

An analysis of CBC's financial history from 1937 to 2019

We tried to follow the money. Frodo had it easier.

A research paper by the
Forum for Research and Policy in Communications (FRPC)

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Synopsis

As the CRTC prepares to hold a licence renewal hearing for the CBC, the Forum for Research and Policy in Communications (FRPC) believes it would be useful to provide interested parties with a contextual and historical analysis of the funding of this key component of the Canadian broadcasting system.

The CRTC last renewed the Corporation's licences in 2013, for a standard five-year period. The licences have now been extended administratively several times by the Commission. As the Commission itself observed in the public notice calling the CBC to the renewal hearing, the landscape of the broadcasting environment has changed considerably since the last time the CBC appeared: *"The way in which Canadians consume and create content is changing. Online services and platforms are increasingly being adopted across the country."* This makes the May 2020 hearing a pivotal one for the CBC and for its future role in the national conversation.

This paper uses financial data collected from 80 of the 83 *Annual Reports* published by CBC since 1937 to analyze public funding granted to and received by CBC for its operations.

Apart from numerous inconsistencies in presentation, the Forum found the following:

- Parliamentary funding for CBC's operations has decreased (in real, 2002 terms) by 36% since 1985
- CBC's commercial income has decreased by 40% since 2014
- total public and commercial funding of CBC's operations has decreased by 28% since 1985
- when considered in terms of daily life in Canada, the funding received from Parliament by CBC for its operations has decreased 54%, from 14 cents per person per day in 1985, to 6 cents per person per day in 2019
- funding for CBC's operations has not kept pace with economic growth: since 2009 Canada's Gross Domestic Product has increased by 21% while public funding for CBC's operations decreased by 11%
- CBC has operated at a loss in 35 of the 79 years for which data were available, in more than half the years since 2000 and in each of the 7 years since 2013
- decisions by Parliament not to fully fund the building of Canada's national broadcasting system required CBC to borrow more than \$1 billion for capital projects and to pay private broadcasting affiliates just over \$1 billion to carry some of CBC's programming
- the Federal government's requirement that CBC operate Radio Canada International used just over \$1 billion of the Parliamentary appropriations allocated for CBC's domestic operations.

The paper draws several conclusions from the data:

- the degree to which CBC remains a public service broadcaster is unclear as its reliance on commercial revenue means, by its own words, that it is "committed to supporting" advertisers
- it is difficult to determine whether the 36% decrease in public funding for CBC's operations is affecting CBC's programming, as its *Annual Reports* do not provide the data needed to measure CBC's expenditures per original hour of produced or purchased programming, or the types of complaints it receives regarding programming quality

- Parliament's sovereignty over CBC's funding has been weakening, not merely because CBC's *Annual Reports* no longer acknowledge Parliamentary appropriations but 'government appropriations', but also because the process through which CBC's budget is determined and/or later changed is not transparent
- non-transparent reporting means that CBC's legislated independence from government is difficult to evaluate and the current *Broadcasting Act* does not clearly establish where responsibility for identifying breaches of such legislative requirements lies, and
- CBC's *Annual Reports* provide too little objective information about its fulfillment of its legislative mandate from Parliament to permit its role in the broadcasting system to be understood, and provide so little consistent historical financial information that Parliament's support for Canada's national broadcasting service cannot easily be assessed.

It is unclear why CBC's annual reports do not currently provide accurate historical overviews of its finances in a consistent format. The result, however, is that CBC today provides little, if any, detailed information about the availability of its services in Canada and their use by the public, or about the programming that it produces each year – this includes data about the original and repeat hours of programming that it broadcasts on its conventional services and which it already collects, as well as reliable audience data to indicate how its programming is serving different groups within Canada – matters that are at the core of CBC's mandate from Parliament.

Acronyms

BBG	Board of Broadcast Governors (established by the 1958 <i>Broadcasting Act</i>)
CBC	Canadian Broadcasting Corporation
CRTC	Canadian Radio-Television Commission (from 1968 to 1976)
	Canadian Radio-television and Telecommunications Commission (1976 -)

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Executive Summary

This research

- ES1** Offers context for the final report of the Broadcasting and Telecommunications Legislative Review due in January 2020 and the CRTC's mid-2020 renewal of CBC's network licences, by
- providing and analyzing data about public funding granted by Parliament to and received by CBC for its English- and French-language radio and television programming and broadcasting operations since 1937 [*i.e.*, 1936/37], and by
 - comparing trends in CBC's public funding and other income with trends in the Canadian economy and with respect to private conventional¹ radio and television broadcasters

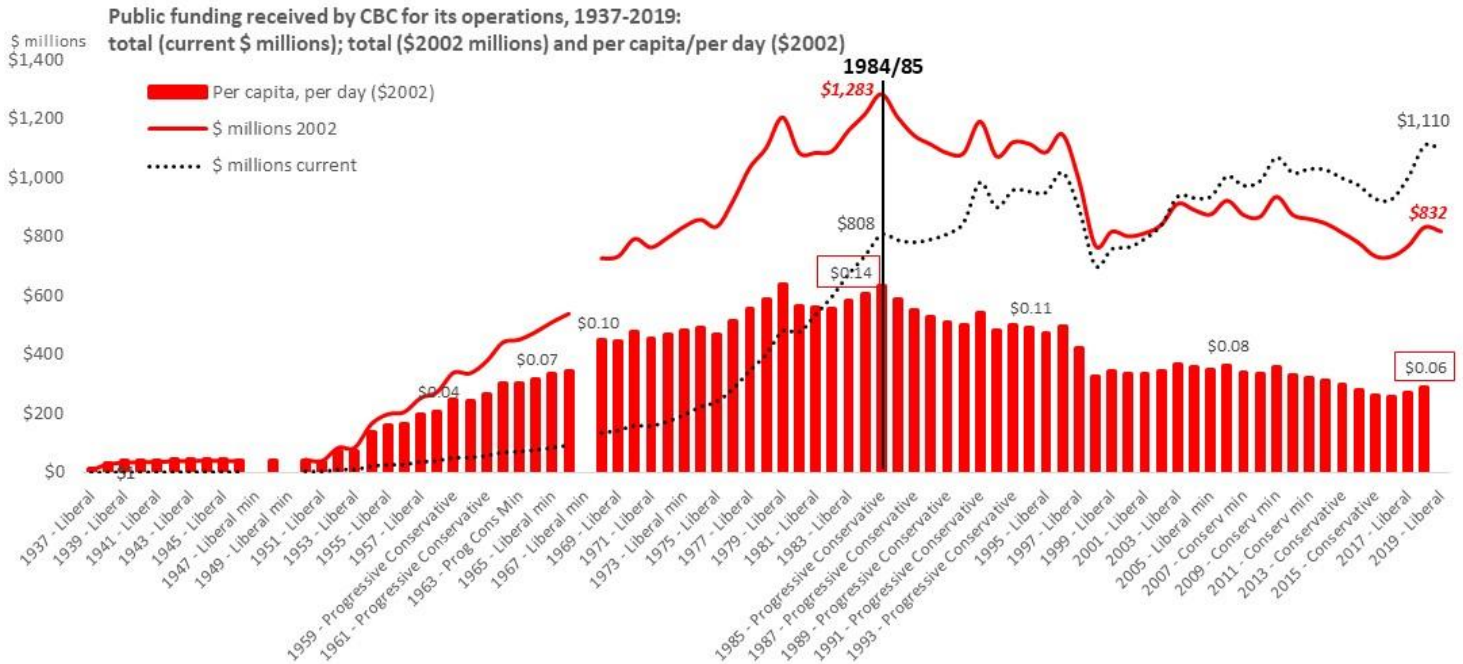
Research method

- ES2** Financial data about CBC's appropriations, income, expenses, borrowing and end-of-year financial position were collected from 80 of CBC's 83 *Annual Reports* from 1937 to 2019; the 1947, 1949 and 1967 reports could not be located (CBC currently posts 18 of its reports online)
- Inconsistent presentation by CBC of its finances presented serious problems (see Appendix 2)
 - Other information about inflation, Canada's economy and private radio and television broadcasters was obtained from reports published by Statistics Canada and the CRTC

Results of analysis (all results shown in constant dollars [\$2002])

- ES3** From 1937 to 2019 CBC's total operating income amounted to at least \$77.6 billion of which
- 70.1% (\$54.5 billion) consisted of public funding in the form of licence fees (1937-53), fixed multi-year funding (1952-56), tax revenue paid on radio or television sets and parts (1953-59), and operating appropriations voted by Parliament (1953-2019)
 - 29.9% (\$23.2 billion) consisted of income from CBC's commercial activities (1937-2019), including its sale of advertising time, programming and assets, subscriptions to CBC programming services, and investments such as savings bonds, bonds and derivatives
- ES4** Total funding of CBC's operations has been decreasing overall since 1985 (34 years):
- public funding received by CBC has decreased since 1985 by 35.9% (from \$1,283 million in 1985, to \$818 million in 2019)
 - funding from commercial activities has decreased since 2014 by 40.1% (from \$613 in 2014, to \$365 million in 2019)
 - total public and commercial funding of CBC's operations has decreased by 28.1% since 1985 (from \$1,646 million in 1985, to \$1,183 million in 2019)
- ES5** In the 76 years for which year-to-year percentage changes can be calculated, public funding received by CBC for its operations
- increased in real terms in 45 years (59% of years), and
 - decreased in real terms in 31 years (41%)
- ES6** Since 1985 public funding per capita for CBC's operations has decreased by 54%, from 14 cents per person per day in 1985, to 6 cents per person per day in 2019

¹ Meaning free (available over-the-air) and discretionary (subscription based) radio and television services, but not cable or satellite distribution services or online programming services



ES7 The funding granted by Parliament for CBC's operations usually differs from the funding it receives; of 134 changes to the funding granted by Parliament (totalling at least \$2.8 billion) more than half (84 or 63%) involved funding for CBC's operations, including

- at least 44 supplements for programming, downsizing and special events
- at least 40 reductions including transfers to its capital funding and frozen allotments
 - at least \$239 million in transfers from CBC's operating to its capital appropriation;
 - at least \$144 million in transfers from CBC's capital to its operating appropriation

ES8 In comparison with the Canadian economy,

- from 1997 to 2018 Canada's GDP grew by 62% while public funding for CBC's operations grew by 8%
- since 2009 Canada's GDP has grown by 21.4% while public funding for CBC's operations has decreased by 11%
- from 1960 to 1979 public funding for CBC's operations paralleled changes in GDP in most years (83% or 15 of 18 years); from 1980 to 2018 public funding for CBC's operations did not parallel changes in GDP in more than half of the period (58% or 22 of 38 years)
- During the 11 national economic recessions experienced by Canada, Parliament
 - reduced funding for CBC's operations in 4 recessions, and
 - raised its funding during the remaining 7 recessions

ES9 CBC's total and public funding for its operations has not kept pace with private broadcasters

- in 1991 private broadcasters' total income was 85% higher than CBC's, and
- in 2018 private broadcasters' total income was 332% higher than CBC's

ES10 CBC first operated at a loss in 1946; overall it has operated at a loss

- in 35 of the 79 years (44%) for which data were available
- in 14 out of the 19 years since 2000/01,
- and in each of the 7 years since 2012/13 (cumulative loss in current terms: \$318 million)

- ES11** Some of CBC's operating losses may result from \$3.6 billion in costs imposed by Federal policy, including borrowing to build the national broadcasting system, advertising and RCI:
- CBC did not receive public funding to build the national broadcasting system owned by Canada until 1959; before and after 1959 CBC funded capital projects with repayable loans and advances
 - from 1938 to 1965 CBC borrowed \$266 million from Canada towards which it paid \$116 million in interest and repayments of principal
 - from 1966 to 1974 Parliament included \$433 million in CBC's operating appropriations towards interest and repayments of principal with respect to \$655 million of loans granted to CBC by Canada; Parliament then deferred additional payments and wrote off CBC's outstanding debt to Canada in 1980
 - Since the 1990s CBC has borrowed money for capital projects from the private sector - \$258 million in bonds and notes in 2019; since 1999 it has paid at least \$550 million in interest on this debt
- ES12** With insufficient funds to complete Canada's national broadcasting system, CBC paid private broadcasters to carry its programming and also sometimes bought their stations; it paid at least
- \$1,113 million to private affiliates to broadcast some of its programs, and
 - \$32.2 million to buy some private broadcasters' radio or TV assets.
- ES13** In supplementing its operating and capital appropriations with commercial income, CBC paid at least \$740 million in commissions to private agencies to sell advertising
- ES14** CBC was required to operate Radio Canada International from the 1940s on; while receiving some funding for this work, it used at least \$1,097 million of its funding for RCI
- ES15** Research undertaken by Nordicity on behalf of CBC found that in 2014 Canada ranked 16th out of 18 Western nations in terms of annual public funding for public broadcasters

Conclusions

1. Degree to which CBC remains a public service broadcaster is unclear

It is unclear whether CBC's financial circumstances today enable it operate as a national public broadcaster – a term that is not in any event defined by the 1991 *Broadcasting Act*. Public broadcasting is said to have several characteristics, however: providing innovative and high-quality information, education and entertainment in a non-commercial manner while operating independent of the state.

CBC's recent *Annual Reports* acknowledge the importance of 'data analytics' as a "necessary core competency" in today's digital world, but do not provide Canadians or Parliament with any data describing the hours of informative, enlightening or entertaining programming that CBC broadcasts – even though CBC collects precisely this information for regulatory purposes. Nor do CBC's *Annual Reports* show how its programming is innovative rather than imitative or how it serves the needs and interests of different audiences.

CBC's *Annual Reports* instead provide a wealth of data needed by advertisers, from average minute audiences, to monthly digital interactions. By the words of its own senior officers CBC is today "committed to supporting" the advertising industry. It is unclear whether CBC is operating as a national public broadcaster.

If it is worth having a national public broadcaster, is it worth ensuring that it serves the public interest?

2. Lack of funding may now be affecting CBC programming quality

Parliamentary funding of CBC's operations has been declining in real terms since the mid-1980s, even though it provides many more programming services. The CBC's *Annual Reports* do not provide the data needed to know what CBC is spending per original hour of programming that it buys or produces, by service or even by medium. Nor does CBC report the numbers of complaints it receives about programming quality (as opposed to breaches of journalistic standards).

If it is worth having a national public broadcaster, is it worth funding it to perform its legislative mandate well?

3. Parliament's authority over CBC has been diminished

Despite ever-increasing efforts to strengthen CBC's accountability to Parliament, Parliament's sovereignty over CBC's appropriations has been weakening. CBC's *Annual Reports* no longer acknowledge Parliamentary appropriations but "Government appropriations" and the appropriations are often changed by Federal departments before they are received by CBC.

The annual processes through which CBC makes its initial and final budget requests to government, and through which Parliament's appropriations for CBC are changed once granted, are also unclear. To what extent is Parliament made aware of the degree to which CBC's senior managers or its Board of Directors must negotiate with government ministers or officials over CBC's budget? Even if changes made by government officials are small relative to CBC's total operating budget, does the fact that CBC often operates at a loss maintain, strengthen or weaken its independence from ministerial influence?

Do changes by department officials to Parliament's appropriations for CBC take into account the fact that that CBC is interconnected with much of Canada's audio-visual cultural sector, that it employs more than 6,000 people directly and thousands more indirectly, and that it currently has long-term programming obligations of more than \$700 million? How do changes to CBC's operating budget affect its legislative mandate and who should be held to account if CBC cannot meet its mandate?

If it is worth having a national public broadcaster, is it worth ensuring that it is accountable to Parliament?

