



Corporate Profile

STATUS

The Canadian Broadcasting Corporation, Canada's national public broadcaster, was created by an Act of Parliament on November 2, 1936, and now operates under the 1991 *Broadcasting Act*. It is accountable to the Parliament of Canada through the Minister of Canadian Heritage, to whom it reports annually.

PROGRAM SERVICES

CBC program services include:

- two main television networks, one in English, one in French, which offer general and special interest programs;
- four main radio networks, two in English, two in French, which offer information and general interest programs as well as classical music, jazz and cultural programs;
- two all-news and information television networks, one in English, one in French, entirely financed by cable subscriptions and advertising revenue;
- radio and television services to the North in English, French and eight native languages;
- a digital pay audio service offering 30 continuous music channels 24 hours a day, without talk or commercials.

CBC also provides, on behalf of the Government of Canada, an international shortwave radio service which broadcasts in seven languages.

DISTRIBUTION

CBC programs are distributed through satellite in combination with microwave and landline, feeding 93 CBC owned stations, 1,165 CBC rebroadcasters, 28 private affiliated stations and 291 affiliated or community rebroadcasters.

FINANCING

CBC is financed mainly through public funds, supplemented by advertising revenue on television and various other revenue sources.

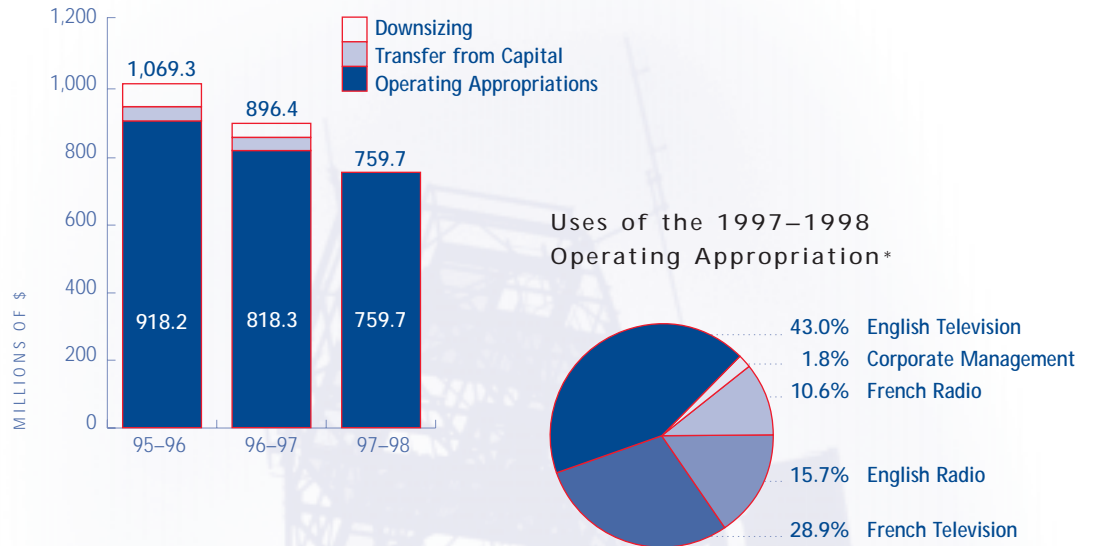


Financial Highlights



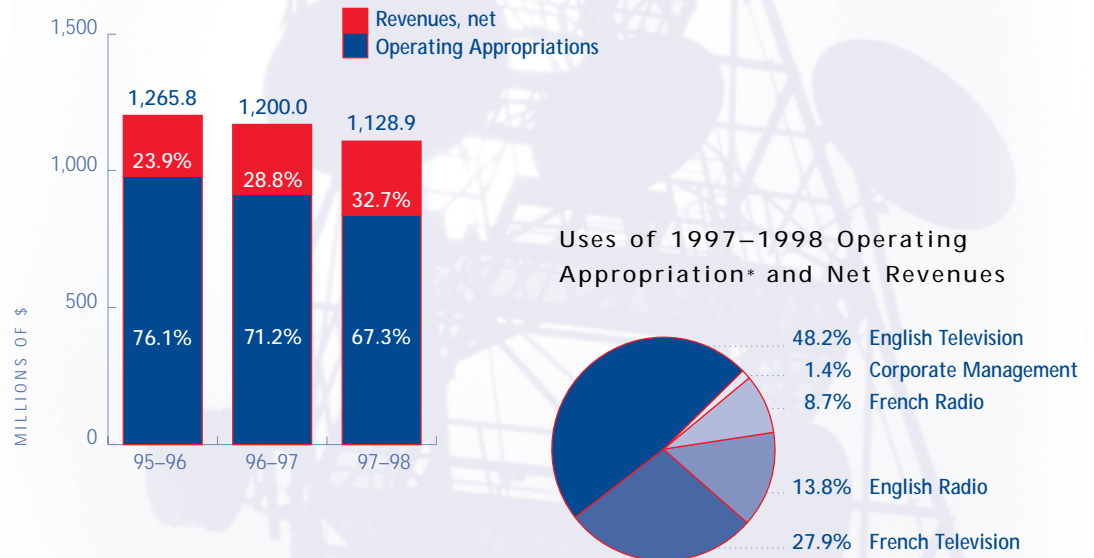
PARLIAMENTARY OPERATING APPROPRIATIONS

Operating appropriations are decreasing in line with government directives.



OPERATING APPROPRIATIONS** AND NET REVENUES

The Corporation's reliance on net revenues is increasing.



* Before taxes and excluding downsizing costs and the \$56.7 million repayment, with interest, of the repayable downsizing advance

** Including transfers from capital and excluding special appropriations for downsizing and RCI





Message from the Chair



Guylaine Saucier

As the new millennium dawns, CBC/Radio-Canada finds itself on the threshold of a bold, challenging and exciting period in its history. With downsizing, budget cuts and restructuring behind us, we begin the process of planning based on our public mandate, planning based on our strengths, planning firmly focussed on the future.

This past year marked the last in a massive downsizing and restructuring exercise embarked upon only a few years ago. At the beginning of my first mandate in 1995 it was difficult for any of us to fathom how the Corporation would be able to cut so much and still remain a vital instrument of Canadian identity.

But 1997–1998 also augured winds of change for CBC/Radio-Canada.

