3. Capability to Deliver Results

3.1. People and Leadership

People and Culture

Programming is a people business. To be successful, CBC/Radio-Canada must engage with and develop our employees, implement initiatives to promote a healthy workplace, and continue to build constructive relationships with our unions.

Dialogue survey

In the fall of 2010, CBC/Radio-Canada launched a corporate-wide employee survey, *Dialogue* as a way of measuring employee engagement.

What employees told us in the survey is that they are deeply committed to CBC/Radio-Canada and its mandate. We also learned that by improving activities around recognition and development, we could further improve levels of engagement. In 2011–2012, to respond to the findings and support these priorities, CBC/Radio-Canada undertook a number of initiatives. To foster greater recognition in the workplace, we developed and delivered recognition workshops and launched a micro-site where all employees may access learning capsules, articles and tools on the topic of recognition. To support the development and professional growth of employees, we launched a mentoring pilot, matching employees looking for advice and guidance with more experienced staff. These national projects were complemented by initiatives undertaken across the organization to respond to local results.

Investment in Training

CBC/Radio-Canada continued to provide opportunities for employees' development and professional growth. In January 2012, we launched Learning Month – a month of activities intended to highlight different aspects of our training offering – informal, web-based and in-class. In 2011–2012, we also launched new online learning portals for employee training and development which will serve to increase employees' access to learning opportunities and to ensure that our training investment is maximized.

Inclusion and Diversity

CBC/Radio-Canada remains committed to a diverse and inclusive workplace, reflecting our country's diversity. Our 2009−2012 Corporate Diversity and Equity Plan encompasses a wide range of activities related to training, workforce representation and accessibility, including:

Cultural census – The Cultural Census launched in December for new hires will provide us with a better snapshot of our workforce. The results of the census will help us develop targeted programs and strategies to eliminate barriers to the employment, training and promotion of designated group members and to meet our reporting requirements under the *Employment Equity Act*.

Recruitment – The Corporation reviewed and updated its hiring goals to increase diversity in our workforce. A new directory of diversity-related agencies helps Human Resources connect with the various communities where we can advertise opportunities.

Partnerships – We work closely with groups such as the Toronto Immigrant Resource Council (TRIEC) and the Aboriginal Human Resource Council.

Events – Black History Month, Asian Heritage Month, Canadian Multiculturalism Day, Women's History Month, and International Day for Persons with Disabilities are just a few of the diversity-related events we celebrated in the past year.

Challenge Us!

Challenge Us! is an event that brings together a variety of employees from different levels and roles to challenge the organization on an important and relevant topic. Given the launch of Strategy 2015, this year's theme was leadership. Our leaders, including President and Chief Executive Officer (CEO) Hubert T. Lacroix and other members of the Senior Executive Team, were on hand to hear the attendees' conclusions and to accept their challenges. Topics included generational differences, empowerment, personal accountability, how people can be leaders from wherever they are in the organization, how to create the leadership that we want to see at CBC/Radio-Canada and how each employee can contribute on a daily basis.

Employee Awards

The President's Awards were launched in the fall of 2009 to recognize and salute employees for their outstanding contributions and accomplishments. The 12 awards are based on the President and CEO's three priorities − people, programs and pushing forward − and include the Leadership Award, the Multi-Platform Content Award and the Smart Solutions Award. The 2011 edition of the President's Awards received 250 nominations, more than any other year, for a total of 500 nominations over the last three years.

Changes in executive management

In November, Roula Zaarour was named Vice-President, People and Culture, after the departure of Katya Laviolette. Ms. Zaarour comes to us from the Argentinean airline Aerolineas Argentinas in Buenos Aires where she was Vice-President of Business Transformation. Since joining our team on December 1, 2011, Ms. Zaarour has developed a clear vision for People and Culture. Her priorities include enabling corporate transformation, nurturing a high-performance workforce through training and development, and enhancing union relations by forging an effective industrial relations strategy.