4. CBC's independence from government is difficult to determine

In setting CBC's programming mandate (s. 3(1)(l) and (m)), and reporting requirements (ss. 54, 55, 60(7), 70 and 71), the 1991 *Broadcasting Act* also

- protected CBC's "journalistic, creative and programming independence" (s. 35(2); 52(1)), and
- gave CBC the right to not submit information to Treasury Board, the Minister of Canadian Heritage and/or the Minister of Finance if that information "could reasonably be expected to compromise or constrain" CBC's journalistic or programming independence (s. 52(2)).

Yet these protections of CBC's independence are essentially meaningless: their breach cannot easily be determined, and the *Broadcasting Act* does not in any event clearly establish where responsibility for identifying and addressing such breaches lies. (While section 5(1) of the *Act* states that the CRTC's role is to "regulate and supervise all aspects of the Canadian broadcasting system with a view to implementing the broadcasting policy set out in subsection 3(1)", subsection 3(1) falls under Part I of the *Act* – meanwhile the explicit protections of CBC's independence appear in Part III.)

The process through which a government grants or requires changes to CBC's budget requests before presenting those requests to Parliament is not transparent; the process by which government changes Parliament's appropriations to CBC for its operations or capital projects is just as obscure.

As public funding for CBC's operations has been decreasing for 34 years and it often operates at a loss CBC may now be more rather than less dependent on its Parliamentary appropriations – and on the Federal government not to reduce those appropriations once granted.

If it is worth having a national public broadcaster, is it worthy ensuring that it is trustworthy?

5. CBC's Annual Reports do not permit its legislative mandate to be evaluated

CBC's most recent *Annual Reports* provide no objective information on how CBC is meeting its mandate under section 3 of the *Broadcasting Act*. In terms of what CBC broadcasts, for example, the 140 or so pages in the 2019 *Annual Report* include just six mentions of the word, "hours", of which only three even describe programming carried on CBC's English-language and French-language radio, television and online programming services - and even then, without mentioning precise amounts of this programming. Yet CBC has collected this information for decades, and is still required to collect it for regulatory purposes; it provides the CRTC with monthly lists of the programs it broadcasts on each of its television services.

The fact that CBC's reports do not provide ongoing and historical overviews of the programming it provides in and outside Canada erodes trust in the Corporation's willingness to report accurately. It also limits confidence that it is meeting both its mandate and its duty to ensure it uses public funding responsibly.

CBC should be required to report annually on the programming that it produces each year, on the original and repeat hours of programming that it broadcasts, and the communities that it serves.

If it is worth having a public broadcaster, is it worth ensuring that it provides the information needed for its evaluation?

I The purpose of this report

1. The Forum for Research and Policy in Communications (FRPC) is a not-for-profit organization established in 2013 to undertake research and policy analysis of electronic communications issues in Canada. As part of its core principles the Forum seeks to ensure that the objectives for Canada's electronic communications system set out in Parliament's broadcasting and telecommunications statutes are met; one of these objectives establishes a national public broadcaster whose programming reflects the needs and interests of Canadians.
2. This paper presents research undertaken by the Forum in 2019 on the public funding received by Canada's national public broadcaster – the Canadian Broadcasting Corporation or CBC – for its operations since it was established by Parliament 83 years ago² to “carry on a national broadcasting service within the Dominion of Canada”.³ In the decades since its establishment CBC has raised strong feelings that in turn have triggered many studies of or involving the Corporation – at least 46 since 1938, roughly one study every two years (see Appendix 1).
3. In mid-2018 the federal government announced another study involving CBC. The Broadcasting and Telecommunications Legislative Review (BTLR) panel appointed by the Minister of Canadian Heritage and the Minister of Innovation, Science and Economic Development in June 2018 was asked to determine whether legislation change is required. (The Forum made a written submission to the BTLR panel.⁴)
4. The BTLR panel was expected to publish its report on Canada's communications legislation in January 2020, and will likely respond to six questions about CBC included in the panel's terms of reference:

13.1 How should the mandate of the national public broadcaster be updated in light of the more open, global, and competitive communications environment?

13.2 Through what mechanisms can government enhance the independence and stability of CBC/Radio-Canada?

13.3 How can CBC/Radio-Canada play a role as a leader among cultural and news organizations and in showcasing Canadian content, including local news?

13.4 How can CBC/Radio-Canada promote Canadian culture and voices to the world, including on the Internet?

13.5 How can CBC/Radio-Canada contribute to reconciliation with Indigenous Peoples and the telling of Indigenous stories by Indigenous Peoples?

² The Canadian Broadcasting Corporation was first established in the 1936 *Canadian Broadcasting Act*, 1 Edw. 8, c. 24.

³ *Ibid.*, s. 8.

⁴ “Canadian Communications 3.0: Moving to the future”, <http://frpc.net/wp-content/uploads/2019/01/FRPC-11-Jan-2019-1.pdf>.

13.6 How can CBC/Radio-Canada support and protect the vitality of Canada's official languages and official language minority communities?⁵

5. The single question that the Ministers did not explicitly ask the BTLR panel is how much money is required for CBC to perform the mandate either now assigned to it by Parliament in the 1991 *Broadcasting Act*, or in any new legislation considered by Parliament in the future.
6. Reluctance to ask how much money CBC needs to do its job well, adequately or poorly, may stem from polite social convention in Canada that public discussions of income are inappropriate. Or it may flow from a disdain for discussing money in the context of broadcasting which was evident over half a century ago when the report of a federal committee on broadcasting commented that "The only thing that really matters in broadcasting is program content; all the rest is housekeeping."⁶
7. In reality, money matters. The best housekeeper in the world will find it challenging – if not impossible – to keep house without money,⁷ even if they work for free: cleaning supplies and tools all cost money.
8. Questions about the funding required for CBC will arise whether the BTLR panel expressly addresses CBC's funding or not, for three reasons. First, if the panel recommends continuation of CBC, Parliament will need to consider 21st century approaches to funding the organization. It must know how much money it needs to fulfill its constitutional requirements,⁸ and Members of the House of Commons⁹ must understand how much money to collect from taxpayers, where that money should be allocated and whether its allocations have achieved their stated or unstated purpose. This analysis of the CBC's public funding for its operations since 1936/37 may provide context for Parliamentarians.
9. Second, in November 2019 the Canadian Radio-television and Telecommunications Commission (CRTC) announced it would hear CBC's applications to renew its licences in 2020.¹⁰ The CRTC has

⁵ Innovation, Science and Economic Development Canada, "Terms of Reference", <https://www.ic.gc.ca/eic/site/110.nsf/eng/00001.html>.

⁶ Committee on Broadcasting, *Report*, (Ottawa: Queen's Printer, 1965) at 3 [Fowler Committee].

⁷ This perspective was also expressed in 1995 – see Mary Vipond, "Financing Canadian Public Broadcasting", *Historical Journal of Film, Radio and Television*, Vol 15, No. 2 (1995), at 285.

⁸ *Constitution Act, 1867*, s. 91(1A) gives Parliament responsibility for "The Public Debt and Property", and s. 91(3), gives its responsibility for "The raising of Money by any Mode or System of Taxation". While provincial legislatures may also introduce direct taxes, their authority is limited to "Direct Taxation with the Province in order to the raising of a Revenue for Provincial Purposes" (s. 92(2)).

⁹ S. 53: "Bills for appropriating any Part of the Public Revenue, or for imposing any Tax or Impost, shall originate in the House of Commons."

¹⁰ *Notice of Hearing*, Broadcasting Notice of Consultation CRTC 2019-379 (Ottawa, 25 November 2019), https://crtc.gc.ca/eng/archive/2019/2019-379.htm?_ga=2.24159994.1729326374.1575563546-2010339624.1569252156. The CRTC's public hearing is scheduled to begin 25 May 2019; interventions with respect to CBC's licence renewal applications are due at the CRTC by 13 February 2020.

said that it intends to address the financial resources allocated by CBC to the production of Canadian programming.¹¹

10. Third, irrespective of the work by the Broadcasting and Telecommunications Legislative Review panel and the CRTC, researchers often need information about the history of Canada's cultural institutions.
11. Unfortunately, relatively little historical information is readily available about CBC's funding. While its *Annual Reports* provide the most detail about its financial position from one year to the next, only 18 (21%) of the 83 reports that it has published from 1936/37 to 2018/19 are available online.¹² None provides a complete historical overview of CBC's finances; most offer a comparison of the previous two to five years.
12. The purpose of this research paper is to provide and analyze data about CBC's public funding since its establishment. The remainder of this introduction places CBC in historical context. It then discusses CBC in terms of its enabling legislation, and in terms of the concept of 'funding'. Part II describes and discusses the funding of CBC over its history, while Part III summarizes the research findings and offers conclusions.

A. Historical context of CBC

13. In 1936 Canada had just gained its legislative independence from the United Kingdom,¹³ and consisted of nine provinces, not ten (Newfoundland joined Confederation in 1949¹⁴) and two territories (Nunavut was established in 1999). The TransCanada highway did not exist,¹⁵ and while aviation was enabling southerners' exploration of the North, a national airline was not created until 1937.¹⁶ The first, around-the-world telephone call had only been made the previous year,¹⁷ and Federal jurisdiction over broadcasting had just been settled in 1932.

¹¹ NPH 2019-379 at para. 20: "... [t]he Commission is of the view that the Corporation should: ... contribute financially to the production of Canadian programming; ..."

¹² Being the reports issued from 2001/02 to 2018/19: <https://cbc.radio-canada.ca/en/impact-and-accountability/finances/annual-reports>.

¹³ Through the 1931 *Statute of Westminster*.

¹⁴ 31 March 1949, just before midnight.

¹⁵ The *Trans-Canada Highway Act* had just been enacted in 1935; the highway remained incomplete until 3 September 1962: David W. Monaghan, "Canada's 'New Main Street': The Trans-Canada Highway as Idea and Reality, 1912-1956", MA thesis (University of Ottawa: 1996), <http://www.collectionscanada.gc.ca/obj/s4/f2/dsk2/ftp04/mq20980.pdf>, at 1.

¹⁶ Wikipedia, "History of aviation in Canada", https://en.wikipedia.org/wiki/History_of_aviation_in_Canada (accessed 8 November 2019):

After the [first world] war, aircraft turned from an expensive novelty into a vital transportation tool, particularly useful in exploration and development of Canada's North. Canadians who had served with the RAF put their acquired aviation skills to peacetime use. Aviation was applied to the task of tying together far-flung communities in the North, and to gather information on the natural resources of the country. Aircraft were as important to opening up the North as the railway was to opening the West in the previous century. Between the wars many small regional airlines were founded. A lack of national transportation policy delayed the creation of a national carrier until the foundation of the government-subsidized Trans Canada Airlines (now Air Canada) in 1937.

¹⁷ FCC, "May 1993: History of Wire and Broadcast Communication", <http://www.fcc.gov/cgb/evol.html>.

Telephones were wired to walls and did not take pictures, television was a recently invented novelty treated as an experiment,¹⁸ and while partly imagined there was no Internet.¹⁹

14. First demonstrated in 1906,²⁰ broadcasting²¹ – then radio only – was still the ‘new medium’ of its era, the first to allow large numbers Canadians to communicate with each other without wires over great distances.²² It was generally live – recording equipment was limited – and was immediately popular: like the rest of the world, the Canadian economy was still emerging from the Great Depression that began in 1929. For many, radio broadcasts were not simply a novelty, but an important source of inexpensive information and entertainment – important enough that they were willing to pay for an annual licence to have a radio set in their homes.
15. What many Canadians near the border with the United States heard, was American radio. At that time usable radio frequencies were scarce²³ and despite agreements reached at several international conferences,²⁴ the frequencies assigned to Canada by international treaty were being appropriated by other countries.²⁵ American radio broadcasters occupied ‘clear’ radio

¹⁸ CBC, *Annual Report 1936-1937*, at 8: “... television licences will be recommended for experimental purposes only to applicants financially able to conduct research.”

¹⁹ In 1863 author Jules Verne wrote *Paris au XXe siècle*, in which he imagines “a network somewhat resembling the Internet (described as sophisticated electrically powered mechanical calculators which can send information to each other across vast distances)” – see Wikipedia, “Paris in the Twentieth Century”, https://en.wikipedia.org/wiki/Paris_in_the_Twentieth_Century.

²⁰ The first use of wireless telegraphy – the necessary precursor to radio – was made from Signal Hill in Newfoundland in December 1901, by Italian Guglielmo Marconi, who had received financial support from the Canadian government to pursue his research: Wade Rowland, *Spirit of the Web: The Age of Information from Telegraph to Internet*, (Toronto: Key Porter Books, 1999), “Some Milestones in Communications Technology” (np.) at 121.

Reginald Fessenden, a Canadian, first transmitted the sound of a human voice on 23 December 1900: Ormond Raby, *Radio's First Voice, the Story of Reginald Fessenden*, (MacMillan and Company, Toronto: 1970) at 87. Mr. Fessenden later transmitted the sounds of voices and music to ships at sea, on 24 December 1906: “An Unsung hero: Reginald Fessenden the Canadian inventor of radio telephony”, https://www.ieee.ca/millennium/radio/radio_unsung.html#:~:targetText=On%20December%2024%2C%201906%2C%20at,of%20the%20broadcast%20was%20Fessenden (accessed 8 November 2019).

²¹ A term adapted from agriculture, meaning ‘to sow seeds’: Brian Winston, *Media Technology and Society A history: from the telegraph to the Internet*, (London: Routledge, 1998) at 77.

²² Telegraphy and telephony at that time each required wire line connections.

²³ In 1929, the Manager of the Trans-Canada Broadcasting Company “complained that sardines had a better time in a tin than most broadcasters had in Canada’s share of the broadcast band. Seventy-four Canadian stations were jammed on seventeen channels, eleven of which were shared with the United States.” Frank Foster, *Broadcasting Policy Development*, (Frank Foster Communications Ltd.: 1982), at 25.

²⁴ Although the first and second Radio Conventions took place in Berlin, Germany in 1903 and 1906, respectively, the first one to deal with ‘radio’ as we use it today was the International Radio Telegraph Convention, held in London, England in 1912. *Ibid.*, at 1 and 3. Even then, by 1912, radio was primarily used in ship-to-ship and ship-to-shore communications. *Ibid.*, at 9. The first conference to deal with new uses of radio frequency spectrum happened in 1927, in Washington, and was marked by Canada’s insistence on its right to vote independently from Great Britain. *Ibid.* at 21.

²⁵ During the 1920s the “lack of effective controlling legislation over American operators and of an equitable international agreement” between Canada and the United States left Canadian channels subject to continual invasion and appropriation. With 680,000 watts in combined power, the U.S. stations by 1932 “were ... better

channels reserved for Canada and operated with higher power literally creating such interference by broadcasting with such strength that they drowned out their Canadian counterparts.²⁶

16. Concerns over national sovereignty and the control of radio broadcasting were raised in the House of Commons. In 1928 one member warned that it would be

... only a comparatively short time before [Canada's] small broadcasting stations will be bought up by big American companies. I may be afraid of handing power to any one government, but I would rather trust our own Canadian government with the control of

financed and a great deal more powerful than their Canadian counterparts [with 50,000 watts in combined power in 1932].” Negotiations between the two countries over channel allocations broke down by 1928. D. Ellis, *Evolution of the Canadian Broadcasting System: Objectives and Realities, 1928-1968* (Ottawa: Department of Communications, 1979) at 1-2.

The negotiations appeared to have ended because the United States representatives in the negotiations demanded a division “based primarily on the relative populations of the two countries”, a proposal that Canada's representatives did not accept. *House of Commons Debates* (31 March 1930) at 1086 (Mr. Cardin). Apparently Canada had originally sought use of 12 channels to serve an area 3,000 miles long and 600 miles wide, while the U.S. had proposed that Canada should accept fewer than 6 exclusive channels, possibly only 4. *Broadcasting Policy Development, supra* note 23 at 16-17 and 22.