Last summer, English Television launched a bold new season where Canadian content was the star of prime time and a leading character during the day. French Television launched eight new drama series which garnered critical acclaim and wide audiences. French and English Radio networks, in large part thanks to the Government's additional funding of \$10 million dollars per year, introduced new schedules with new programs from all parts of Canada. English Radio networks re-branded their services to the now ubiquitous Radio One and Radio Two; and French Radio renamed their services *Première Chaîne* for AM radio and *Chaîne culturelle* for FM stereo. And throughout this year, the women and men, the artists and the artisans of CBC/Radio-Canada particularly distinguished themselves in times of crisis and in times of shared joy.

To be sure, while we have numerous accomplishments to be proud of, CBC/Radio-Canada continues to be a work in progress.

As the pressures of globalization increase, efforts to protect the strength and diversity of Canada's cultural identity must be redoubled. A strong CBC/Radio-Canada, clearly focussed on the essence of its mandate — to reflect, nurture and strengthen Canadian identity — is essential to the very survival and continuance of our culture. CBC/Radio-Canada, as Canada's national public broadcaster, has an abiding responsibility to link Canadians from coast to coast to coast, overcoming distance and geography, generational differences and language barriers.

In my second term as Chair of CBC/Radio-Canada, I want to ensure that in the years to come this Corporation is recognized for its commitment to the Canadian public, and for its leading role in reflecting and transmitting Canadian values and concerns in a manner befitting a great national institution.

In recognition of the rapidly changing broadcast environment, the Board of Directors has endorsed a dynamic strategic planning process which will guide CBC/Radio-Canada into the next millennium. In charting a new course for CBC/Radio-Canada it is crucial that we examine the key challenges which confront us today and which will confront us in the future.

The CBC is mandated to bring a special, essential service to Canadians. A service that is unique to CBC/Radio-Canada as Canada's national public broadcaster. CBC/Radio-Canada is one of the principal means of conveyance of our culture. To maintain this role in the long term, we must welcome and nurture new voices, while continuing to serve our loyal audiences. It is therefore important to examine how CBC/Radio-Canada reaches out to younger performers, to younger audiences and to underserved ones.

We must also look at the level of service the CBC provides to all Canadians. As we apply for licences for new services, we must assess whether we are not simply improving services to existing audiences, to those who already have full access to our constellation of services. I am heartened by the new linkages the Internet has brought to rural, remote and Northern communities — but its penetration is far from complete, and we are only beginning to offer programs specifically designed for the Internet.