Also in November 2011, Pierre Tourangeau, Senior Director, Content News and Current Affairs Information, French Services, was appointed Ombudsman for French Services. Mr. Tourangeau brings close to 35 years of journalistic experience to his new role, having worked in almost every area of media, including television, radio and print.

In January 2012, Louis Lalande was named Executive Vice-President, French Services. Mr. Lalande has worked at CBC/Radio-Canada for nearly three decades. He held numerous positions before being appointed Executive Director of Regional Services in 2006. In that position, he oversaw all French language television, radio and web programming in the regions. Mr. Lalande also brings external experience to his new role, including the creation of LCN, TVA's all-news television channel.

Labour Relations and Talent Agreements

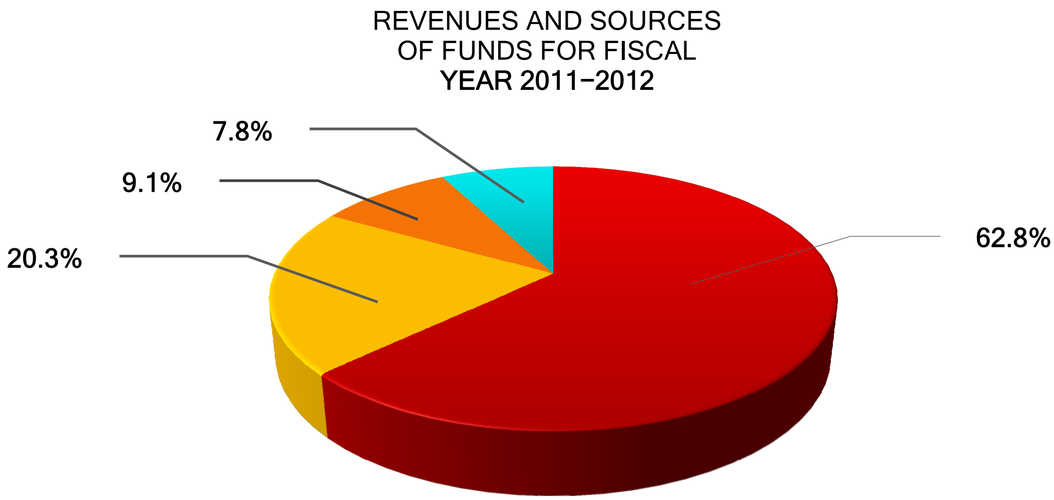
In September 2011, CBC/Radio-Canada management and the Association des Réalisateurs were pleased to announce the extension for one year of the union's collective agreement.

On December 12, 2011, CBC/Radio-Canada management and the Société des Auteurs de la Radio, de la Télévision et du Cinéma were pleased to announce the extension for one year of the talent union's collective agreement.

3.2. Resource Capacity

Sources of Funds

CBC/Radio-Canada has four sources of direct funding: government operational and capital funding, advertising revenue, specialty services revenue and other revenue.



(in millions of dollars)	2011–2012		2010–2011	
Government funding	$1,162.3	62.8%	$1,167.3	63.8%
Advertising revenue	$375.7	20.3%	$367.7	20.1%
Specialty services revenue	$167.8	9.1%	$158.1	8.6%
Other revenue	$145.5	7.8%	$136.5	7.5%
	$1,851.3	**100%**	**$1,829.6**	**100%**

Government Funding

For 2011−2012, $1,162.3 million in government funding was recognized as income (approximately 63 per cent of total revenue and sources of funds). This includes an amount of $60 million in one-time additional funding for programming that the Corporation has received in each of the previous ten years. On an annual basis, CBC/Radio-Canada's appropriation is equivalent to approximately $34 per Canadian. This compares to an average of $87 per capita in the countries with the 18 most important national public broadcasters in the world[1].