Money and wattage aside, the US courts had earlier decided that American stations that used Canadian channels without licensing authority were not guilty of “air piracy” because ambiguity in the American *Wireless Telegraph Act* left the U.S. Secretary of Commerce unable to deny licence applications or to assign specific channels to individual radio stations. As a result, “U.S. stations were free to occupy other Canadian ‘clear’ channels – which they did.” *Ibid.* at 14. Even “repeated warnings from the [U.S.] government and ... personal appeals from members of the President’s Cabinet that national good faith and international goodwill were at stake” did not dissuade private American broadcasters from continuing to appropriate Canadian frequencies. *Ibid.* at 17.

In 1937 Canada organized the Havana Conference; its attendees (including the United States, Mexico and Cuba as well as other countries in the Americas) agree on the allocation of radio frequencies to reduce interference. “The CRTC’s Origins” online: CRTC homepage <<http://www.crtc.gc.ca/eng/BACKGRND/Brochures/B19903.htm>>. (date accessed 2 November 2002). Yet lack of control over Canadian airwaves continued until 1938: by then, American broadcasters unable to secure wave lengths in the United States had “simply moved over to Mexico and established high-power stations there using exclusive Canadian channels. The result [was] that not one of the six channels allotted to [Canada] [was] free from interference from Mexican sources.” *House of Commons Debates* (8 February 1938) at 246 (Mr. Howe).

²⁶ *Ibid.* Interference also arose from local sources, and in response to complaints from members of the audience the Department of Marine employed inspectors across Canada to locate and minimize the interference. See e.g. Canada, *Debates of the House of Commons*, 17th Parliament, 3rd Session, Volume 2, 8 April 1932, at 1844 (Mr. Pouliot), http://parl.canadiana.ca/view/oop.debates_HOC1703_02/725?r=0&s=1:

... I have been told that the dispensing with the services of thirty-seven of these inspectors is under consideration. The Canadian people do not complain so much of paying a licence fee of two dollars instead of one dollar, but I do submit that they are entitled to receive just as good service when they are paying a two dollar fee as when they were paying one dollar. If there is not a good inspection service, interference may be continuous, with no one to stop it, and the last little trouble may sometimes cause the reception to be such that a radio is not worth listening to

At the time, the inspectors lacked legal authority to order changes to equipment causing interference.

broadcasting than trust those highly organized commercial companies in the United States.²⁷

17. In late 1928 the Federal government appointed a Royal Commission on Radio Broadcasting to “examine into the broadcasting situation in the Dominion of Canada and to make recommendations to the Government as to the future administration, manage, control and financing thereof.”²⁸ The Royal Commission found, among other things, that

[a]t present the majority of programs heard are from sources outside of Canada. It has been emphasized to us that the continued reception of these has a tendency to mould the minds of the young people in the home to ideals and opinions that are not Canadian. In a country of the vast geographical dimensions of Canada, broadcasting will undoubtedly become a great force in fostering a national spirit and interpreting national citizenship.

...²⁹

18. Concerns about sovereignty and broadcasting were based on reality. Apart from American broadcasters' use of Canadian broadcasting frequencies, in 1930 the President of the National Broadcasting Company (NBC) in the United States said that

[t]here was a deliberate effort by American broadcasters to serve Canada ... [He] pointed out that the provision of service from the United States to Canada had the effect of making the boundary between the two countries invisible or non-existent. The American broadcasters were laying claim to Canada, by network connections to Canadian stations and by direct broadcasts, as an area for them to serve. ... The [Federal Radio] Commission informed Congress that American stations were serving Canada. It informed Canadian officials that Canada did not need broadcasting stations to relay U.S. network programs when the programs could be received direct from U.S. stations.³⁰

19. CBC's establishment in 1936 met serious political goals: to promote national unity, to safeguard spectrum as a natural resource and to use the resource in the national public interest. Parliament's subsequent statutes expanded CBC's mandate, referring to the Corporation more succinctly, as “the national broadcasting service” in 1968.³¹
20. Over time the roles set by Parliament for CBC have changed. In 1936, Parliament expected the Corporation to build Canada's national broadcasting system, provide programming, authorize

²⁷ *House of Commons Debates* (31 May 1928) at 3622 (Mr. Woodsworth).

²⁸ Royal Commission on Radio Broadcasting, *Report* (Ottawa, September 1929).

²⁹ *Ibid.*

³⁰ *Broadcasting Policy Development*, *supra* note 23 at 25. It is somewhat ironic that while many Americans (and some Canadians) were (and perhaps still are) critical of the Canadian's government's desire to ensure Canadian control over Canadian broadcasting, almost no attention has been paid to the fact that in 1919 the U.S. government effectively pressured the British Marconi Company – then owner of over half of America's radio stations – to sell its U.S. interests due to the government's belief that the radio medium should be ‘locally’ controlled (i.e., by Americans). <<http://www.ipass.net/~whitetho/part2.htm>>; *Media Technology*, *supra* note 102 at 77.

³¹ 1968 *Broadcasting Act*, s. 2(f): “It is hereby declared that ... there should be provided, through a corporation established by Parliament for the purpose, a national broadcasting service that is predominantly Canadian in content and character;”

private broadcasters to operate and set regulations for those operations.³² In 1958 Parliament transferred CBC's licensing and regulatory authority to the Board of Broadcast Governors (BBG), required CBC to operate a national broadcasting service,³³ and stated that CBC was "bound by the provisions" related to the BBG.³⁴ The 1968 *Broadcasting Act* replaced the BBG with the Canadian Radio-Television Commission,³⁵ continuing to bind CBC "by the provisions" related to Parliament's broadcasting policy for Canada and the powers of the CRTC.³⁶

B. CBC| Radio-Canada in 2020

21. The current (1991) *Broadcasting Act* has three parts, and describes CBC as "the national public broadcaster" in Part I. CBC's structure, powers and objects are set out in Part III. The Corporation consists "of those directors who from time to time compose the Board",³⁷ up to a maximum of 12 Canadians³⁸ who are appointed to the Board by Cabinet³⁹ for renewable terms of up to 5 years.⁴⁰

1. Canada's 'national public broadcaster'

22. Parliament's broadcasting policy for Canada declares that CBC ought to ("should", rather than 'shall') provide radio and television services that offer programming:

3(1)(l) the Canadian Broadcasting Corporation, as the national public broadcaster, should provide radio and television services incorporating a wide range of programming that informs, enlightens and entertains;

23. Parliament described the programming that CBC ought to ("should", not 'shall') provide:

3(1)(m) the programming provided by the Corporation should

- (i) be predominantly and distinctively Canadian,
- (ii) reflect Canada and its regions to national and regional audiences, while serving the special needs of those regions,
- (iii) actively contribute to the flow and exchange of cultural expression,

³² *Canadian Broadcasting Act, 1936*, 1 Edw. 8, c. 24 (as am. 1951), s. 8 ("No private station shall operate in Canada as a part of a chain or network of stations except with the permission of, and in accordance with the regulations made by, the Corporation").

³³ *1958 Broadcasting Act*, s. 10 ("The Board shall Regulate the establishment and operation of networks of broadcasting stations, the activities of public and private broadcasting stations in Canada"); s. 29(1) ("The Corporation is established for the purpose of operating a national broadcasting service").

³⁴ S. 29(2).

³⁵ In 1976 the *Canadian Radio-television and Telecommunications Act* changed the full name of the CRTC, to reflect its new responsibilities for telecommunications, formerly exercised by the Telecommunications Committee of the Canadian Transport Commission.

³⁶ *1968 Broadcasting Act*, s. 39(3).

³⁷ *1991 Broadcasting Act*, s. 36(1).

³⁸ S. 38(1).

³⁹ S. 36(2).

⁴⁰ S. 36(3). Note, however, that Directors may only be re-appointed once, unless they are appointed as CBC' Chairperson or President (s. 36(4)).

(iv) be in English and in French, reflecting the different needs and circumstances of each official language community, including the particular needs and circumstances of English and French linguistic minorities,

(v) strive to be of equivalent quality in English and in French,

(vi) contribute to shared national consciousness and identity,

(vii) be made available throughout Canada by the most appropriate and efficient means and as resources become available for the purpose, and

(viii) reflect the multicultural and multiracial nature of Canada;

(n) where any conflict arises between the objectives of the Corporation set out in paragraphs (l) and (m) and the interests of any other broadcasting undertaking of the Canadian broadcasting system, it shall be resolved in the public interest, and where the public interest would be equally served by resolving the conflict in favour of either, it shall be resolved in favour of the objectives set out in paragraphs (l) and (m);

24. CBC must provide an international service⁴¹ and any other broadcasting operation that Cabinet may direct it to provide.⁴²

2. Services provided by CBC

25. CBC fulfills its legal mandate by making radio and television programming services available via broadcast transmitters and Internet service providers (ISPs). From the 1930s to the 1970s CBC broadcast its radio and television using transmitters installed on hundreds of towers and buildings across the country. In the 1980s CBC also began to lease satellite transponders to transmit and distribute programming; since the 2000s CBC has also broadcast its programming online.

26. The number of CBC programming services – different from the number of transmitters and stations operated by CBC – has grown over time (see Table 1), not only because Canadians wanted service or because of new technology (black-and-white television, colour television, FM radio), but also because of political change: after Newfoundland became part of Canada at the end of March 1949, CBC became responsible for the Broadcasting Corporation of Newfoundland on 1 April 1949.⁴³

Table 1 Services offered by CBC over time

Decade	CBC programming services at the beginning of the decade		
	Type of programming service	Conventional (over-the-air)	Discretionary services
1937-1939	Radio	8 radio stations	

⁴¹ S. 46(2).

⁴² S. 46(3): “The Corporation may ... Act as an agent of Her Majesty in right of Canada ... in respect of any broadcasting operations that it may be directed by the Governor in Council to carry out.”

⁴³ CBC, *Annual Report 1949-1950*, at 57: “... the CBC took over the facilities of the Broadcasting Corporation of Newfoundland. This absorption, together with a grant of \$200,000 [\$1.6 million 2002] from the Government of Canada, has resulted in an increase in Capital Surplus of \$361,675.88 [\$3.0 million 2002].”

Decade	CBC programming services at the beginning of the decade		
	Type of programming service	Conventional (over-the-air)	Discretionary services
		14 private radio affiliates ⁴⁴	
1940s	Radio Shortwave radio	10 radio stations ⁴⁵ 18 private radio affiliates ⁴⁶	
1950s	Radio Shortwave radio Television	18 AM radio stations 5 FM radio stations ⁴⁷ Trans-Canada Network ⁴⁸ Dominion Network ⁴⁹ French Network ⁵⁰ RCI ⁵¹ 85 private radio affiliates ⁵²	
1990s	Radio Television Discretionary services	65 radio stations AM & FM English-language and French-language radio networks 31 TV stations English-language and French-language TV networks RCI 12 private radio affiliates 28 private TV affiliates ⁵³ National Satellite Channel (House of Commons proceedings) ⁵⁴ Northern radio and TV service ⁵⁵	CBC Newsworld
2000s	Radio Television Discretionary services	88 radio stations 27 TV stations 2 TV networks (English-language and French-language) 1 "digital-only station" ⁵⁶ External service: RCI	CBC News Network RDI

⁴⁴ CBC, *Annual Report 1936-1937*, at 8.

⁴⁵ CBC, *Annual Report 1939-1940*, at 16, mentions the opening of "Stations CBA and CBK".

⁴⁶ *Ibid.*, at 19, mentions the addition of 4 private radio stations.

⁴⁷ CBC, *Annual Report 1949-50*, at 63.

⁴⁸ CBC, *Annual Report 1947-1948*, at 31:

The Trans-Canada network was composed of twenty-four basic and nine supplementary stations, the latter group being optional to sponsors. Eight of the basic stations are owned by the CBC and sixteen are privately owned.

⁴⁹ CBC, *Annual Report 1947-1948*, at 32:

The Dominion Network, composed of thirty basic and thirteen supplementary stations, was operated mainly during evening hours. The key station of the network is the CBC station CJBC Toronto, the rest being private stations. ...

⁵⁰ *Ibid.*, at 20.

⁵¹ *Ibid.*, at 48 (the "International Service").

⁵² *Ibid.*, at 42.

⁵³ CBC, *Annual Report 1990-1991*, at 25 ("CBC Stations and Rebroadcasters").

⁵⁴ *Ibid.*, at 22.

⁵⁵ *Ibid.*, at 19.

⁵⁶ CBC, *Annual Report 2018-2019*, at 11.

Decade	CBC programming services at the beginning of the decade		
	Type of programming service	Conventional (over-the-air)	Discretionary services
2010s	Radio Television Discretionary services Online services	37 radio stations & 16 news bureaux 27 TV stations cbc north RCI – online, digital and analog shortwave, satellite and partner stations worldwide (broadcast service ends 2012)	CBC News Network RCI plus (7 languages) via Sirius Satellite Radio Premiere plus – Sirius Sportsextra - Sirius CBC News Network bold documentary CBC.ca Radio-canada.ca (online) RDI ARTV Tout.tv (on demand web TV) Artv (arts and culture) Espace jazz (online) Espace monde (online)
2019	Radio Television Discretionary services Online services	88 radio stations 4 radio networks(English-language AM and FM; French-language AM and FM) 27 TV stations 2 TV networks (English-language and French-language) 1 “digital-only station” ⁵⁷	5 discretionary TV services: CBC News Network RDI bold documentary ARTV Cbcbooks.ca ICI Musique CBC Radio 3 CBC Music Sonica Cbcsports.ca Cbcnews.ca CBC.ca Gem RCInet.ca (5 languages – English, French, Spanish, Arabic and Mandarin) ⁵⁸ Curio.ca Tou.tv ICI Radio-Canada Télé CBC News Express / RDI Express Cbcmusic.ca

⁵⁷ CBC, *Annual Report 2018-2019*, at 11.

⁵⁸ CBC, *Annual Report 2018-2019*, at 10.

Decade	CBC programming services at the beginning of the decade	
	Type of programming service	Conventional (over-the-air) / Discretionary services
	<p>OUR SERVICES</p> <p>We pay special attention to the needs and reflection of Canada’s Indigenous peoples. Moreover, we offer programming in eight Indigenous languages (Chipewyan, Cree, Gwich’in, Inuktitut, Inuvialuktun, North Slavey, South Slavey and Tlicho) via CBC North. We offer six channels of CBC/Radio-Canada content across North America through a partnership with SiriusXM Satellite Radio. We also join forces with other francophone public broadcasters to broadcast French Canadian content internationally through TV5MONDE.</p>	

27. In addition to the radio and television services required by Parliament’s broadcasting legislation, successive Canadian governments have also directed CBC to take on responsibility for the operation of Canada's overseas shortwave radio service (1942), the Northern Service (1958) and the Parliamentary services (1977) known as CPaC.⁵⁹ CBC has generally been at the leading edge of new technologies, including the establishment of television, satellite transmission and distribution, digital broadcasting and program production. It has also participated in many international associations. Finally, in addition to the services it is mandated to provide, CBC also rents and sells its facilities, sells its services and sells its programs.

3. Licensing and regulation of CBC

28. As it is an offence to broadcast in Canada without a licence⁶⁰ CBC holds broadcasting licences for its radio and television programming services; no broadcasting licences are yet required for its online services.⁶¹

⁵⁹ CPaC has been operated by members of Canada’s broadcast distribution sector since the early 1990s: see *Cable Parliamentary Channel Inc./La Chaîne parlementaire par câble Inc.*, Broadcasting Decision CRTC 93-635 (Ottawa, 29 September 1993), <https://crtc.gc.ca/eng/archive/1993/db93-635.htm>.

⁶⁰ S. 32(1).

⁶¹ The CRTC has exempted all online programming services from regulation since 1999: *Exemption order for new media broadcasting undertakings*, Public Notice CRTC 1999-197 (Ottawa, 17 December 1999), <https://crtc.gc.ca/eng/archive/1999/pb99-197.htm>, as amended from time to time.