Another issue which we must examine is how do we truly reflect the regions to each other as we are mandated to do? Today's programming may have currency within a region, but does it convey to an Albertan the reality of living in New Brunswick?

We must also consider the way in which CBC/Radio-Canada provides service choices to Canadians who are hard to reach for other reasons: young people who find commercial radio so attractive, and people from minority communities.

Moreover, when we investigate vast opportunities provided by new media we must consider whether we apply our mandate in the same way as we do with the conventional media.

Many answers are related to our programming — we must ensure that CBC/Radio-Canada programming is indeed a true alternative, and that it contributes to advancing dialogue about our shared values and our differences. Of course, we must also balance those goals against being elitist. We are asked to “enlighten,” but to what extent do we actually have a responsibility to provide educational programming?

Finally, a core issue which we must deal with is at the heart of what we do best: how do we define ourselves in the changing world of broadcast journalism? The awards we have won for news and current affairs are legion. Canadians find our broadcast news to be the most credible source of news. To continue to be relevant and credible in the future, as choices multiply, we must fully map out and articulate what we want our news offerings to represent, and ensure that they continue to espouse the values of the *Broadcasting Act* — insightful and inclusive coverage.

Transcending geographic barriers, championing inter-regional and cross-cultural communications, bringing a public broadcasting perspective to new media, attracting and maintaining new audiences, creating new and innovative programming, ensuring the highest journalistic standards, are only a short list of considerations to be examined. They are all part of our mandate.

Moreover, CBC/Radio-Canada is mastering the same challenges that face all businesses today; from fundamental reviews of all our processes and business practices to Year 2000 issues. We are moving ahead with a renewed perspective: that of an organization strongly focused on its mandate to the Canadian people, determined to do better with less.

The Canadian Broadcasting Corporation, now in the early years of its seventh decade, embraces change. But we cannot and will not turn our backs on the proud history that has earned us a privileged place in Canadian homes.

It is the foundation for the evolution of CBC/Radio-Canada.



Guylaine Saucier, C.M., F.C.A.
Chair of the Board

*CBC/Radio-Canada,
as Canada's national
public broadcaster,
has an abiding
responsibility to link
Canadians from coast
to coast to coast,
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and geography, gener-
ational differences
and language barriers.*



The Board of Directors 1997–1998

In accordance with the *Broadcasting Act*, the Board of Directors is responsible for the management of the Corporation. The Board is made up of 12 members, including the Chair and the President and CEO.

Guylaine Saucier, C.M., F.C.A.
Chair
Montreal, Quebec
2 +, 3 +, 4, 5 +

Hon. Perrin Beatty, P.C.
President and CEO
Ottawa, Ontario
2, 4, 5

John A. Campion
Partner/Barrister
Fasken Campbell Godfrey
Barristers and Solicitors
Toronto, Ontario
2, 4

Dr. Val H. Conway †
Ophthalmologist
St. John's, Newfoundland

Michel Doyon, Q.C.
Partner/Barrister
Gagné, Letarte s.e.n.c.
Barristers and Solicitors
Quebec, Quebec
1+, 2

Roy L. Heenan
Chairman and Senior Partner
Heenan Blaikie
Barristers and Solicitors
Montreal, Quebec
4, 5

Jane Heffelfinger
Actress/Broadcaster
Monday Publishing
Victoria, British Columbia
1, 2

Sandra Kolber, C.M.
Writer/Film Consultant
Le Windsor
Montreal, Quebec
2

Clarence LeBreton
Director
Aquarium et Centre Marin de Shippagan
Shippagan, New Brunswick
1, 2, 5

Thompson MacDonald
President
Strategic Communications Consultants Ltd.
Calgary, Alberta
2, 6 +

L. Richard O'Hagan
Special Advisor to the Chairman
Bank of Montreal
Toronto, Ontario
1, 2

Hon. A. Brian Peckford ¥
President
Peckford Consulting Ltd.
Qualicum Beach, British Columbia
3, 4 +, 5

W. Thomas R. Wilson
President and CEO
Oceanic Adventures International
Toronto, Ontario
2, 3, 5, 6

COMMITTEES OF THE BOARD

- 1 Audit Committee
- 2 Standing Committees on English and French Language Broadcasting
- 3 Governance Committee
- 4 Human Resources and Compensation Committee
- 5 Transformation Committee

6 CBC Pension Board of Trustees

+ Committee Chair

† New Board Member, March 1998

¥ Term ended, December 1997



Improving Corporate Governance



For the third year in a row, the Board of Directors brought considerable improvements to its corporate governance processes, in light of the federal government guidelines for Crown corporations.