The Government announced its Deficit Reduction Action Plan in its federal budget in March 2012. CBC/Radio-Canada's share of this reduction will be $115 million by 2014−2015. This reduction includes the elimination, over that same period, of the $60 million in one-time funding referred to above.

Advertising Revenue

The Corporation sources a portion of its funds by selling advertising on its conventional television broadcasts and on other platforms. For 2011−2012, advertising accounted for $375.7 million in revenue (approximately 20 per cent of total revenue and sources of funds).

Specialty Services Revenue

Specialty services, which include subscription and advertising revenue from the Corporation's CBC News Network, **bold**, *documentary*, ARTV and the Réseau de l'information de Radio-Canada (RDI), generated $167.8 million (approximately 9 per cent of total revenue and sources of funds).

Other Revenue

Other revenue, which includes contributions from the LPIF and from activities such as program sales, merchandising activities, rental of mobile broadcasting vehicles to external parties, rental of real estate assets and leasing space at our transmission sites, accounted for $145.5 million (approximately 8 per cent of total revenue and sources of funds). Of this amount, LPIF contributions were $45.8 million in 2011-2012 compared to $36.7 million in the previous fiscal year. The LPIF is currently under review and annual contributions to CBC/Radio-Canada have not yet been confirmed beyond August 31, 2012.

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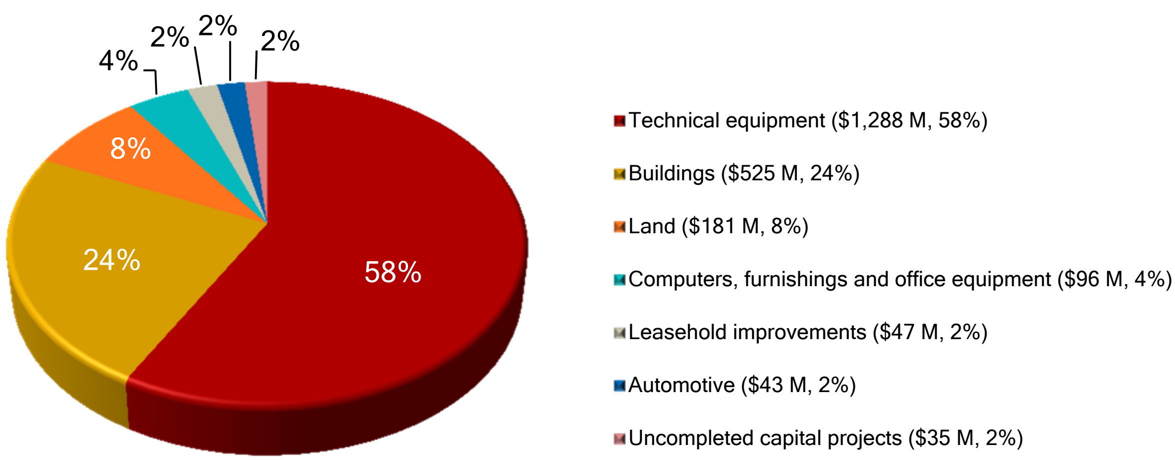
[1] *Analysis of Government Support for Public Broadcasting and Other Culture in Canada*, Nordicity, 2011.

Capital Budget

The Corporation has a base capital appropriation from the Government of Canada of $92.3 million per year. For 2011−2012, self-generated revenue supplemented funds available for capital expenditures, resulting in total spending of $123.1 million. As required by subsection 54(4) of the *Broadcasting Act*, CBC/Radio-Canada presents its capital budget to the Minister of Canadian Heritage and Official Languages in its Corporate Plan and then submits it to the Treasury Board for approval.