29. CBC is licensed and regulated by the CRTC, a quasi-judicial tribunal that also licenses and regulates all other Canadian broadcasting services.⁶² Though it can and has exercised supervisory authority over CBC's programming activities through licensing, conditions of licence and its regulations, the CRTC has no authority with respect to CBC's funding.⁶³
30. CBC's legal status as Canada's national public broadcaster confers a few regulatory privileges. The *Act* requires the CRTC to resolve conflicts between the objectives set out by Parliament for the CBC and the interests of any other broadcaster "in the public interest",⁶⁴ for example, and CBC is exempted from the general requirement for broadcasters to pay licence fees.⁶⁵
31. CBC is still subject to some of the CRTC's powers. While the CRTC is not required to grant CBC's applications for licences⁶⁶ and may neither suspend nor revoke CBC's licence without CBC's agreement,⁶⁷ the *Act* does not require the CRTC to grant CBC's applications to renew⁶⁸ or amend⁶⁹ its broadcast licences. The *Act* also empowers the CRTC to set conditions on CBC's licences which the CRTC "deems consistent" with the provisions in sections 3(1)(l) and (m).⁷⁰ If the CRTC proposes to impose conditions on CBC's licences, however, CBC may request a

⁶² The CRTC is prohibited from licensing or regulating non-Canadian programming services by s. 2 of the *Direction to the CRTC (Ineligibility of Non-Canadians)*, SOR/97-192, which the Federal Cabinet directs the CRTC "that no broadcasting licence may be issued, and no amendments or renewals thereof may be granted, to an applicant that is a non-Canadian."

⁶³ The CRTC's powers in broadcasting are set out in the *Canadian Radio-television and Telecommunications Commission Act*, R.S.C. 1985, c. C-22, as am., as well as the *Broadcasting Act*. The CRTC does have the authority, however, to issue broadcasting licences to CBC to enable it to charge subscribers monthly fees: see e.g. Decision CRTC 87-904 (Ottawa, 1 December 1987), <https://crtc.gc.ca/eng/archive/1987/db87-904.htm>, that permitted CBC to launch CBC Newsworld for a monthly wholesale rate ranging from \$0.25 to \$0.40 per subscriber (depending on the total number of subscribers).

⁶⁴ 3(1)(n):
where any conflict arises between the objectives of the Corporation set out in paragraphs (l) and (m) and the interests of any other broadcasting undertaking of the Canadian broadcasting system, it shall be resolved in the public interest, and where the public interest would be equally served by resolving the conflict in favour of either, it shall be resolved in favour of the objectives set out in paragraphs (l) and (m);

⁶⁵ S. 11(3), referring to the licence fee provisions of s. 11(1).

⁶⁶ The CRTC denied CBC's first application for a French-language television discretionary service, for example: *Canadian Broadcasting Corporation*, Decision CRTC 89-599 (Ottawa, 25 August 1989), <https://crtc.gc.ca/eng/archive/1989/db89-599.htm>.

⁶⁷ S. 24(2).

⁶⁸ The CRTC sometimes revokes licences, but also denies applications to renew licences. See e.g. *CHSC St. Catharines – Non-renewal of licence*, Broadcasting Decision CRTC 2010-533 (Ottawa, 30 July 2010), <https://crtc.gc.ca/eng/archive/2010/2010-533.htm>.

⁶⁹ *Canadian Broadcasting Corporation*, Decision CRTC 97-575, (Ottawa, 2 October 1997), <https://crtc.gc.ca/eng/archive/1997/db97-575.htm>.

⁷⁰ 9 (1) Subject to this Part, the Commission may, in furtherance of its objects,

...

(b) issue licences for such terms not exceeding seven years and subject to such conditions related to the circumstances of the licensee

...

(ii) in the case of licences issued to the Corporation, as the Commission deems consistent with the provision, through the Corporation, of the programming contemplated by paragraphs 3(1)(l) and (m)

consultation with the CRTC before hand and may then also refer the proposal to the Minister of Canadian Heritage for consideration.⁷¹

4. Financing CBC

32. The current *Broadcasting Act* sets out financial provisions for CBC in sections 52 to 71.⁷² (Of these 19 sections, 8 have been repealed in whole.) Overall, CBC submits its proposed annual budget to the Minister of Canadian Heritage, and subsequently amends its proposals in line with the budget that is actually granted by Parliament to the Corporation.
33. The budgeting process requires CBC, among other things,⁷³ to submit
- a corporate plan to the Minister of Canadian Heritage every year (s. 54(1)) which (among other things) includes
 - Its objectives for the next five years
 - Its year-by-year strategies for achieving those objectives
 - Its performance for the year in which the plan is submitted, compared to the previous year's objectives
 - its capital and operating budgets for the next year, and
 - its borrowing plans and strategies if it plans to borrow money in the coming year
 - a summary of its corporate plan, to the Minister of Canadian Heritage, modified to take into account the financial resources proposed for CBC in the government's Estimates (and which the Minister must 'lay before' the House of Commons and the Senate)
 - Any borrowing plans for the following year
 - "such reports of the financial affairs of the Corporation" as are required by the Minister of Canadian Heritage,
 - An annual report on its operations, to the Minister of Canadian Heritage and President of Treasury Board, to be laid before the House of Commons, the Senate and any of their committees reviewing CBC's business and activities, and including
 - CBC's financial statements
 - The report of the Auditor General of Canada
 - A statement of the degree to which CBC has met its objectives for the financial year, and
 - Quantitative information about CBC's performance.
34. The information that CBC provides must be prepared according to Treasury Board regulations,⁷⁴ and the Corporation is audited by the Auditor General of Canada.⁷⁵ While CBC is required to submit information to the Ministers of Canadian Heritage and Finance, the *Act* then also grants

⁷¹ S. 23(2). The Minister may then issue a directive to the CRTC with respect to the condition: ss. 23(3) and (4).

⁷² Of these 20 sections,

⁷³ See also s. 54(3)(a)(i) [statement of CBC's objects], s. 54(5) [notification of inconsistencies with last plan], s. 54(6) [business and activities of CBC and its subsidiaries], s. 54(7) [information about major business activities, subsidiaries]; s. 55(2) [summary details]; s. 55(3) [form of summary]; s. 55(5) [summary permanently referred to Parliamentary committees]; s. 70 [notification when CBC acquires or no longer has a subsidiary].

⁷⁴ S. 56.

⁷⁵ S. 61.

Treasury Board the power to “approve any item in a capital budget ... for any financial year or years following the financial year for which the budget is submitted.”⁷⁶

35. The 1991 *Act* empowers CBC to borrow money by any means with the approval of the Minister of Finance,⁷⁷ without apparently requiring the approval of the Minister of Canadian Heritage. The Minister of Finance may also lend CBC up to \$220 million “on such terms and conditions as that Minister may fix”, using “the Consolidated Revenue Fund”.⁷⁸ Parliament may also approve CBC's borrowing of more than \$220 million.⁷⁹
36. As a Crown Corporation, CBC's assets belong to Canada.⁸⁰

5. Independence of CBC

37. When it enacted the 1991 *Broadcasting Act* Parliament was clearly concerned about freedom of expression and journalistic independence in broadcasting. The *Act* begins with the stipulation that it “shall be construed and applied in a manner that is consistent with the freedom of expression and journalistic, creative and programming independence enjoyed by broadcasting undertakings.”⁸¹
38. Parliament then emphasized the independence of CBC in particular. Part III of the *Act*, which deals solely with CBC, begins by saying that this Part “shall be interpreted and applied so as to protect and enhance the freedom of expression and the journalistic, creative and programming independence enjoyed by the Corporation in the pursuit of its objects and in the exercise of its powers.”⁸² In describing CBC's objects and powers the *Act* reaffirms that the Corporation “shall, in the pursuit of its objects and in the exercise of its powers, enjoy freedom of expression and journalistic, creative and programming independence.”⁸³
39. Finally, the *Act* states that none of the sections dealing with CBC's finances “shall be interpreted or applied so as to limit the freedom of expression or the journalistic, creative or programming independence enjoyed by the Corporation in the pursuit of its objects and in the exercise of its powers.”⁸⁴ It goes on to say that CBC is not required to submit any information to Treasury Board, to the Minister of Canadian Heritage or to the Minister of Finance “any information the provision of which could reasonably be expected to compromise or constrain the journalistic, creative or programming independence of the Corporation”.⁸⁵

⁷⁶ S. 54(8).

⁷⁷ S. 46.1(1).

⁷⁸ S. 46.1(2); s. 46.1(3)(a).

⁷⁹ S. 46.1(3)(b).

⁸⁰ S. 47(3): “Property acquired by the Corporation is the property of Her Majesty and title thereto may be vested in the name of Her Majesty or in the name of the Corporation.”

⁸¹ S. 2(3).

⁸² S. 35(2).

⁸³ S. 46(5).

⁸⁴ S. 52(1) (“Independence of the Corporation.”).

⁸⁵ S. 52(2).

C. What does “funding” mean in the context of CBC?

40. ‘Funding’ is a deceptively simple term. It traces back to the Latin noun, *fundus*, meaning ‘foundation’⁸⁶ – a concept that implies a structure with some degree of permanency. In thinking about CBC, however, ‘funding’ relates both to the work that creates long-lasting foundational value (such as recorded audio-visual content, transmission systems and buildings), as well as the services to manage, produce, create, acquire and distribute live or recorded audio-visual content that is broadcast hourly, daily, weekly or at special times.
41. In other words, CBC needs funding both to create works of enduring value, and to support day-to-day operations – generally captured today by the terms, ‘capital costs’ and ‘operating costs’. CBC’s *Annual Reports* have always distinguished between operating and capital expenses.
42. As for sources of funding, CBC’s annual reports have generally identified a number of funding sources. CBC’s first *Annual Report* in 1937 referred to five sources – revenues from radio-set receiver licence fees, profits from commercial programs, loans, subventions and grants – without defining any of these terms:
- ... the Corporation operates on the proceeds of **licence revenue**, supplemented by **profits on commercial programs**. ... Although ... new construction may be financed by Government **loan**, there is no **subvention** or **grant** from public funds for either operating or capital account, the Corporation being self-sustaining.⁸⁷
43. The annual report for 1985 clarifies that “Parliamentary appropriations for operating expenditures are recorded as income” and then refers to eight types of funding, recorded across four different sections of the report (see **Error! Reference source not found.**Table 2):
- Parliamentary operating appropriations
 - Parliamentary capital appropriations
 - Parliamentary working capital appropriations
 - Papal visit appropriations
 - advertising income
 - miscellaneous income
 - investment income, and
 - income from disposing of assets.⁸⁸

⁸⁶ Online Etymology Dictionary, “fund (n.)”, <https://www.etymonline.com/word/fund>, accessed 26 August 2019:

fund (n.)

1670s, “a bottom, the bottom; foundation, groundwork,” from French fond “a bottom, floor, ground” (12c.), also “a merchant’s basic stock or capital,” from Latin fundus “bottom, foundation, piece of land,” from PIE root *bhudh- “bottom, base” (source also of Sanskrit budhnah, Greek pythmen “foundation, bottom,” Old English botm “lowest part;” see bottom (n.)). Meaning “stock of money or wealth available for some purpose” is from 1690s; sense of “store of anything to be drawn upon” is from 1704. Funds meaning “money at one’s disposal” from 1728.

⁸⁷ CBC, *Annual Report 1936-1937*, at 15.

⁸⁸ CBC, *Annual Report 1984-1985*, at 50.

Table 2 References to "funds" in CBC's 1984/85 Annual Report

"The Year in Brief"

4 sources of "Funds"
2 types of income
Page 3 – "Source of Funds"

Shown:
Parliamentary Operating Appropriations
Parliamentary Capital (net) appropriations
Advertising income
Miscellaneous income

"Financial Report"

3 sources of funds
2 types of earned income
Page 41 – "operating funds", "Capital funds", "Working capital funds"

Shown:
Operating funds
Parliamentary operating appropriations
Parliamentary appropriation for special host operations
Earned income (advertising, miscellaneous)
Carried-over appropriations
Capital funds
Parliamentary capital appropriations
Working capital funds

"Statement of Income and Expense and Operating Parliamentary Appropriations"

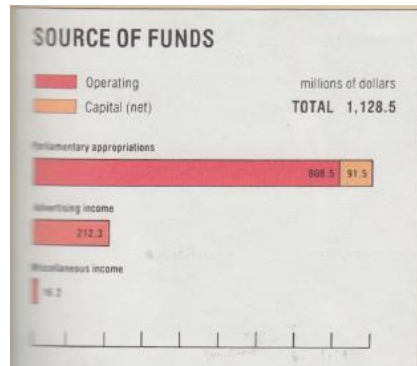
3 types of income
Page 45 – "Income ..."

Shown:
Income
Advertising
Miscellaneous
Parliamentary operating appropriations

"Statement of Changes in Financial Position"

8 sources of funds
4 types of income
Page 48 – "Funds provided"

Shown:
Parliamentary appropriations
Operating Capital
Working capital
Papal visit
Advertising income
Miscellaneous income
Investments
Disposal of fixed assets



Source of operating funds – \$1,042.8 million

Parliamentary appropriations totalled \$808.5 million: \$799.5 million for general operating expenditures (an increase of 8.5% over the previous year's appropriation) and \$9.0 million for special host broadcaster operations for the papal visit.

The CBC itself earned income of \$228.5 million, 18.7% more than in 1983-84. It was made up of \$212.3 million in advertising income and \$16.2 million in miscellaneous income, and represented 21.9% of the Corporation's total operating funds.

Also available for this year's operations was \$5.8 million carried over from Parliamentary appropriations of previous years.

Application of operating funds

Total operating expense was \$1,100.6 million – 12.4% higher than in 1983-84. The increase was largely due to the cost of staff separations, increases in salaries, wages, talent fees and the costs of goods and services purchased by the CBC, together with the cost of operating new capital facilities.

Included in the total expense was \$48.0 million for items not requiring an outlay of funds, such as depreciation. Expense requiring an outlay of funds was therefore \$1,052.6 million. Operating funds totalled \$1,042.8 million, leaving a deficit of \$9.8 million to be carried forward.

Capital funds provided

The net Parliamentary appropriation for capital expenditures for 1984-85 was \$91.5 million, an increase of \$24.7 million over the previous year.

Capital expenditures:	(\$ millions)
Extension to the broadcasting service	26.3
Additions and replacements to plant and equipment	44.5
Consolidation of plant and facilities	3.7
Special recovery capital project program – one time	20.0
	94.5
Less: proceeds from disposal of assets	3.0
	91.5

Working capital funds

\$4.7 million in working capital was provided by a Parliamentary appropriation.