APPROVING THE STRATEGIC DIRECTION

The first of these guidelines states that “the Board of Directors of every Crown corporation should explicitly assume responsibility for the stewardship of the corporation.” This stewardship includes approving the strategic direction and corporate plan of the corporation.

The Corporate Plan, which normally sets the corporation’s objectives for a five-year period, the strategy to achieve these objectives, performance indicators and targets, was approved by the Board after it had assessed and challenged it. This year the Corporate Plan only provided plans for the first year, as a comprehensive, forward looking vision is now being crafted and will be presented in the fall of 1998.

As part of this strategy, the Board is establishing a mechanism by which strategic planning becomes an on-going process and is discussed regularly by the Board and management. This process will allow the Corporation’s strategy to be a living document, more responsive and adaptable to the changing environment.

The Board also reviewed the policy intent of various submissions to the Canadian Radio-television and Telecommunications Commission (CRTC).

COMMUNICATIONS

The Board approved the Corporation’s strategy to improve communications with the Crown, other stakeholders and the public. This strategy identifies the challenges facing the Corporation, and includes both an action plan and performance indicators.

EVALUATION OF THE CEO’S PERFORMANCE

Last year, the Board developed a method of assessing the CEO’s performance against the established duties and objectives agreed to by the Board and the CEO at the beginning of the year. This yearly process was first implemented in the course of 1997–1998.

COMPOSITION AND EVALUATION OF THE BOARD

According to guidelines, in anticipation of future vacancies, the Board has an opportunity to suggest to the Minister the type of expertise which would be beneficial to the overall composition of the Board. Over the past year, advice was provided so as to reflect the regions and diverse communities, and to ensure that the range of expertise on the Board is balanced and relevant.

In line with governance practices of leading corporations, the Board undertook an evaluation process to assess its strengths and weaknesses, and to refocus the Board’s work where necessary to better reflect its original terms of reference.

ORIENTATION OF BOARD MEMBERS

The Board is sensitive to the importance of giving its members the orientation and education they need to fulfill their obligations. In 1997–1998, amongst other activities, Board members were invited to attend a conference on corporate governance. Further plans will be developed as new Board members join.

BOARD COMMITTEES

To conduct its business in the most efficient manner, the Board relies on a number of committees.

In 1996–1997, five committees were active. This year, the Transformation Committee, appointed in 1995 to give support and guidance to CBC management during the Corporation’s major transformation process, completed its mandate and was re-purposed so that it could provide to the Board and to Senior Management a forum to review strategic planning issues, and to give the Board support in this area. The four other committees remain: the Audit Committee, the Standing Committees on English and French Language Broadcasting, the Governance Committee and the Human Resources and Compensation Committee.

The CBC Pension Board of Trustees

Two CBC Directors, Thompson MacDonald and Thomas Wilson, sit on the Pension Board of Trustees. Corporate governance issues were further pursued by the CBC Pension Board of Trustees. The Fund’s annual report provides further details (address on p. 41).



Message from the President and CEO

As 1997–1998 ended, CBC/Radio-Canada closed one of the most difficult chapters in its history. The final round of a three-year phase of reductions, combined with the dedication and faith of its employees, enabled the Corporation not only to survive but to face the future with renewed confidence and hope.

In the previous 36 months, the CBC cut its annual expenditures by more than \$400 million. It did so without closing any stations, focusing instead on achieving efficiencies where possible, finding alternative ways of doing things, and changing schedules to reflect the new reality. The number of Vice-Presidents was reduced by almost half; the head office building was sold and new collective agreements based on multi-skilling and cross-skilling were ratified. Corporate management costs were slashed to just over one cent on the dollar.

While this huge financial restructuring was taking place, CBC employees were introducing new programs, new services and new technologies to serve Canadians better. Last season, ratings were up for both CBC Television and Radio in both English and French.