Breakdown of CBC/Radio-Canada's $2.2 billion (cost) of Assets



As of March 31, 2012, the Corporation employs $2.2 billion (cost) of assets in operation. CBC/Radio-Canada owns and operates one of the world's largest broadcast transmission and distribution systems, with 789 transmission sites located throughout Canada. As described in section 4.4, Outlook, the Corporation will be shutting down its analogue transmitters given the obsolescence of the technology. In addition to these transmission and distribution-related structures, CBC/Radio-Canada is responsible for a real estate portfolio of more than four million square feet, including 27 buildings owned across Canada. The Corporation is also highly dependent on technology and technology-based assets in the production and delivery of its services.

Accordingly, CBC/Radio-Canada uses the majority of its capital budget in any given year to maintain its assets, address obsolescence and undertake strategic projects. In all instances, the capital spending plan supports the attainment of the Corporation's priorities and strategies.

The Next Generation Converged Network (NGCN), one of the largest technology infrastructure projects in the Corporation's history, was completed in December 2011. This massive high-speed network is revolutionizing the way we work, allowing employees to find, access, download and edit audio and video content files from CBC/Radio-Canada locations across the country onto their desktops. It also supports real-time radio and television feeds and corporate data traffic. The NGCN is a key enabler of "drag and drop" functionality for television, the centralization of radio presentation and the conversion of standard definition to high definition television.

Borrowing Plan

The *Broadcasting Act,* section 46.1, confers on CBC/Radio-Canada the authority to borrow up to $220 million, or such greater amount as may be authorized by Parliament, subject to approval of the Minister of Finance. Section 54 (3.1) of the Act requires that the Corporation's borrowing plan be included in its corporate plan for the approval of the Minister of Finance.

When the Corporation sold long-term accounts receivable in 2009 as part of its Financial Recovery Plan to address the impact of the global economic slowdown and declining television advertising revenue, it provided a guarantee to the investors in order to obtain the best possible value for the sale. This guarantee was deemed to be borrowing. The outstanding amounts against the borrowing authority are:

(in thousands of dollars)	
Total borrowing authority available:	220,000
Authority used as at March 31, 2012:	
Guarantee on accounts receivable monetization	(176,194)
Remaining authority in 2012-2013	43,806

However, guidelines established by the Department of Finance limit borrowing to short-term initiatives with a quick payback period, and borrowing to meet working capital purposes is prohibited.

Under the *Broadcasting Act*, section 47 (1), the Corporation is an agent of the Crown and therefore has the constitutional immunities, privileges and prerogatives that are enjoyed by the Crown. The Crown is also fully liable and financially exposed for all actions and decisions by CBC/Radio-Canada while the corporation is operating within its mandate. In other words, the Corporation's assets and liabilities are the assets and liabilities of the Government.

4. Results and Outlook

4.1. Results

Summary – Net Results

	For the year ended March 31			
(in thousands of dollars)	**2012**	**2011**	**$ change**	**% change**
Revenue	688,964	662,337	26,627	4.0
Expenses	(1,840,769)	(1,834,219)	(6,550)	(0.4)
Government funding	1,162,317	1,167,341	(5,024)	(0.4)
Net results before non-operating items	**10,512**	**(4,541)**	**15,053**	**N/M**
Non-operating items				
Dilution gain from Sirius	25,775	-	25,775	N/A
Dividend income from Sirius	5,094	-	5,094	N/A
Net loss on disposal of property and equipment	(517)	(2,859)	2,342	N/M
Non-operating items	**30,352**	**(2,859)**	**33,211**	N/M
Net results for the period	**40,864**	**(7,400)**	**48,264**	**N/M**

N/M = Not meaningful

Net results before non-operating items for 2011–2012 were $10.5 million, an increase of $15.1 million compared to the previous fiscal year. Revenue increased by $26.6 million (4 per cent), expenditures by $6.6 million (0.4 per cent), and government funding, including amortization of deferred capital funding, decreased $5.0 million (0.4 per cent).