Statement of Income and Expense and Operating Parliamentary Appropriations

for the year ended March 31, 1985

	1985	1984
	(in thousands of dollars)	
Expense		
National Broadcasting Service program and distribution costs (See supporting Schedule A for details) (Note 13)	562,357	576,995
Radio Canada International, broadcasting service	15,079	15,473
Papal Visit	9,013	—
Total broadcasting services	586,449	592,468
Corporate engineering services	9,562	8,706
Corporate management and services (Note 15)	65,070	38,757
Commissions to agencies and networks	30,170	24,873
Selling expenses	17,721	16,612
	1,181,972	919,616
Income		
Advertising	212,287	179,111
Miscellaneous	16,176	13,314
Parliamentary operating appropriations	836,450	736,442
	1,036,913	928,867

Statement of Changes in Financial Position

for the year ended March 31, 1985

	1985	1984
	(in thousands of dollars)	
Funds provided		
Parliamentary appropriations		
Operating	799,458	736,442
Capital	91,777	66,885
Working capital	4,700	12,020
Papal visit	6,992	—
	904,927	815,347
Advertising income	212,287	179,111
Miscellaneous income	16,176	13,314
Investments	744	—
Disposal of fixed assets	3,059	3,413
	1,137,193	1,011,185

44. CBC currently reports 'revenue' that includes income earned by CBC and the funding granted to it by Parliament. The "Notes to the consolidated financial statements" in CBC's 2017/18 *Annual Report's* explain that revenues consist mainly of "amounts earned by the Corporation through its provision of goods and services to external customers ("22. Revenues", p. 101) and come from nine activities that include "Financing income".⁸⁹ "Government Funding", on the other hand, consists of "Parliamentary appropriations" that, in turn, consist of base operating funding, transfers from capital funding to operating funding, base capital funding and working capital funding (p. 103).
45. Shifts in CBC's definitions, presentation, discussion and analysis of its funding limit understanding of CBC's historical funding. To some extent these shifts are imposed on CBC: changes in accounting standards, for example, generally require CBC to revise its financial statements and at times these revisions can have dramatic consequences. In 2013/14, for instance, changes by the International Accounting Standards Board (IASB) to the computation of pension plan assets which were made effective 1 April 2013, transformed a net result of \$41.9 million for CBC in 2012/13, to a net loss of \$51 million.⁹⁰
46. In other cases it is unclear why CBC's presentation of funding information changes over time, as CBC often did not address these changes in its *Annual Reports* (including the *Notes to the Financial Statements* of these reports). Figure 1 provides examples of some of the changes in CBC's presentation with respect to its income. Very generally, the changes have to do with descriptions of the income statement (5 years, 5 different names for the statement), and sources of funding (5 years, five different descriptions of the funding sources).

⁸⁹ Pages 101-102:

- Advertising revenue
- Subscriber fee revenue
- Rental revenue
- Production revenue
- Program licensing revenue
- Copyright revenue
- Program sponsorship revenue
- Revenue from the Canadian Media Fund and merchandising sales, and
- "Financing income", being "Revenue from bank accounts, notes receivable and on the investment of income".

⁹⁰ CBC, *Annual Report 2013-2014*, at 95 ("Consolidated statement of income (loss)" for the year ended March 31, 2013).

Figure 1 CBC's Statements of Income, over time

1936/37, at 16

Income and Expenditure

APPENDIX 2		
CANADIAN BROADCASTING CORPORATION		
INCOME AND EXPENDITURE		
2nd November, 1936 to 31st March, 1937		
INCOME		
Licence Fees		\$741,666.65
Commercial Broadcasting	\$130,434.02	
Deduct Expenditures	35,101.52	
		<u>95,332.50</u>
TOTAL NET INCOME		836,999.15

1962/63, at 21

Statement of Operations
[1963 and 1962]

income			
Advertising revenue (gross)	30,846,627		32,910,118
Interest on investments	253,898		185,291
Miscellaneous	<u>302,067</u>		<u>224,431</u>
		31,402,592	33,319,840
parliamentary grant			
In respect of the net operating amount required to discharge the responsibilities of the national broadcasting service: (Note 2)		<u>72,654,738</u>	<u>70,252,273</u>
		104,057,330	103,572,113

1975/76, at 36

Consolidated Statement of Operations
(for 1976 and 1975)

Income:			
Advertising revenue - gross	71,183,313		70,496,129
Interest on investments	1,235,240		1,404,994
Payments from le Comité Organisateur des Jeux Olympiques de 1976	10,500,000		4,500,000
Miscellaneous	<u>1,809,876</u>		<u>2,006,959</u>
	84,728,429		78,408,082

1989/90

Statement of Income and Expense and Reconciliation to Government Funding Basis:

	1990	1989
	(thousands of dollars)	
Income		
Net Advertising	303,323	284,828
Miscellaneous	49,650	33,067
Parliamentary operating appropriation (Note 7)	<u>849,335</u>	<u>810,368</u>
	1,202,308	1,128,263

2017-18, at 65

CONSOLIDATED STATEMENT OF INCOME (LOSS)

For the year ended March 31			
(in thousands of Canadian dollars)	NOTE	2018	2017
REVENUE	22		
Advertising		318,282	300,591
Subscriber fees		127,210	131,245
Other income		117,437	115,669
Financing and investment income		<u>10,146</u>	<u>9,415</u>
		573,075	556,920
GOVERNMENT FUNDING	23		
Parliamentary appropriation for operating expenditures		1,110,262	1,002,307
Parliamentary appropriation for working capital		4,000	4,000
Amortization of deferred capital funding		<u>93,487</u>	<u>92,778</u>
		1,207,749	1,099,085

47. Changes in presentation would matter little if CBC itself provided regular long-term overviews of its funding, but it has not and does not. From 1937 to 1955, for example, CBC's financial statements described only the current year, making it particularly difficult to discern changes over time. CBC published information about its current and prior financial year beginning in 1956, but it was not until 1966 that CBC published "significant statistics" about its financial position for the current and previous four years. Since then CBC's *Annual Reports* often include additional historical data for periods that vary from 1 to 7⁹¹ years.
48. The overall absence of long-term historical information from the Corporation about its funding limits fully informed discussions about the future of Canada's national public broadcaster, as CBC's capacity to achieve its legal mandate is entirely circumscribed by its funding.

D. Purpose of this research note – historical funding of CBC

49. The purpose of this research note is to present information collected about CBC's operating 'funding' – including income from Parliament and other sources – from the annual reports issued by CBC from 1937 to 2019. The overall goal was to answer these three main questions:
1. How and to what extent has Parliament funded the operations of Canada's national public broadcaster over time, in current and constant dollars?
 2. How has non-Parliamentary funding for the national public broadcaster changed over time?
 3. How does funding for CBC compare with the finances of other sectors in the broadcasting system?
50. This paper focusses primarily on the funding provided for CBC's day to day operations – its operating appropriations and other income earned by CBC.⁹² That said, the Forum collected data on CBC's beginning, current and end-of-year positions (showing whether CBC retained surpluses or deficits from previous years, and whether surpluses were used during a current year) when this information was clearly presented.⁹³ The Forum also collected information on loans made to CBC since January 1939. Beginning in the late 1960s CBC's appropriations often

⁹¹ CBC's 1986/87 *Annual Report* includes several 7-year retrospective charts for different financial categories, in current and constant dollars

⁹² We note in this context that all assets acquired by CBC through capital funding provided by capital appropriations or loans, are the property of the Crown (ie, not the property of CBC a separate entity).

⁹³ In the early 1970s, for instance, CBC included a *Statement of Surplus* in its *Annual Reports*. In the early 1980s CBC identified 'appropriations carry-overs' from prior years and for the current year in its *Statement of Income*, and in the early 1990s, identified 'surpluses (deficits)' for the year, for the beginning of the year and for the end of the year.

By the early 2000s CBC provided a combined *Statement of Operations and Proprietor's Equity* that included "Proprietor's equity, beginning of year" and "Proprietor's equity, end of year", without clearly identifying this as a surplus/deficit from the operating appropriation. In 2010 CBC reported its "Retained earnings (deficit)" at the beginning and end of the year, again without clearly identifying whether this included or (more likely, given the emphasis on earnings) excluded operating appropriations. CBC's 2019 *Annual Report* includes "retained earnings" in its *Consolidated Statement of Financial Position*, but within the "Equity" section (and for the amount of \$719.6 million), implying that the figure includes all equity rather than the prior year's surplus operating appropriation (if any).

(though not always) included payments for interest and the repayment of the principal on such loans,⁹⁴ leaving the remainder for CBC's current operations including programming expenditures.

51. As this paper's focus was on year-to-year operating income and expense – the degree to which Parliament's operating appropriations and CBC's commercial income supports the expenditures it makes to meet the purposes for which it exists – the impact of financial carry-overs from previous years was not considered. CBC in any event is not entitled to rely on carry-overs: the 1991 *Broadcasting Act* enables the government to require CBC to pay surpluses to Canada outright or to use its surpluses to repay its debts to Canada.⁹⁵ While CBC may ask the government to use previous carry-overs, requests could be seen as touching upon CBC's financial, programming and journalistic independence whether they are granted or not.

E. Research method and challenges

52. As noted at the outset, the current *Broadcasting Act* requires CBC to publish annual reports. This requirement was also set out in the first statute governing what is now CBC, the 1936 *Canadian Broadcasting Act*.⁹⁶ CBC reports to Parliament using a fiscal year that begins on the first day of each April, and ends on the last day of each March;⁹⁷ results for individual years – say, the 2017/18 or 2018 year – actually refer to funding income from 1 April 2017 to 31 March 2018.⁹⁸ Private broadcasters, on the other hand, report to the CRTC based on the latter's 'broadcast year' that begins in September and ends in August.

⁹⁴ CBC, *Annual Report 1967-1968*, at 71:

Interest paid on loans was \$3,760,000 compared to interest of \$2,203,000 paid the previous year. The amount required to pay interest on loans is provided for in the parliamentary grant.

...

The grant voted by Parliament to discharge the responsibilities of the national broadcasting service was \$140,147,000. The net operating requirements, exclusive of depreciation and amortization, or \$136,613,000 together with the sum of \$2,890,000 required for repayment of Canada Loans

⁹⁵ S. 59:

Payment over surplus money

59 Subject to any other Act of Parliament, where the Minister and the Minister of Finance, with the approval of the Governor in Council, so direct, the Corporation shall pay or cause to be paid to the Receiver General so much of the money of the Corporation or of a wholly-owned subsidiary of the Corporation as those Ministers consider to be in excess of the amount that is required for the purposes of the Corporation or subsidiary, and any money so paid may be applied toward the discharge of any obligation of the Corporation or subsidiary to the Crown or may be applied as revenues of Canada.

⁹⁶ 1 Edw. 8, c. 24, s. 26: "The Corporation shall through the Minister submit an annual report to Parliament in such form as the Minister [of Marine] may prescribe."

⁹⁷ *Broadcasting Act*, s. 53: "The financial year of the Corporation is the period beginning on April 1 in one year and ending on March 31 in the next year, unless the Governor in Council otherwise directs."

⁹⁸ This complicated CRTC reporting requirements of CBC for many years, as the CRTC's "broadcast year" begins on the first day of each September, and ends on the last day of each August.

53. Knowing from previous experience that CBC's *Annual Reports* include financial statements, these became the primary source of information about CBC's funding.⁹⁹ Statistics Canada's Consumer Price Index deflator [2002=1] was used to control for inflation over time, and information published by Statistics Canada and the CRTC was used with respect to private broadcasters.
54. Collecting data about CBC's funding from the *Annual Reports* it has published since 1936/37 presented a number of challenges, not the least of which is that when the research began most of the *Annual Reports* issued by CBC were not available online.

1. Finding CBC's Annual Reports

55. CBC has issued 83 annual reports describing its organization, programming and finances. At the time of writing 18 (22%) were available online.¹⁰⁰ Telefilm Canada, established 53 years ago in 1967, has posted 20 (37%) of its 53 annual reports online;¹⁰¹ none of the annual reports of the CRTC from before the late 1990s is available online either.
56. In the absence of a complete online collection of CBC's *Annual Reports*, the Forum contacted the Secretariat of CBC's Board of Directors in June 2019 to ask whether it had printed copies of CBC's historical annual reports. The Secretariat's office apparently does not maintain a collection of these reports in its office; neither CBC nor the CRTC has a library (or if they do, the libraries are not open to the public). Neither the Library of Parliament nor Statistics Canada holds copies of CBC's *Annual Reports* in their collections; the National Archives has a number of CBC *Annual Reports* but does not permit them to be photocopied or scanned.¹⁰²
57. Carleton University and the University of Ottawa each had a number of CBC's annual reports. Altogether 80 of CBC's 83 annual reports from 1937 to 2019 were available for review and scanning (see Figure 2) at the two universities; neither had copies of the 1946/47, 1948/49 and 1966/67 reports.

⁹⁹ Other sources, which we did not use, include the annual budgetary estimates submitted to Parliament (which we found difficult to locate); statistical summaries from the Dominion Bureau of Statistics (which did not consistently report on CBC's funding in the Corporation's early years), and Statistics Canada and the CRTC (which from time to time attempted to reformat CBC's April-March fiscal year, into the September-August fiscal year of private broadcasters).

¹⁰⁰ See <https://cbc.radio-canada.ca/en/impact-and-accountability/finances/annual-reports>.

¹⁰¹ See <https://telefilm.ca/en/transparency/annual-reports>.

¹⁰² Copies were required because of the number of times each report had to be reviewed for accuracy.

Figure 2 Printed copies of CBC's Annual Reports

Carleton University



University of Ottawa



58. The absence of the reports for 1946/47, 1948/49 and 1966/67 means that this research slightly underestimates results with respect to CBC by a small amount (estimated to be less than 2% in the case of total income; see Table 32, below).
59. The three reports' absence had other implications, however. The lack of historical data in those three years made it impossible to determine whether the amounts granted by Parliament to CBC were the same as the amounts received from Parliament by CBC, and whether CBC received loans, repaid borrowed funds and/or paid interest on borrowed funds. With respect to changes in the funding granted to and received by CBC, for example, the Corporation's 1949/50 "Financial" commentary refers to a \$200,000 grant [\$1.6 million 2002] it received from the Government of Canada with respect to CBC's acquisition of the facilities of the Broadcasting Corporation of Newfoundland: while the grant was counted as an 'addition' to CBC's public funding, it is not listed in the CBC's "Income and Expenditures" statement or its Balance Sheet (as previously noted the CBC did not provide historical data in its financial statements until 1955/56), and the absence of the 1948/49 report makes it impossible to determine whether the amount was included as part of CBC's 'licence fee' or 'miscellaneous' income.¹⁰³
60. Once copies were located, parts or all of the *Annual Reports* located were scanned, in particular the reports' financial overviews, financial statements and *Notes to the Financial Statement*.

¹⁰³ Although the 1949/50 report provides the amount by which components of CBC's income increased from 1948/49, the absence of the 1948/49 data makes it impossible to determine the amount by which the income components changed and, therefore, whether the \$200,000 grant was included or excluded from these figures.

61. The information in the scanned *Annual Reports* was used to create a dataset on CBC’s finances. At times the reports were difficult to read, not because of fading print or pages discoloured by age but because – in the last 15 years – CBC used very tiny fonts. In the 2011/12 *Annual Report*, for instance, the font for information in tables (e.g. p. 75) is noticeably smaller than the page numbers: Figure 3.

Figure 3 Page numbers several times larger than page text

Equity			
Retained earnings	60,996	32,187	91,669
Accumulated other comprehensive income (loss)	-	5,000	(7,675)
Total equity attributable to the Corporation	60,996	326,871	83,994
Non-controlling interests	356	2,263	280
TOTAL EQUITY	61,352	329,134	84,274
TOTAL LIABILITIES AND EQUITY	1,769,576	1,981,113	1,918,136
Commitments (NOTE 28)			
<i>The accompanying notes form an integral part of the consolidated financial statements.</i>			

APPROVED BY THE BOARD OF DIRECTORS:

62. In creating the dataset errors, numerous changes in presentation, restatements and gaps in CBC’s *Annual Reports* were noticed. These are described in Appendix 1.

2. Layperson vs accounting approach

63. The data for this research were collected from CBC’s *Annual Reports* using a layperson’s approach. This was based both on theory and necessity. The Forum’s theory was that, as it is reasonable to assume that the intended audience of CBC’s *Annual Reports* consists nearly entirely of laypeople,¹⁰⁴ it should be possible to gather information about CBC’s funding without retaining the services of a professional accountant. A comment in CBC’s 2016/17 *Annual Report* suggests that CBC (in that year) wants to ensure that its reports are clear and useful “to an external reader” – not just to accountants.¹⁰⁵

¹⁰⁴ The idea that non-accountants likely predominate in the prospective audience of CBC’s *Annual Reports* is based on demographics. In 2019 Chartered Professional Accountants Canada reported that it had 217,000 members (2018-2019 *Annual Report* at 6). These members represented 0.7% of the 29.3 million people in Canada over the age of 14 in 2016 (see <https://www12.statcan.gc.ca/census-recensement/2016/dp-pd/hltfst/as/Table.cfm?Lang=E&T=11>).

