Card</i>. CBC Radio-Canada was rated an "F", which means unsatisfactory, for its management of ATI requests in 2009–2010. The following improvements have been introduced:</p> <p>Improvements to ATI performance results have been built into senior management objectives.</p> <p>Dedicating more resources to processing requests.</p> <p>Developing better internal procedures.</p> <p>Working collaboratively with the Commissioner to respond to formal requests in a way that is prioritized, open and transparent.</p> <p>Voluntarily posting to CBC Radio-Canada's website over 24,000 pages of documents that have been released under ATI.</p>

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