Income from non-operating items was $30.4 million. The main contributors were $30.9 million in dilution gain and dividend income from the acquisition and financing activities related to the merger of Sirius Canada Inc. and Canadian Satellite Radio Holdings Inc., in which the Corporation is invested. The non-operating loss of $0.5 million on property and equipment disposals reflects the gains from the sale of the Brossard AM transmitter site in October 2011 offset by disposal losses on transmission and technical equipment.

The following pages provide further detail and explanation of these financial results.

Revenue

	For the year ended March 31			
(in thousands of dollars)	**2012**	**2011**	**$ change**	**% change**
Advertising				
English Services	250,796	244,736	6,060	2.5
French Services	124,929	122,964	1,965	1.6
	375,725	367,700	8,025	2.2
Specialty services				
CBC News Network	84,437	81,655	2,782	3.4
RDI	56,022	54,773	1,249	2.3
bold	4,047	4,146	(99)	(2.4)
documentary	5,644	5,385	259	4.8
ARTV	17,604	12,149	5,455	44.9
	167,754	158,108	9,646	6.1
Other and financing income				
English Services	57,145	49,865	7,280	14.6
French Services	46,750	48,632	(1,882)	(3.9)
Corporate Services	41,590	38,032	3,558	9.4
	145,485	136,529	8,956	6.6
TOTAL	**688,964**	**662,337**	**26,627**	4.0

Compared to 2010–2011, total revenue increased by $26.6 million (4 per cent) in 2011–2012.

Advertising

Advertising revenue increased by $8.0 million (2.2 per cent) in 2011–2012.

Year-over-year advertising revenue was up $6.1 million (2.5 per cent) for English Services, primarily due to strong hockey playoff revenue in the first quarter of 2011–2012. The federal election also generated one-time revenue in 2011–2012. Advertising revenue in 2010–2011 included substantial one-time revenue from the coverage of the FIFA Men's World Cup.

Advertising revenue for French Services also increased, mostly as a result of the success of the Tou.tv platform.

Specialty services

Specialty services' revenue increased by $9.6 million (6.1 per cent) compared to the previous fiscal year.

CBC News Network is widely available across Canada, and is now in 11.3 million cable and satellite homes (compared to 11.0 million last year). This translated into a 1.7 per cent increase in subscription revenue and advertising revenue growth of 11.5 per cent.

Growth in subscribers was also the main reason for increased RDI and *documentary* revenue.

The increase in ARTV revenue was due almost entirely to a change in how ARTV results are reported. ARTV results are now reported on a consolidated basis because the Corporation acquired controlling interest on July 12, 2010. There are, therefore, no comparable figures for the first three months of 2010–2011.

A new specialty service, Explora, was launched on March 28, 2012. The new channel did not generate any material revenue or expenses prior to March 31, 2012.

Other and financing income

Other and financing income increased compared to 2010–2011.

For English Services, the increase was mostly due to an additional $6.3 million in Local Programming Improvement Fund (LPIF) contribution as a result of the Yellowknife station becoming eligible in late 2010–2011. In addition, an adjustment to the distribution of LPIF contributions, which is based on the number of eligible stations, eligible local programming expenditures, and broadcast distribution undertakings revenue, was recently confirmed following updated information from the CRTC reflecting the 2011 annual returns. Merchandising revenue also increased as a result of higher sales to the educational sector and higher DVD sales.

For French Services, LPIF contributions also increased as a result of the adjustment mentioned above and of the Toronto and Rimouski stations being eligible for LPIF for the entire fiscal year, compared to only seven months in 2010–2011. However, revenue from facility rentals decreased due to smaller scale productions being produced in our facilities this year compared to last year.

Corporate Services' revenue also increased in 2011–2012, mainly as a result of a retroactive U.S. copyright royalties settlement for retransmission rights.