¹⁰⁵ At 69: Starting this year, a number of items presented under “Revenue” in the Consolidated Statement of Income (Loss) were reclassified. These reclassifications had no impact on either our total Revenue or Net Results. For further details, refer to Note 20.

- 64. Necessity also dictated this approach, as the Forum lacks the resources to retain professional accounting services to collect and analyze the data.
- 65. It seemed likely at times that CBC’s Annual Reports were aimed at professional accountants. The CBC’s 1962/63 *Annual Report*, for example, mentions several different amounts with respect to its operating appropriations, including an amount tabled in Parliament (\$73.994 million), an amount received (\$73.244 million), a “Parliamentary grant” for the net amount required for operations (\$72.655 million) and a Parliamentary appropriation (\$61.661 million): Figure 4. It was not clear why these different terms and amounts were used.

Figure 4 Four figures for CBC’s operating appropriations in 1962/63

CBC, <i>Annual Report 1962-1963</i> , “parliamentary grants” [sic] at 20			
<p>parliamentary grants</p> <p>The revised estimates of \$73,994,000 for the net operating requirements of the radio and television services and \$6,600,000 for the capital requirements for the year ended March 31, 1963 were submitted in accordance with the Broadcasting Act and tabled in Parliament. Funds were provided to the Corporation for the first 10 months by Parliamentary Appropriation and for the last two months by Governor General special warrants. The Corporation received \$73,244,000 for net operating requirements based on estimates against an actual requirement of \$72,654,738 thus leaving an amount refundable as shown by the Balance Sheet of \$589,262. For</p>			<p>Tabled in Parliament: \$73.994 M</p> <p>Received: \$73.244 M</p> <p>Required: \$72.655 M</p> <p>Refundable: \$0.589 M</p>
“Statement of Operations”, <i>ibid.</i> , at 21:			
<p>parliamentary grant</p> <p>In respect of the net operating amount required to discharge the responsibilities of the national broadcasting service: (Note 2)</p>		<p style="text-align: right;">72,654,738</p> <hr style="width: 50%; margin: 0 auto;"/> <p style="text-align: right;">104,057,330</p>	<p>Grant: \$72.655 M</p>

In addition, the format of the Consolidated Statement of Income (Loss) has been changed. Government Funding is now presented before expenses to improve the clarity and enhance the usefulness of these consolidated financial statements to an external reader.

<i>Notes to Financial Statements, ibid. at 24:</i>		
<p>Notes to Financial Statements</p> <p>1 Capital assets in the amount of \$61,850,364 include the sum of \$3,802,000 expended during the last four years in connection with the planned consolidation of facilities in Toronto, Montreal and Ottawa. Present estimates of the cost of current plans indicate the cost of consolidation of facilities at these locations to be \$83,058,000, of which, subject to the provision by Parliament of annual appropriations for the purpose, approximately \$1,597,000 will be expended during the year ending March 31, 1964 and \$77,592,000 during the four years ending March 31, 1968.</p> <p>2 (a) The Revised Estimates for the fiscal year ended March 31, 1963 tabled during the first session of the twenty-fifth Parliament provided</p>	<p>for a grant of \$73,994,000 in respect of the net operating amount required to discharge the responsibilities of the national broadcasting service. Since the net operating amount actually required was \$72,654,738, an amount of \$1,339,262 remaining available was not expended.</p> <p>(b) The sum of \$73,244,000 was received, \$61,661,000 under authority of Parliamentary appropriations and \$11,583,000 under authority of Governor General special warrants. Since the net operating amount actually required totalled \$72,654,738, an unexpended balance of \$589,262 was refundable to the Government of Canada at March 31, 1963. The Corporation remitted this sum to the Receiver General on May 31, 1963.</p>	<p>Rev'd estimates: \$73.994 M</p> <p>Required: \$72.655 M Unexpended: \$1.339 M</p> <p>Received: \$73.244 M Appropriation: \$61.661 M GG warrant: \$11.583 M</p> <p>Required: \$72.655 M Refundable: \$0.589 M</p> <p>[Actually received: Appropriation: \$61.661 M Plus GG warrant: \$11.583 M Less refund: \$0.589 M Received: \$72.655 M</p>

66. Similarly, CBC’s 1977/78 Annual Report noted that its 1978 Commonwealth Summer Games “were financed by a \$2,700,000 Parliamentary appropriation provided for that purpose. The unexpended balance of \$1,973,000 has been carried over to 1978/79” (see Figure 5). The report for that year – 1978/79 – states that “Proceeds from Parliamentary appropriations” included a “Payment to the Corporation in providing host country broadcasting services for the 1978 Commonwealth Games” in the amount of \$5.3 million. The Forum assumed that CBC’s discussion means that in 1978 it received an appropriation of \$2.7 million for the 1978 Summer Games, and an additional \$5.3 million in 1979 for the same games. The data were entered based on that assumption.

Figure 5 1978 Summer Games Appropriations

CBC, <i>Annual Report 1977-1978</i> , at 41				CBC, <i>Annual Report 1978-1979</i> , at 45																																																															
<p>4. Proceeds from Parliamentary appropriations The proceeds from Parliamentary appropriations for operating and capital expenditures during the year were comprised of funds voted by Parliament and are exclusive of payments for the 1978 Commonwealth Summer Games.</p> <table border="1"> <thead> <tr> <th></th> <th>Operating</th> <th>Capital</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Parliamentary appropriations</td> <td>\$400,200,000</td> <td>\$64,100,000</td> <td>\$464,300,000</td> </tr> <tr> <td>Repayments to Canada</td> <td>—</td> <td>58,467</td> <td>58,467</td> </tr> <tr> <td>Proceeds from Parliamentary appropriations</td> <td>\$400,200,000</td> <td>\$64,041,533</td> <td>\$464,241,533</td> </tr> </tbody> </table> <p>At March 31, 1978, the unexpended balance of operating appropriations amounted to \$4,093,000, which in accordance with an agreement with Treasury Board has been retained by the Corporation and included in the Proprietor’s Equity Account. The expenditures for winding-up the 1976 Summer Olympics amounting to \$619,000, exclusive of depreciation, were financed from a \$950,000 carry-over of prior years’ appropriations provided for that purpose. The operating expenditures for the 1978 Commonwealth Summer Games amounting to \$507,000, exclusive of depreciation and \$220,000 capital expenses were financed from a \$2,700,000 Parliamentary appropriation provided for that purpose. The unexpended balance of \$1,973,000 has been carried over to 1978/79.</p>					Operating	Capital	Total	Parliamentary appropriations	\$400,200,000	\$64,100,000	\$464,300,000	Repayments to Canada	—	58,467	58,467	Proceeds from Parliamentary appropriations	\$400,200,000	\$64,041,533	\$464,241,533	<p>5. Proceeds from parliamentary appropriations (in thousands of dollars)</p> <table border="1"> <thead> <tr> <th></th> <th>Operating</th> <th>Capital</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>a) Payment to the Corporation in providing a broadcasting service</td> <td>476,900</td> <td>79,500</td> <td>556,400</td> </tr> <tr> <td>Refundable to Canada</td> <td>—</td> <td>467</td> <td>467</td> </tr> <tr> <td>Proceeds retained</td> <td>476,900</td> <td>79,033</td> <td>555,933</td> </tr> <tr> <td>- March 31/79</td> <td>476,900</td> <td>79,033</td> <td>555,933</td> </tr> <tr> <td>- March 31/78</td> <td>400,200</td> <td>64,042</td> <td>464,242</td> </tr> <tr> <td>b) Payment to the Corporation in providing host country broadcasting services for the 1978 Commonwealth Games</td> <td>5,061</td> <td>239</td> <td>5,300</td> </tr> <tr> <td>Refundable to Canada</td> <td>290</td> <td>—</td> <td>290</td> </tr> <tr> <td>Proceeds retained</td> <td>4,771</td> <td>239</td> <td>5,010</td> </tr> <tr> <td>- March 31/79</td> <td>4,771</td> <td>239</td> <td>5,010</td> </tr> <tr> <td>- March 31/78</td> <td>2,480</td> <td>220</td> <td>2,700</td> </tr> </tbody> </table>					Operating	Capital	Total	a) Payment to the Corporation in providing a broadcasting service	476,900	79,500	556,400	Refundable to Canada	—	467	467	Proceeds retained	476,900	79,033	555,933	- March 31/79	476,900	79,033	555,933	- March 31/78	400,200	64,042	464,242	b) Payment to the Corporation in providing host country broadcasting services for the 1978 Commonwealth Games	5,061	239	5,300	Refundable to Canada	290	—	290	Proceeds retained	4,771	239	5,010	- March 31/79	4,771	239	5,010	- March 31/78	2,480	220	2,700
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67. It seems very likely that a professional accountant would also have been able to interpret the changes in presentation made by CBC over the last eight decades, and to understand the choices made but not explained by CBC in the presentation of its financial statements. A professional accountant would likely have known (for example)

- why CBC in different years reported advertising revenue and expense, gross advertising revenue only, or net advertising revenue only
- why CBC in 1952 deducted a value for depreciation from its expenses for ‘sound broadcasting’ (radio), but added depreciation to its expenses for ‘television broadcasting’,¹⁰⁶
- how a surplus for 1978/79 of \$6.6 million which was reported in 1978/79, became a surplus of \$2.5 million when reported in 1979/80 (Figure 6)

¹⁰⁶ CBC, *Annual Report 1951-1952*, at 46.

Figure 6 Retrospective reduction in the 1978/79 surplus from \$6.6 million to \$2.5 million

CBC, *Annual Report 1978-1979*, at 36

Parliamentary Appropriations
For 1978/79, Parliament provided \$476.9 million including \$457.1 million as “Payment to the CBC for operating expenditures in providing a broadcasting service” and an additional \$19.8 million as a supplementary Vote to be applied against the unfunded liability of the pension fund. To this, the Corporation added its carry-over of \$4,094,000 from 1977/78. The Corporation ended the year with an operating surplus of \$6.6 million, which it has carried over into 1979/80.

CBC, *Annual Report 1979-1980*, at 30

The Parliamentary appropriation of \$477.4 million was virtually the same as that of the prior year excluding the 1978 Commonwealth Games. To finance wage settlements and other price increases, the Corporation cut its capital budget and effected expenditure reductions in programming and administrative services. The surplus for 1979/80 was \$234,000 compared to \$2,469,000 for 1978/79.

- how the “unexpended current year’s operating appropriation” of \$5.697 million in 1980/81¹⁰⁷ became a “carry-over appropriation [amounting] to \$12.5 million, which was available for ... [the] operations” in 1981/82¹⁰⁸
- why CBC’s “Statement of Income and Expense and Reconciliation to Government Funding Basis” in its 1992/93 *Annual Report* shows \$33 million in expenses associated with “Specialty Services” (which, in any event, included specialty and non-specialty programming services such as RCI), when the figure shown represented net expenses – as this raises the question of whether any of the other expenses shown are also net (see Figure 7). (That said, the *Notes to the Financial Statement* do not confirm this possibility.)

Figure 7 Lack of transparency in 1992/93 *Annual Report*

CBC, <i>Annual Report 1992-1993</i>		<i>Notes to the Financial Statement</i> , p. 17																																																													
P. 10																																																															
<p>STATEMENT OF INCOME AND EXPENSE AND RECONCILIATION TO GOVERNMENT FUNDING BASIS For the year ended March 31, 1993</p> <table border="1"> <thead> <tr> <th></th> <th>1993</th> <th>1992</th> </tr> </thead> <tbody> <tr> <td colspan="3" style="text-align: center;">(thousands of dollars)</td> </tr> <tr> <td colspan="3">Income</td> </tr> <tr> <td>Parliamentary operating appropriation (Note 3)</td> <td>959,062</td> <td>900,562</td> </tr> <tr> <td>Net advertising</td> <td>304,536</td> <td>320,098</td> </tr> <tr> <td>Miscellaneous</td> <td>67,265</td> <td>58,037</td> </tr> <tr> <td></td> <td>1,330,863</td> <td>1,278,697</td> </tr> <tr> <td colspan="3">Expense</td> </tr> <tr> <td>Television services (see Schedule A)</td> <td>941,642</td> <td>913,528</td> </tr> <tr> <td>Radio services (see Schedule A)</td> <td>307,389</td> <td>293,453</td> </tr> <tr> <td>Corporate management and engineering services</td> <td>63,915</td> <td>57,788</td> </tr> <tr> <td>Selling and merchandising</td> <td>47,580</td> <td>45,785</td> </tr> <tr> <td>Specialty services (Note 4)</td> <td>33,401</td> <td>32,684</td> </tr> <tr> <td>Expense reduction programs (Note 3)</td> <td>10,659</td> <td>16,286</td> </tr> <tr> <td>Total expense before taxes</td> <td>1,404,586</td> <td>1,358,924</td> </tr> </tbody> </table>			1993	1992	(thousands of dollars)			Income			Parliamentary operating appropriation (Note 3)	959,062	900,562	Net advertising	304,536	320,098	Miscellaneous	67,265	58,037		1,330,863	1,278,697	Expense			Television services (see Schedule A)	941,642	913,528	Radio services (see Schedule A)	307,389	293,453	Corporate management and engineering services	63,915	57,788	Selling and merchandising	47,580	45,785	Specialty services (Note 4)	33,401	32,684	Expense reduction programs (Note 3)	10,659	16,286	Total expense before taxes	1,404,586	1,358,924	<p>4. Specialty Services</p> <p>The Corporation operates two specialty services, CBC Newsworld and Radio Canada International (RCI), and operated the Parliamentary Channels until the cancellation of the agreement with the Speaker of the House effective September 30, 1992. RCI and the Parliamentary Channels were operated under agreements with the Minister of External Affairs and Speaker of the House of Commons, respectively, whereby the cost of the services would be recovered from their funding.</p> <p>The total cost of the specialty channels for the year and comparative results for 1992 were as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>1993</th> <th>1992</th> </tr> </thead> <tbody> <tr> <td colspan="3" style="text-align: center;">(millions of dollars)</td> </tr> <tr> <td>Cost of specialty services</td> <td>48.7</td> <td>47.8</td> </tr> <tr> <td>Less government assistance</td> <td>15.3</td> <td>15.7</td> </tr> <tr> <td>Net expense</td> <td>33.4</td> <td>32.1</td> </tr> </tbody> </table>			1993	1992	(millions of dollars)			Cost of specialty services	48.7	47.8	Less government assistance	15.3	15.7	Net expense	33.4	32.1
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¹⁰⁷ CBC, *Annual Report 1980-1981*, at 48.

¹⁰⁸ CBC, *Annual Report 1981-1982*, at 50.