Perrin Beatty

NEW PROGRAMS

We Canadianized English TV prime time. That has meant replacing 200 hours of American shows a year. Our French Television service introduced a record number of drama series during the 1997–1998 season. Radio One now provides listeners with the best from around the world through its overnight service. This year French radio introduced new programs to reach younger listeners.

NEW SERVICES

This past year, we announced plans to open a new radio station in Victoria, new radio bureaus in London, Trois-Rivières and Sherbrooke, and combined radio/television services in Cambridge Bay in the Arctic. In addition, English and French Radio opened a joint bureau in Bathurst, and a French Television bureau was opened in Hawkesbury. In Canada's two largest cities, Montreal and Toronto, our radio services were moved from AM to FM to make them more accessible.

NEW TECHNOLOGIES

The CBC is leading the industry in preparing for digital radio and TV. CBC Radio became the world's first public broadcaster to offer programs live on the Internet. We remain the only Canadian broadcaster with a major presence on the World Wide Web, providing a range of programming from the arts to news to sports, and items of interest to children.

A public broadcaster like CBC/Radio-Canada draws its strength from its employees. This past year, they once again demonstrated their depth and breadth:

In January, our employees provided extraordinary national and regional coverage of the ice storm that paralyzed much of Quebec and Eastern Ontario. Just as they had when flooding struck Manitoba and the Saguenay region of Quebec, they demonstrated the critical role a locally-rooted public broadcaster can play during emergencies.

They also distinguished themselves during much happier times. This February, our services broadcast more than 700 hours of the Nagano Winter Olympics, using a team only a fraction as large as that of the commercial broadcaster providing coverage to audiences south of the border. This exercise didn't cost taxpayers a cent. We covered all of our direct costs and generated several million dollars to put back into the operation.

We are proud that CBC/Radio-Canada's widely-acclaimed coverage of the Atlanta and Nagano Games has won recognition around the world. We are particularly pleased that the International Olympic Committee has awarded CBC/Radio-Canada, in partnership with NetStar, the broadcast rights to the next five Olympic Games.

This past year, English Television won more than three times as many Geminis as our closest competitors, while French Television recorded continuing successes at the G meaux. We also brought home an international Emmy from New York.

As the 1997-1998 fiscal year ended, CBC entered a five-year period for which the government has guaranteed stable funding. After years of reductions, we can now plan based on opportunities and not limitations. We are well aware that crucial challenges still lie ahead. As competition for audiences intensifies, we need to ensure that the CBC is able to connect with Canadians:

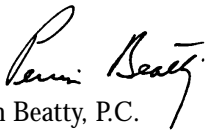
- Changes in technology present new ways to serve audiences, but those changes can be both expensive and risky. We are moving rapidly ahead with digital radio and must now make important decisions about digital television.
- It is currently cost effective to maintain our own distribution system. In the future, it may be worthwhile to redirect even more resources from distribution into programming, but we need to guarantee affordable access to our audiences in both old and new media.
- In the multi-channel universe, and with the continuing development of new delivery systems, the CBC needs to have equity in its programs to protect its brand and to serve audiences across a variety of media, but the structure of its funding mitigates against its ability to do so.
- We are proud of our progress in reflecting the changing face of Canada, but we must do more to serve young people and Canada's many cultural communities.

All of these are serious issues, and many others are equally important. We will need to deal with them in the days ahead.

What is of greatest importance, however, is that today Canada's national public broadcaster is more efficient, more self-assured, more focussed on its mandate, and better prepared for the future than it has been for decades.

CBC/Radio-Canada can and must accept the challenges of broadcasting programming that others cannot put on. We can and must offer a broadcast schedule designed in Canada for Canadians. We can and must ensure healthy, Canadian-based programs for Canadian children. We can and must celebrate the arts in Canada. We can and must put Canadians in touch with each other despite differences of language and culture.

We tell Canadian stories because it is what we do best. It is what people search us out for. It is what makes us distinct. It is what Canadians want and the country needs.



Perrin Beatty, P.C.
President and CEO

What is of greatest importance, however, is that today Canada's national public broadcaster is more efficient, more self-assured, more focussed on its mandate, and better prepared for the future than it has been for decades.



The Road to Renewal

The last few years have been a time of tremendous change in the CBC. From 1994–1995 to 1997–1998, the Corporation has had to meet a financial shortfall of more than \$400 million resulting largely from the gradual reduction of its Parliamentary appropriation.