Operating Expenses

	For the year ended March 31			
(in thousands of dollars)	**2012**	**2011**	**$ change**	**% change**
Television, radio and new media services				
English Services	919,526	901,169	18,357	2.0
French Services	666,624	658,052	8,572	1.3
	1,586,150	1,559,221	26,929	1.7
Specialty services				
CBC News Network	68,991	72,154	(3,163)	(4.4)
RDI	43,594	43,526	68	0.2
bold	3,906	3,835	71	1.9
documentary	3,625	3,564	61	1.7
ARTV	14,112	10,855	3,257	30.0
	134,228	133,934	294	0.2
Transmission, distribution and collection	72,768	78,646	(5,878)	(7.5)
Corporate management	11,423	11,683	(260)	(2.2)
Payments to private stations	2,766	3,018	(252)	(8.3)
Finance costs	33,455	35,042	(1,587)	(4.5)
Share of (profit) loss in associate	(21)	12,675	(12,696)	N/M
TOTAL	**1,840,769**	**1,834,219**	**6,550**	**0.4**

N/M = Not meaningful

Operating expenses were higher by $6.6 million (0.4 per cent) compared to 2010–2011.

Television, radio and new media services

English Services' expenses were up $18.4 million (2.0 per cent) due to a number of factors. Regional operational expenses increased mainly due to a revitalization strategy in local markets, a key part of Strategy 2015, which is expected to continue into 2012–2013. One-time costs were incurred for the federal election and seven provincial elections. These increases were partly offset by the fact that, in 2010–2011, one-time expenses were incurred for the coverage of the FIFA Men's World Cup.

French Services' expenditures increased by $8.6 million (1.3 per cent), partly due to significant investments tied to Strategy 2015. These increases were partly offset by the fact that French Services had incurred one-time costs in 2010–2011 related to the FIFA Men's World Cup, as well as by the integration of the television and radio newsrooms.

For both media services, the overall increase of $26.9 million is also partly due to one-time operating costs of $5.0 million for various efficiency-generating projects that will reduce future operating costs contributed to increased expenses. These projects include a review of the procurement process and of contracts for the purchase of goods and services, a corporate-wide printer optimization initiative and an energy-reduction lighting project. In addition, building maintenance costs were lower by $6.0 million in 2010–2011, mainly due to the receipt of one-time supplier reimbursements.

Specialty services

CBC News Network's expenditures were lower than last year by $3.2 million (4.4 per cent). This reduction was primarily due to reduced programming costs resulting from lower newsgathering cost allocations in 2011–2012 and an overall effort to generate savings.

The increase in ARTV expenses was due almost entirely to a change in how ARTV results are reported. ARTV results are now reported on a consolidated basis because the Corporation acquired controlling interest on July 12, 2010.

Other operating expenses

The expenditure decrease of $5.9 million (7.5 per cent) for transmission, distribution and collection activities was due to higher accelerated depreciation of analogue television assets in 2010–2011 when compared to the current year, resulting from the transition to digital transmission in Canada. The Corporation will finalize this depreciation in accordance with the scheduled shutdown of remaining analogue transmission in July 2012.

The decrease in finance costs reflected the decreasing interest portion of financing leases, mostly for the Toronto Broadcast Centre.

The current year share of (profit) loss in associate reflects the Corporation's equity interest in Sirius Class B shares, which are lower than losses of $12.7 million in 2010–2011.

Government Funding

	For the year ended March 31			
(in thousands of dollars)	2012	2011	$ change	% change
Parliamentary appropriations for operating expenditures	1,028,047	1,031,581	(3,534)	(0.3)
Parliamentary appropriations for working capital	4,000	4,000	-	-
Amortization of deferred capital funding	130,270	131,760	(1,490)	(1.1)
TOTAL	**1,162,317**	**1,167,341**	**(5,024)**	**(0.4)**

Parliamentary appropriations for operating expenditures decreased by $3.5 million (0.3 per cent). The major portion of this decrease, $2.8 million, was due to an incremental budget reduction for 2011−2012 related to cost-containment measures announced in the 2007 federal budget. In addition, the transfer of operating funds to the capital appropriation for the principal portion of the Toronto Broadcast Centre capital lease was higher by $0.7 million in 2011−2012.