- why CBC in 1991/92 showed transfers from capital (to operating) in parentheses – visually hinting at a deduction, but in 1995/96¹⁰⁹ showed transfers from capital (to operating) without parentheses: Figure 8

Figure 8 Elimination of parentheses to show reductions in capital appropriations

CBC, Annual Report 1991-1992, at 32				CBC, Annual Report 1995-1996, at 64																																																																																	
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- why \$28.8 million in interest that CBC paid for capital works in 2000/01 does not appear clearly in the CBC's income and expense statement for that year

CBC, Annual Report 2000-2001, at 58	Ibid., at 46																																																																								
<p>12. Obligation Under Capital Lease</p> <p>Capital lease consists of premises occupied by the Corporation in Toronto. Future minimum lease payments and obligation are as follows:</p> <table border="1"> <tr> <td></td> <td style="text-align: center;">(thousands of dollars)</td> </tr> <tr> <td>2002</td> <td>33,039</td> </tr> <tr> <td>2003</td> <td>33,039</td> </tr> <tr> <td>2004</td> <td>33,039</td> </tr> <tr> <td>2005</td> <td>33,039</td> </tr> <tr> <td>2006</td> <td>33,039</td> </tr> <tr> <td>Thereafter to 2027</td> <td>710,334</td> </tr> <tr> <td>Total future minimum payments</td> <td>875,529</td> </tr> <tr> <td>Deduct: imputed interest (7.53%) and executory costs</td> <td>498,644</td> </tr> <tr> <td>Obligation under capital lease</td> <td>376,885</td> </tr> <tr> <td>Less current portion</td> <td>4,747</td> </tr> <tr> <td>Long-term portion</td> <td>372,138</td> </tr> </table> <p>The Corporation owns the land on which the Canadian Broadcasting Centre in Toronto is located. Interest expense relating to the Canadian Broadcasting Centre lease, which is included in current year expenditures, is \$28.8 million. At the end of the lease, the Corporation will own the building.</p>		(thousands of dollars)	2002	33,039	2003	33,039	2004	33,039	2005	33,039	2006	33,039	Thereafter to 2027	710,334	Total future minimum payments	875,529	Deduct: imputed interest (7.53%) and executory costs	498,644	Obligation under capital lease	376,885	Less current portion	4,747	Long-term portion	372,138	<p>Statement of Operations and Proprietor's Equity</p> <p>For the year ended March 31</p> <table border="1"> <tr> <td></td> <td>2001</td> <td>2000</td> </tr> <tr> <td></td> <td colspan="2" style="text-align: center;">(thousands of dollars)</td> </tr> <tr> <td>REVENUES</td> <td></td> <td></td> </tr> <tr> <td>Advertising and program sales</td> <td>349,183</td> <td>328,705</td> </tr> <tr> <td>Specialty services (Note 6)</td> <td>107,672</td> <td>97,046</td> </tr> <tr> <td>Miscellaneous</td> <td>65,075</td> <td>78,817</td> </tr> <tr> <td></td> <td>521,930</td> <td>504,568</td> </tr> <tr> <td>EXPENSES</td> <td></td> <td></td> </tr> <tr> <td>Television and radio service costs</td> <td>1,042,605</td> <td>1,051,707</td> </tr> <tr> <td>Specialty services (Note 6)</td> <td>100,136</td> <td>92,839</td> </tr> <tr> <td>Transmission, distribution and collection</td> <td>58,311</td> <td>63,301</td> </tr> <tr> <td>Radio Canada International</td> <td>15,774</td> <td>17,153</td> </tr> <tr> <td>Payments to private stations</td> <td>14,282</td> <td>13,041</td> </tr> <tr> <td>Corporate Management</td> <td>15,920</td> <td>15,273</td> </tr> <tr> <td>Amortisation of capital assets</td> <td>149,294</td> <td>154,872</td> </tr> <tr> <td></td> <td>1,396,322</td> <td>1,408,186</td> </tr> </table>		2001	2000		(thousands of dollars)		REVENUES			Advertising and program sales	349,183	328,705	Specialty services (Note 6)	107,672	97,046	Miscellaneous	65,075	78,817		521,930	504,568	EXPENSES			Television and radio service costs	1,042,605	1,051,707	Specialty services (Note 6)	100,136	92,839	Transmission, distribution and collection	58,311	63,301	Radio Canada International	15,774	17,153	Payments to private stations	14,282	13,041	Corporate Management	15,920	15,273	Amortisation of capital assets	149,294	154,872		1,396,322	1,408,186
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¹⁰⁹ Prior years showed neither reductions in nor additions to operating appropriations.

and

- why “frozen allotments to be reprofiled in future years” for 2001/02 are shown in the same year both as a deduction from CBC’s operating funding and as an addition to its capital funding: Figure 9

Figure 9 ‘Reprofiled frozen allotments’ as both an addition and reduction in the same year

CBC, *Annual Report 2001-2002*, at 59

the corporation follows the tax allocation method of providing for income taxes. The cumulative differences between taxes calculated on such a basis and taxes currently payable are essentially timing differences and result in deferred income taxes. The Corporation has unrecorded deferred income tax benefits which will be recognised in the accounts when they are realised.

3. PARLIAMENTARY APPROPRIATIONS

a. Parliamentary Appropriations Approved and Received

Parliamentary appropriations approved and the amounts received by the Corporation during the year are as follows:

	2002	2001
	(thousands of dollars)	
Operating Funding		
Annual Funding	855,574	807,356
One-time funding for programming initiatives (Note 3d)	60,000	–
Transfer from (to) capital funding – Supplementary Estimates B ¹	(15,170)	(13,298)
Frozen allotment to be reprofiled in future years	(60,000)	–
	840,404	794,058
Capital Funding		
Annual funding	100,311	113,719
Transfer from (to) operating funding – Supplementary Estimates B ¹	15,170	13,298
Frozen allotment to be reprofiled in future years	23,000	(23,000)
	138,481	104,017
Working Capital Funding	4,000	4,000

68. Accounting professionals would likely also understand precisely what CBC meant in its *Notes to the Financial Statement* of its 2014/13 *Annual Report*, when it wrote:

Total funding approved and received by the Corporation **[does this mean that CBC approved its total funding?]** for the year is not the same as the total government funding presented in the Consolidated Statement of Income (Loss). **[Is this because]** Capital Funding received is recorded as Deferred Capital Funding in the Consolidated Statement of Financial Position, with income **[not funding for capital? Or is capital funding income?]** being recognized in the Consolidated Statement of Income (Loss) on the same basis and over the same periods as the related **[related to what?]** property, equipment and intangible assets.

(As it happens, this research did not focus on the 2014/13 *Notes to the Financial Statement*, as the research addressed operating rather than capital appropriations.)

69. Finally, it is likely that an accounting professional would have noticed aspects of CBC’s financial statements that raised questions that were otherwise unnoticed or unappreciated. For example, CBC’s 1978/79 *Annual Report* noted an “Increase in working deficiency” – growing from \$7.1 million in 1976/77, to \$117.1 million in 1977/78: Figure 10. The *Notes to the Financial Statement* to the 1977/78 report do not address this increase. Not knowing what, precisely a working capital deficiency is or whether its dramatic growth was significant, this deficiency was ignored.

Figure 10 1977/78 16-fold increase in "working capital deficiency"

Consolidated Statement of Changes in Financial Position for the Year Ended March 31, 1978		
Canadian Broadcasting Corporation		
	(in thousands of dollars)	
	1978	1977
Funds provided		
Parliamentary appropriation for		
Operating expenditures	400,200	343,400
Capital expenditures	64,100	61,300
1978 Commonwealth Summer Games	2,700	—
1976 Summer Olympics	—	11,200
	467,000	415,900
Proceeds from sales of fixed assets	408	101
	467,408	416,001
Funds applied		
Excess of expense over income	454,679	401,340
Deduct: Items not requiring funds		
Depreciation and amortization	29,996	26,675
Interest on loans from Canada	—	14,053
Provision for employee termination benefits	7,501	8,341
	417,182	352,271
Purchase of subsidiaries	1,800	200
Additions to capital assets	62,730	63,311
Transfer of long term debt to current liabilities	102,727	—
Refundable balance on appropriations	58	7,294
	584,497	423,076
Increase in working capital deficiency	117,089	7,075

70. Finally as CBC's financial statements are audited each year by the Auditor General of Canada it seemed reasonable to assume that the statements' math was generally accurate.

3. Dataset

71. Data were entered in an Excel spreadsheet – a single line for each reporting item, by year. CBC's original descriptions of the information provided in the *Annual Reports* were retained, with new descriptions added to provide consistency over time. Consistency was required because as described in Appendix 2, CBC's financial descriptions change from one *Annual Report* to the next. The 80 *Reports* available for this research described 59 types of earned income (Table 3), for example, and described its net position at the end of the year in 40 different ways (Table 4).

Table 3 59 types of income earned by CBC

1. Interest on Investments	30. Interest on Bank Deposits
2. ... : revenue	31. Interest on Investments
3. ... Earned income	32. International Short-wave Service
4. Advertising	33. Loss on disposal of property and equipment and intangibles
5. Advertising and program sales	34. Miscellaneous
6. Advertising revenue - gross	35. Net advertising
7. Advertising revenue (gross)	36. Net loss on disposal of capital assets

8. CBC Newsworld	37. Net unrealized gain on available-for-sale financial assets
9. Commercial	38. Other income
10. Commercial broadcasting	39. Other revenue, net
11. Commercial Broadcasting (Gross)	40. Payments from le Comite Organisateur des Jeux Olympiques de 1976
12. Commercial Revenue	41. Payments from le Comite Organisateur des Jeux Olympiques de 1976 and foreign broadcasters
13. Commercial revenue (gross)	42. Pension contribution
14. Contribution from the Local Programming Improvement Fund (LPIF)	43. Proceedings on disposal of assets
15. Deduct: Earned Revenues	44. Proceeds from sale of assets
16. Deduct: Revenue	45. Profit on sale of bonds
17. Deferred pension contribution	46. Program license sales
18. Digital advertising	47. Program sales
19. Digital programming	48. Programming and licensing sales
20. Disposal of fixed assets	49. Reseau de l'information (RDI)
21. Excess of over Expense, before providing for depreciation	50. Special Programming Events
22. Financing and investment income	51. Specialty services
23. Financing income	52. Specialty Services - RDI
24. Gain (loss) on disposal of capital assets	53. Specialty Services - CBC Newsworld
25. Gain (loss) on disposal of property and equipment and intangibles	54. Subscriber fees
26. Gain on disposal of property and equipment and intangibles	55. Subsidiary Hook-Ups (Gross)
27. Gain on sale of shares	56. Total income
28. Interest earned	57. Total Net[ad] Income
29. Interest expense on capital lease	58. TV advertising
	59. TV and radio advertising

Table 4 40 ways CBC described its financial position at the end of the year

CBC description	Instances	CBC description	Instances
1. "\$4,093,000 to be carried into 1978/79" (1977/78 Annual Report)	1	2. Operating expenditures in excess of funds received to provide a broadcasting service	1
3. Add: Funds provided from surplus (\$482,146)	1	4. Operating fund deficit for the year	1
5. An unexpended balance of \$2,771,000'	1	6. Operating fund surplus (deficit), end of year	1
7. "an amount refundable as shown by the Balance Sheet of \$589,262."	1	8. Operating Surplus	2
9. "an unexpended balance of \$644,000 to be refunded to the Receiver General"	1	10. Operating Surplus for the five months ending March 31, 1937 (No allowance having been made for depreciation)	1
11. "... a budgetary surplus of \$6,104,000"	1	12. Operating Surplus for Year	1
13. "budgetary surplus of net operating requirements"	2	14. Proprietor's Equity Account - re depreciation	1
15. Current year deficit	1	16. Surplus - per statement attached	1

CBC description	Instances	CBC description	Instances
17. Current year surplus (deficit)	1	18. Surplus (deficit) for the year	5
19. (Deficit) surplus for the year	2	20. Surplus for the year	2
21. "...ended the year with an operating surplus of \$6.6 million"	1	22. Total Operating Deficit	2
23. Excess of expense over income	3	24. Transfer to Proprietor' Equity Account	1
25. Excess of Income over Expense	1	26. Unexpended (overexpended) appropriations - current	1
27. Funds received in excess of operations -- transferred to surplus, per statement	1	28. Unexpended (overexpended) appropriations - current year	2
29. Net Operating Deficit	1	30. "unexpended balance of 1,981,000"	1
31. Net Operating Surplus	8	32. "unexpended balance"	1
33. Net results for the year	13	34. underexpended by \$62,000"	1
35. Net results of operations for the year	2	36. Unexpended current year's operating appropriation	2
37. Operating appropriation "under-expended by \$3,149,000"	1	38. "the use of prior years [sic] vote carry-over to the extent of \$7,403,000. The balance ... amounting to \$3,081,000, has been refunded to Canada."	1
39. Operating Deficit Before Providing Allowance for Depreciation and Obsolescence	1	40. (Blank – no text provided)	8
Total descriptions: 40, including 8 occasions (when no description was provided) counted as one instance			

72. Data from Statistics Canada were used to control for the effects of inflation (using the Consumer Price Index for 2002). Statistics Canada was also the source for annual Canadian population data and data on Gross Domestic Product.
73. Again, as a note of caution, since the annual reports for 1946/47, 1948/49 and 1966/67 could not be located, many of the results shown underestimate the totals for the entire period from 1936/37 to 2018/19 by the amounts stated in those missing reports. The underestimation may be relatively small: the total of the average of total public funding in the years before and after each missing year amounted to 1.4% of the total public funding for the entire period.

II Public funding of CBC's operations since 1937

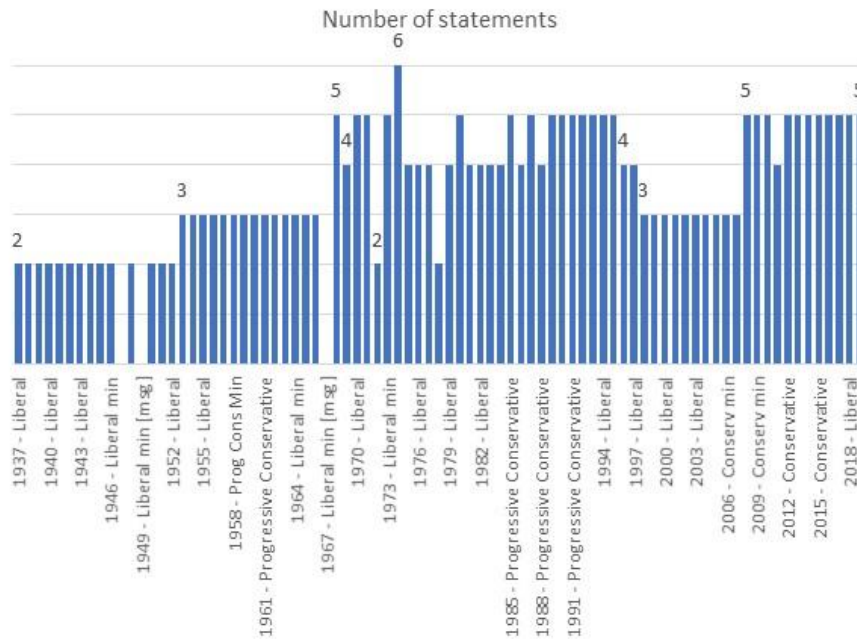
74. This section sets out results from an analysis of financial information published by CBC in its annual reports beginning in 1936/37 and concluding in 2018/19 (the most recent year for which an annual report is available). No information was available for the 1946/47 and 1948/49 years, and for most areas of interest in the 1966/67 year.¹¹⁰
75. The majority of data collected for this research note comes from the CBC's financial statements, although the *Notes to the Financial Statement* and the CBC's introductory financial reviews or overviews also provided useful information. All but one¹¹¹ of the *Annual Reports* that were

¹¹⁰ Limited information about 1966/67 was published in the CBC's 1967-1968 *Annual Report*.

¹¹¹ The 1983/84 *Annual Report* did not contain a financial overview.

located included financial overviews. From 1936 to 2019 the number of statements grew from two, to six in 1974, down to five in 2018/19. The CBC first included *Notes to the Financial Statement* in its 1962/63 *Annual Report*.¹¹²

Figure 11 Number of financial statements in CBC’s annal reports, by year



76. The section begins with an overview of CBC’s funding from its establishment in 1936 to 31 March 2019. It continues with an analysis of the types of public funding CBC has received, changes in Parliament’s funding of CBC’s operations over time, and other sources of income. It also provides context for the funding CBC receives for its operations with respect to the Canadian economy and Canada’s private broadcasters.