The impact of the implementation of the last round of cuts, announced in December 1997, was not as extensive as expected. The Corporation was able to reduce the number of positions affected thanks to the government's decision to reinstate funding for Radio Canada International and to contribute an additional \$10 million annually for radio. This was also achieved through greater internal efficiencies and increased revenues.

Completion of the cuts, improvements to programs and delivery of services, and the government's commitment to provide stable five-year funding signal that CBC is turning the page and starting a whole new chapter.

As part of this renewal process, CBC introduced several initiatives that will make the Corporation compliant with the Year 2000 realities and have a significant and positive impact on the way it operates.

TOWARDS THE YEAR 2000

Readying the CBC for the Year 2000

Preparing our information and broadcasting systems for the technological challenges anticipated at the advent of the Year 2000 is a primary concern for CBC. The Corporation has put in place a rigorous process to address Year 2000 compliance issues in all its computer hardware and software, and its production equipment. The objective is to ensure that there will be no interruptions in any of the CBC's essential or core activities as the new millennium dawns. Evaluation of the risks and potential impacts began more than a year ago. In the fall of 1997, a multi-disciplinary team was established to determine the changes which would be necessary to ensure that all

CBC applications would be Year 2000 compliant by mid 1999. Work plans were coordinated with the four media components, Engineering and Information Technology (IT).

The scope of the work is extensive and the deadlines are irrevocable. The Corporation has enlisted the expertise and support of external consultants to ensure the success of this project. As of March 1998, inventories of all IT applications and risk assessments of these applications had been completed, and conversion of non-compliant programs had started. A computer replacement infrastructure program was introduced to ensure that all PC workstations are Year 2000 compliant, and that older PCs are not used in any operational activities. Moreover, an inventory of all other Year 2000 sensitive equipment and software was undertaken, and plans for testing are underway.

Changes in Key Systems

In spring 1997, the Board of Directors approved Project Evolution, a far reaching project which will not only make the CBC Year 2000 compliant in its financial and administrative systems, but which will provide accurate, timely information to the people who need it to take decisions, thereby freeing up resources for programming.

Over the next few years, this project will bring about important changes in the way work gets done at the CBC. It will simplify work processes, the fashion in which authority is distributed, organize internal structures and jobs, and connect people in various parts of the Corporation.

Managers will be able to do more thorough analyses and make faster, more informed decisions; employees will function more as contributors and accept greater accountability for value delivered.

The next phase of the Totally Integrated Personnel and Pay System (TIPPS) project, On line Capture of Employee Time (OCTET), is also being rolled out. It is fully Year 2000 compliant and will replace smaller local systems which are not.

INFORMATION TECHNOLOGY REORGANIZATION

To best serve the Corporation's information technology needs, all of CBC's IT operations were restructured. The new IT function operates within an integrated structure which will permit common architecture in systems, facilitate shared standards, and enable the IT team to provide better service across Canada. By being fully aligned to the Corporation's business objectives and strategies, the new structure will eliminate overlaps, allow for economies of scale and lead to a better return on CBC's technological investments. It will also allow smoother convergence of technologies.

NEW BUSINESS PROCESSES

The downsizing, re-structuring and re-organization activities that have taken place have changed the roles and responsibilities of many managers and supervisors across the Corporation. To support the management team and increase efficiency, CBC introduced several processes including the integration of the business planning process with a revised process for managing performance, a job evaluation process, and a review of the compensation structure and practices for management and APS (Association of Professionals and Supervisors) employees.

The Business Planning process confirms the objectives and performance indicators for each component of the Corporation. The Performance Management Cycle encourages managers and their supervisors to talk about the CBC's mission, vision and values, and to develop personal objectives and a feedback plan. It also provides a basis for linking performance with compensation.

The cornerstone of the compensation system is the Job Evaluation Process which includes comparison of jobs within the CBC (using job descriptions reviewed by teams of CBC managers) and allows for benchmarking them with the external market.

The Performance Management Cycle, which was successfully introduced to the Senior Management Group, will be applied throughout the Management/APS category in 1998-1999. The development of programs for performance appraisal/management and job evaluation are the subject of ongoing discussions with our unions.

In addition, for both unionized and non-unionized staff, there will be expanded training and development opportunities. These will include a coordinated Management Development Program and a Succession Process which began with senior managers in 1997-1998.