Capital funding received is recorded as deferred capital funding. It is amortized and recognized as revenue over the same periods as the related property, equipment, equipment under capital lease, and intangible assets are used in CBC/Radio-Canada's operations.

Non-Operating Items

	For the year ended March 31			
(in thousands of dollars)	2012	2011	$ change	% change
Dilution gain from Sirius	25,775	-	25,775	N/A
Dividend income from Sirius	5,094	-	5,094	N/A
Net loss on disposal of property and equipment	(517)	(2,859)	2,342	81.9
Non-operating items	**30,352**	**(2,859)**	**33,211**	**N/M**

N/M = Not meaningful

On June 21, 2011, Canada's two satellite radio providers, Sirius Canada Inc. and Canadian Satellite Radio Holdings Inc., merged to create an entity currently trading under the name of Canadian Satellite Radio Holdings Inc. (CSR). As a result of this merger transaction, non-operating items for the 2011−2012 year included a dilution gain of $25.8 million and dividends of $5.1 million. Following the merger transaction and a subsequent secondary offering resulting in a share exchange by the other shareholders, the Corporation owns a 14.5 per cent equity interest and a 21.7 per cent voting interest in the merged entity, and has a seat on the Board of Directors.

A $0.5 million loss on property and equipment disposal reflects a gain of $8.5 million from the sale of the Brossard AM transmitter site in October 2011, offset by losses on sales of other transmission, technical, and capital items during the year. Also included in this amount is the write-off of $3.6 million following changes to the strategy behind the Corporation's Halifax real estate project.

The Corporation expects to continue to invest in renewing its transmission and technical equipment in 2012–2013 as it focuses on expanding its digital presence as part of Strategy 2015.

Total Comprehensive Income

	For the year ended March 31			
(in thousands of dollars)	**2012**	**2011**	**$ change**	**% change**
Net results for the period	**40,864**	**(7,400)**	**48,264**	**N/M**
Other comprehensive income (loss)				
Actuarial gains (losses) on defined benefit plans	(301,815)	237,563	(539,378)	N/M
Net unrealized gain on available-for-sale financial assets	94	12,675	(12,581)	N/M
Reclassification to income of net unrealized gain on available-for-sale financial assets realized on merger transaction	(5,094)	-	(5,094)	N/A
Total other comprehensive income (loss)	(306,815)	250,238	(557,053)	N/M
Total comprehensive income (loss) for the period	**(265,951)**	**242,838**	**(508,789)**	**N/M**

N/M = Not meaningful

The other comprehensive loss recognized in 2011–2012 was $306.8 million, compared to a gain recognized in the prior year of $250.2 million. The pension plan's obligations are extremely sensitive to actuarial assumptions and can lead to significant annual fluctuations. Actuarial gains and losses are immediately recognized in other comprehensive income in each reporting period.

The $301.8 million loss related to the pension plan was a result of:

- A decrease in the discount rate used in determining the pension obligation from 5.25 per cent to 4.25 per cent due to declining Government of Canada long-term bond yields, resulting in actuarial losses of $667.4 million;
- A decrease in the discount rates used in determining the obligation on other non-pension post-employment benefits, resulting in actuarial losses of $13.8 million; and
- An offsetting amount arising from a higher than expected actual return on pension plan assets of 8.4 per cent (14.9 per cent actual vs. 6.5 per cent expected), resulting in an actuarial gain of $379.4 million.

The Corporation expects that macroeconomic factors will continue to impact discount rates and asset returns used in determining the actuarial gains and losses during 2012–2013.

In addition, the 2011–2012 results included a loss of $5.1 million resulting from the non-cash reclassification to income of amounts from the Sirius merger transaction. 2010–2011 results included a net unrealized gain on the revaluation of Sirius Class C shares that were held by the Corporation.