COLLECTIVE AGREEMENTS

The collective agreements in the English file are in their last phase of implementation. The flexibility obtained in the last round of negotiations is being applied successfully. Management and employees have enhanced the concept of multi and cross-skilled assignments, thus making work more interesting, and also allowing the Corporation to meet its financial objectives.

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The Corporation also pursued the outsourcing objectives incorporated in the English file's collective agreements. Services of a non-core business nature such as security and building maintenance have been outsourced, and the related savings used to improve programs and reduce our deficit.

In the French file, collective agreements have been signed with both talent and industrial units, and the Unit 1 (Syndicat des communications de Radio-Canada) agreement was signed shortly after the beginning of the new fiscal year. Implementation is proceeding and discussions are being held on multi and cross-skilled assignments. A joint management-union proposal to maintain in-house non-core services such as building maintenance was agreed to in the early fall.

CBC Workforce – As of March 31				
	1997	1998	Variance	%
Regular	7,311	6,728	(583)	(8)
Temporary	609	588	(21)	(3.4)

EMPLOYMENT EQUITY

Despite cutbacks, the Corporation has continued to support Employment Equity by maintaining a Help Fund directed towards assisting components and departments in retaining employees from the four designated groups (women in non traditional fields, members of visible minorities, natives and people with disabilities) who might otherwise have been let go. In the last fiscal year, 25 projects were funded through this mechanism.

CODE OF CONDUCT

To support the renewal process, the Corporation distributed to all managers a Code of Conduct amalgamating major policies and practices in the Corporation. The Code's main objectives are to reaffirm the Corporation's commitment to the highest standards of objectivity, integrity and professionalism, and to provide guidance to employees in the day-to-day performance of their duties. The Code also addresses issues pertaining to the nature of CBC's responsibilities including rights and obligations, legal requirements, conflict of interest, business processes and travel, and business courtesies.



The Regulatory Environment



TRANSFERS TO THE FM BAND

In July 1997, the Canadian Radio-television and Telecommunications Commission (CRTC) approved applications by the CBC to transfer from the AM to the FM band CBF (French) and CBM (English) in Montreal, CBV (French) in Quebec City and CBL (English) in Toronto, to overcome the difficulties in receiving these stations, and to reach the majority of listeners in these locations who rarely listen to AM radio. In approving these applications, the Commission took into account the special role of the CBC within the Canadian broadcasting system mandated by the *Broadcasting Act*. Notably, as the national broadcaster, the CBC must provide a radio service that is available throughout Canada by the most appropriate and efficient means.

The Corporation also filed an application with the CRTC to move its CBC Radio One frequency in Peterborough, Ontario, from 93.5 FM to 98.7 FM, to free up space for other broadcasters.

LICENCE TO CBC VICTORIA

In November 1997, the CRTC issued a licence to CBC's new Radio One station in Victoria, British Columbia, effective September 1998. The programming produced at the Victoria station will be heard not only by the residents of Victoria, but by all the population of Vancouver Island. In addition, a new transmitter which will be installed on Texada Island will replace the private CBC affiliate at Powell River. All programming produced in Victoria — whether for local, regional or national broadcast — will serve and reflect this entire coverage area.



APPLICATIONS FOR SPECIALTY TELEVISION LICENCES

In October 1997, the CBC filed with the CRTC applications to operate four new specialty television services, namely:

- *Le Réseau des arts*, which will present arts, performance and cultural programming;
- *Le Réseau de l'économie*, which will focus on Canadian and international economic activity;
- *Le Réseau de l'histoire*, which will focus on Canadian and world history;
- *Land & Sea*, dedicated to serving the needs and interest of rural Canadians.

Private sector partners have since teamed up with the CBC for the first three applications.

In addition, CBC will cooperate with the private sector groups who applied for licences to operate the following specialty services:

- *Télé classique*, which will offer the best of Canadian and international television over the years;
- *The People Channel*, which will feature both historical figures and contemporary characters.

All of these services would be self-financing for the CBC.

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CBVT LICENCE RENEWAL

CBVT, the television station serving Quebec City and Eastern Quebec, has had its licence renewed from September 1, 1998, to August 31, 2003. The maximum term for a licence is normally seven years, but the Commission decided to limit the term of CBVT's licence to five years on account of the rapid development of television in Quebec.

In its decision to renew this licence, the Commission took note of the CBC's efforts to provide the important Eastern Quebec region with improved service, notably with an edition of the news designed mainly for Eastern Quebec viewers, and the purchase of a mobile unit and a truck, thus making microwave and satellite transmissions possible. The Commission also noted the structure set up to promote increased cooperation with the independent production sector in Quebec City.

CLOSED CAPTIONING OF FRENCH REGIONAL PROGRAMS

The Corporation has made a commitment to provide closed captioning by the year 2000 of the local *Ce Soir* news and public affairs programs, aired from Monday to Friday by the French-language regional stations.

APPLICATIONS TO SIMULCAST ON DIGITAL RADIO

Until now, Digital Radio broadcasting in Canada has consisted of experimental transmissions conducted in Ottawa, Montreal, Toronto and Vancouver by the Communications Research Centre, an organization under the auspices of Industry Canada, in cooperation with Digital Radio Research Inc., a consortium formed by the CBC and private broadcasters. For its part, the CRTC established a transitional radio policy in October 1995 to facilitate the transition of Canada's radio stations to Digital Radio broadcasting on the L-Band.

In October 1997, the CBC's four radio services and 15 private stations filed applications with the CRTC for new digital radio broadcasting licences to begin broadcasting on digital radio on a regular basis in Toronto in 1998. The licence was granted to CBC Toronto in May 1998. Applications for digital radio broadcasting licences in Montreal and Vancouver will follow.

THE 1998-1999 REGULATORY AGENDA

The coming year will be a watershed for the CBC in terms of the regulatory environment. The CRTC has indicated that it will undertake a review of Canadian television policy, examine new media, hold audiences for new French television specialty licences and review licence renewals of CBC services, with the exception of regional radio.



The Broadcasting Environment



TELEVISION

Canada's television system is made up of two national English-language television networks, one public (CBC) and one private (CTV), and one national French-language public network, Radio-Canada. There are four private regional networks: Global Television Ontario, Global Television Quebec and two private French-language networks, TVA and TQS, which operate in Quebec. In addition, there are a number of independent stations and public super-stations subsidized by provincial governments, and a number of specialty services aimed at niche markets. Canadians also have access to the major American television networks, either by means of cable, over the air or by satellite.

Over the last decade, the number of Canadian specialty and pay television licences has increased. From three in 1983, there were more than 50 in 1996, and more services are awaiting CRTC approval. These new services have had significant impact on the conventional channels by increasing audience fragmentation. On English-language television, the audience share for pay and other specialty channels rose from 13% to 28% between 1991 and 1997. The proportion for French specialty channels and pay TV was up from 12% to 20% for the same period. To respond to market fragmentation and to the erosion of their market share, conventional broadcasters are consolidating and diversifying into specialty services.

Ownership of private stations and specialty services is shared by a number of players. Major ownership changes in private television are in play, as companies are seeking increasing vertical and horizontal integration. The CBC has already undertaken interesting production and broadcast partnerships, and more are yet to come.



RADIO

CBC radio services continue to maintain their reach and share of the audience despite the increasing competition, especially on the FM band. There are few available FM frequencies, particularly in major Canadian markets, thus limiting the development of both private and public radio broadcasters in analogue services.

Private radio experienced a difficult period in the early 90s. In recent years, there have been signs of financial improvements in this sector. The recent CRTC ruling on duopoly will now permit multiple licence ownership which should facilitate greater efficiencies and accelerate recovery of private radio.

CONVERGENCE

With recent technological developments such as satellite communications and digitization, indirect competition has increased substantially, particularly in the area of audiovisual production. The penetration of new media is growing at a steady pace, and may eventually become a more direct form of competition for traditional radio and television enterprises.

DIGITAL TELEVISION

Digital Television will be introduced in the United States in 1998. In Canada, DTV presents the CBC with some fundamental issues to be addressed, not the least of which are the types of programs it will provide Canadian audiences, the quality of service, the required coverage reach and the funding required to make the transition to this new broadcast standard. A DTV Working group has been established to identify issues, and to present senior management with strategic options.

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CHANGING DEMOGRAPHICS

Both the population and the average age are increasing slowly in Canada. The 65-and-over age group will continue to expand, as will its impact on viewing and listening habits in general. The population is also more multi-cultural and multi-ethnic, potentially creating a demand for new forms of programming.

OWNERSHIP ISSUES

In the multi-channel universe, and with the continuing development of new delivery systems, the CBC needs more control over program rights to increase its scheduling flexibility.