A. Total operational funding, 1937-2019

1. Total public funding and commercial income

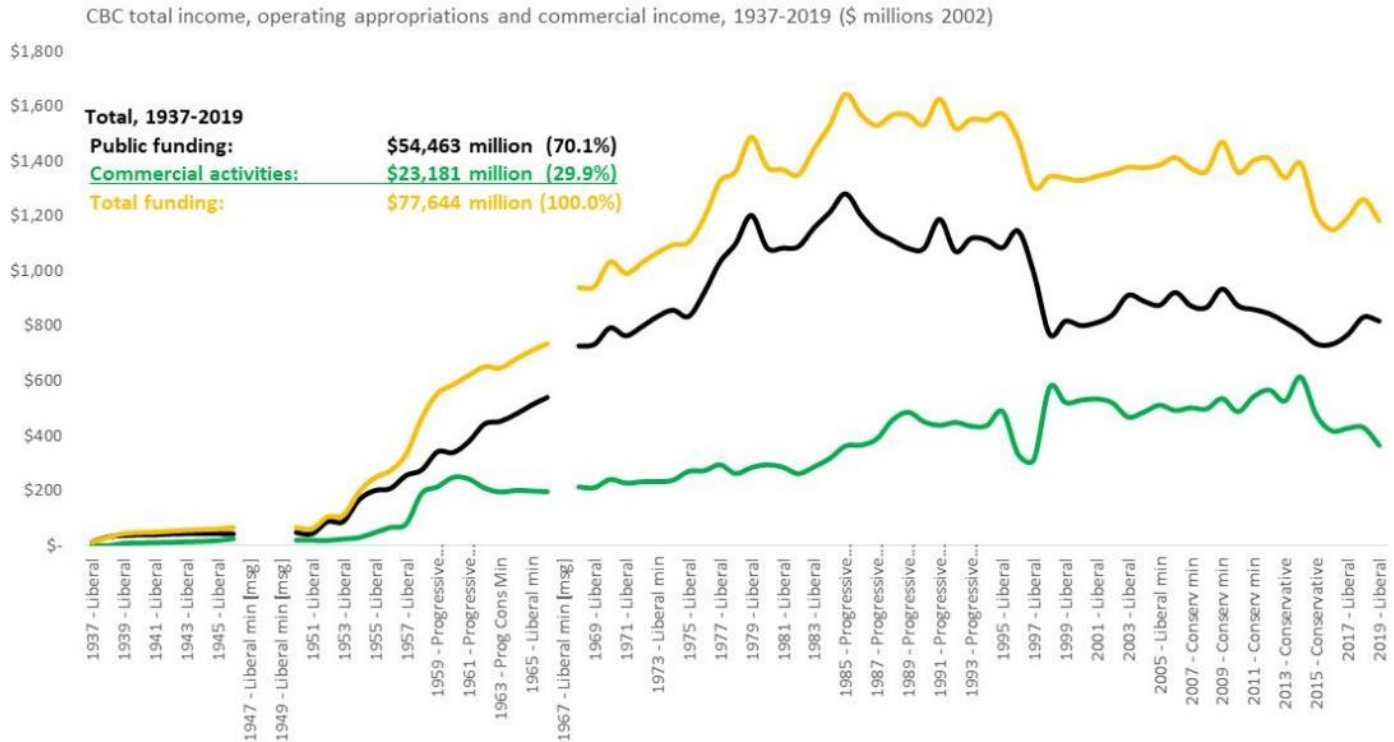
77. CBC has received public funding and has earned income from commercial activities since 1936/37.

78. From 1937 to 2019 CBC’s total operating income from public funding and its commercial activities amounted to at least¹¹³ \$77.6 billion [\$2002]. CBC received at least \$54.5 billion (70.1%) in public funding for its operations, and earned the remaining \$23.2 billion (29.9%) from commercial activities: Figure 12.

¹¹² At 24.

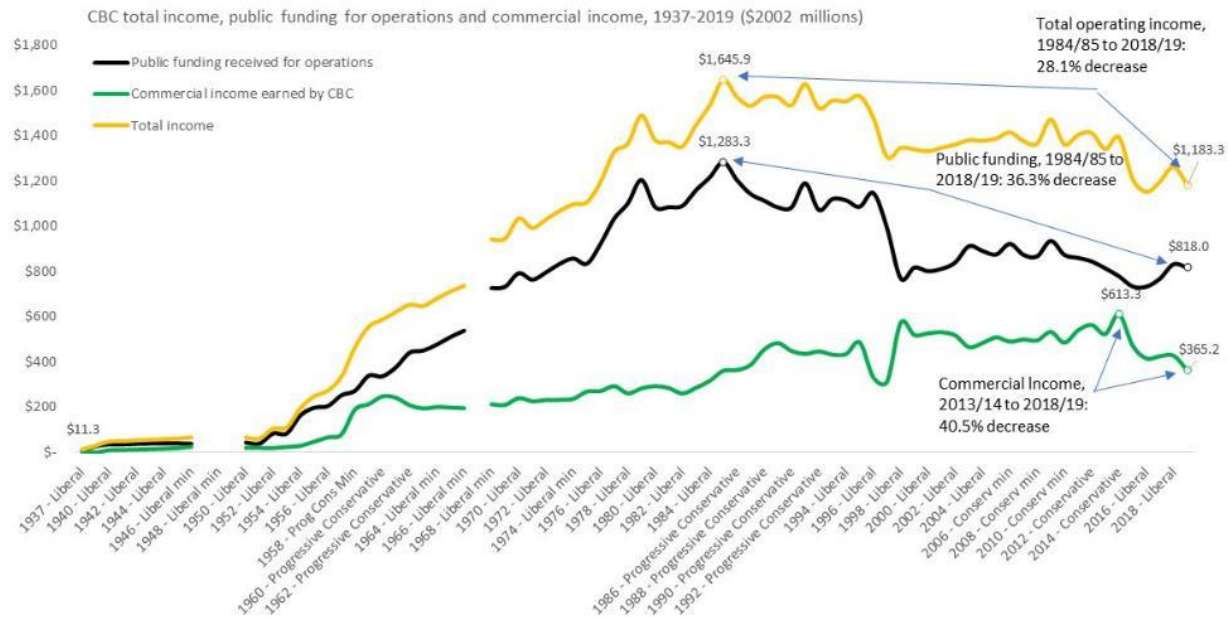
¹¹³ Data are unavailable for three years, meaning that all results are underestimated by the results for those three years.

Figure 12 CBC's total income, 1937-2019 (\$ millions 2002)



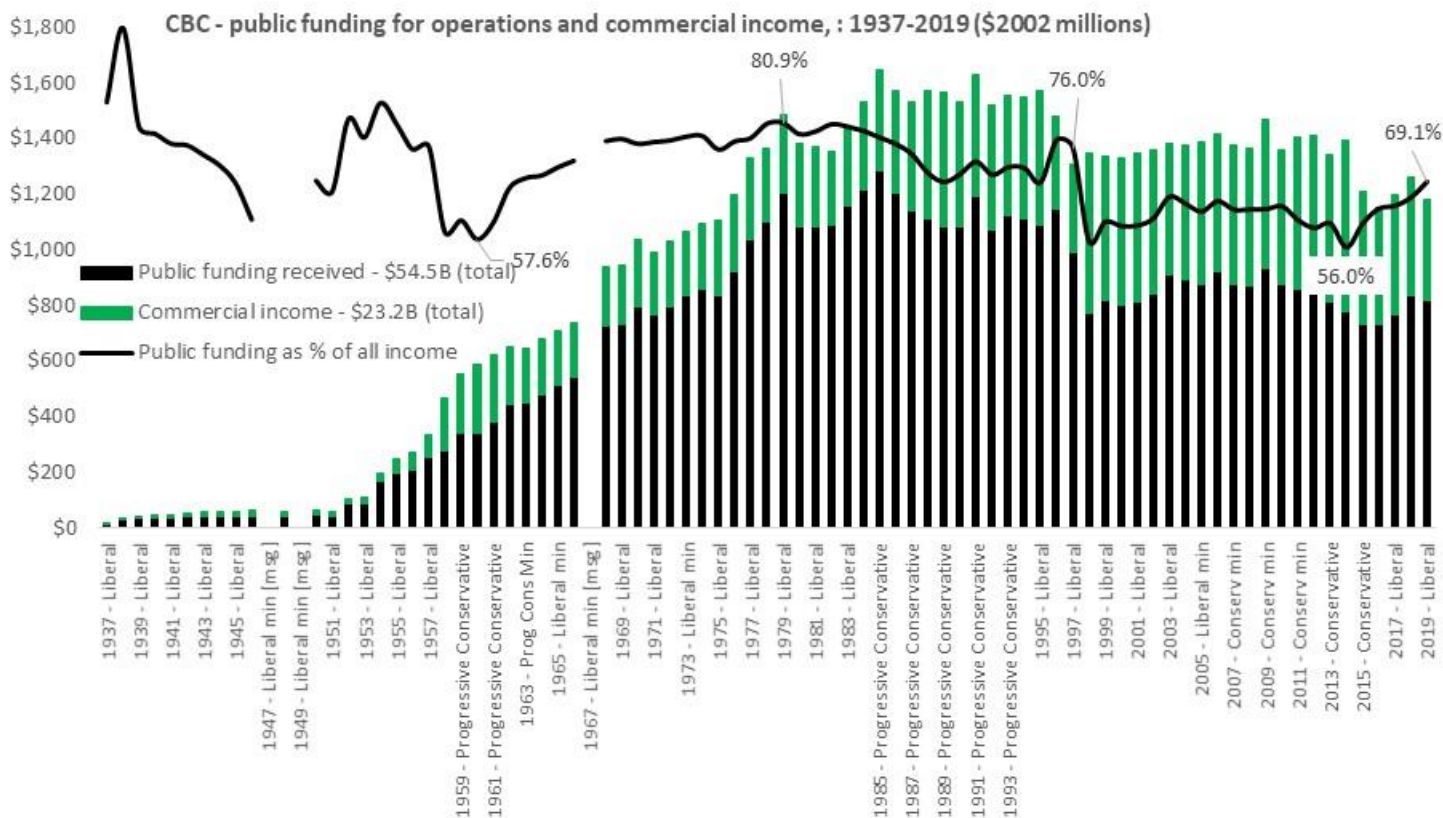
79. CBC's total income and public funding have decreased in real terms [\$2002] since 1984/85 by 28.1% and 36.3%, respectively; its commercial income has decreased by 40.5% since 2016 (Figure 13).

Figure 13 CBC's operating appropriations and income earned, 1937-2019 (\$2002 millions)



80. Since the 1960s when a great deal of its over-the-air TV service had been built, public funding for CBC's operations decreased as a percentage of its total income from 80.9% in 1979, to a low of 56% in 2014; it then increased to 69.1% in 2019: Figure 14.

Figure 14 CBC's public funding for operations as a percentage of its total income



2. Changes in the kinds of public funding provided for CBC's operations

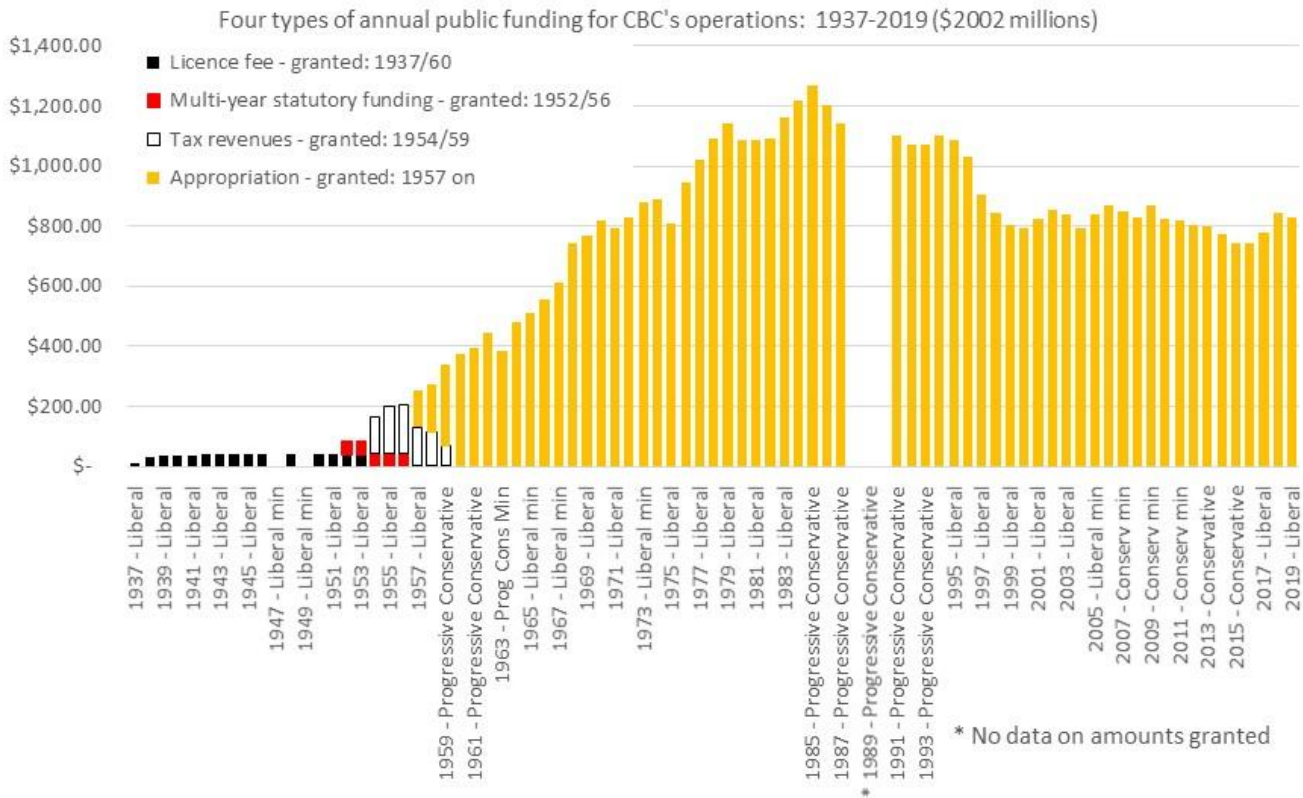
81. Since 1936/37 CBC has received just over \$54 billion of annual public funding for its operations. This funding falls into three main categories: annual funding authorized by Parliament, intermittent supplementary funding authorized by Parliament, and other sources of income (including, but not limited to, advertising).

82. Since 1936/37 Parliament has authorized four types of annual public funding:

1. Radio and television licence fees authorized by Parliament and received by CBC from 1936/37 to 1958/59, inclusive
2. Excise tax revenues directed by Parliament to CBC from 1953/54 to 1958/59, inclusive
3. Fixed multi-year statutory grants voted by Parliament for CBC from 1951/52 to 1955/56, inclusive, and
4. Operating appropriations granted by Parliament to CBC beginning in 1956/57.

83. The four types of annual funding granted by Parliament for CBC’s operations are described in Figure 15, and consist of licence fee income, multi-year statutory grants, tax revenues and operating appropriations. These are discussed in the subsections that follow; note that several *Annual Reports* in the late 1980s did not clearly distinguish between the public funding granted by Parliament for CBC’s operations, and the public funding CBC then received for its operations.

Figure 15 Four sources of public funding for CBC’s operations, 1937-2019



84. Parliament has also provided CBC with five types of supplementary public funding for its operations, usually but not always intermittently (Figure 16 and Table 5):

1. Three supplementary appropriations
2. Twelve one-time appropriations from 2002 to 2013 for programming
3. Five downsizing appropriations from 1991 to 1999
4. Six appropriations for special events (visits from the Royal Family and from the Pope; sporting events such as the Olympics), and
5. A Governor General warrant in 1963 granting funding to CBC during an election period.

These supplements are discussed in greater detail in the next section (Part II A, Section 3).

Figure 16 Annual and supplementary public funding for CBC's operations: 1937-2019 (\$2002 millions)

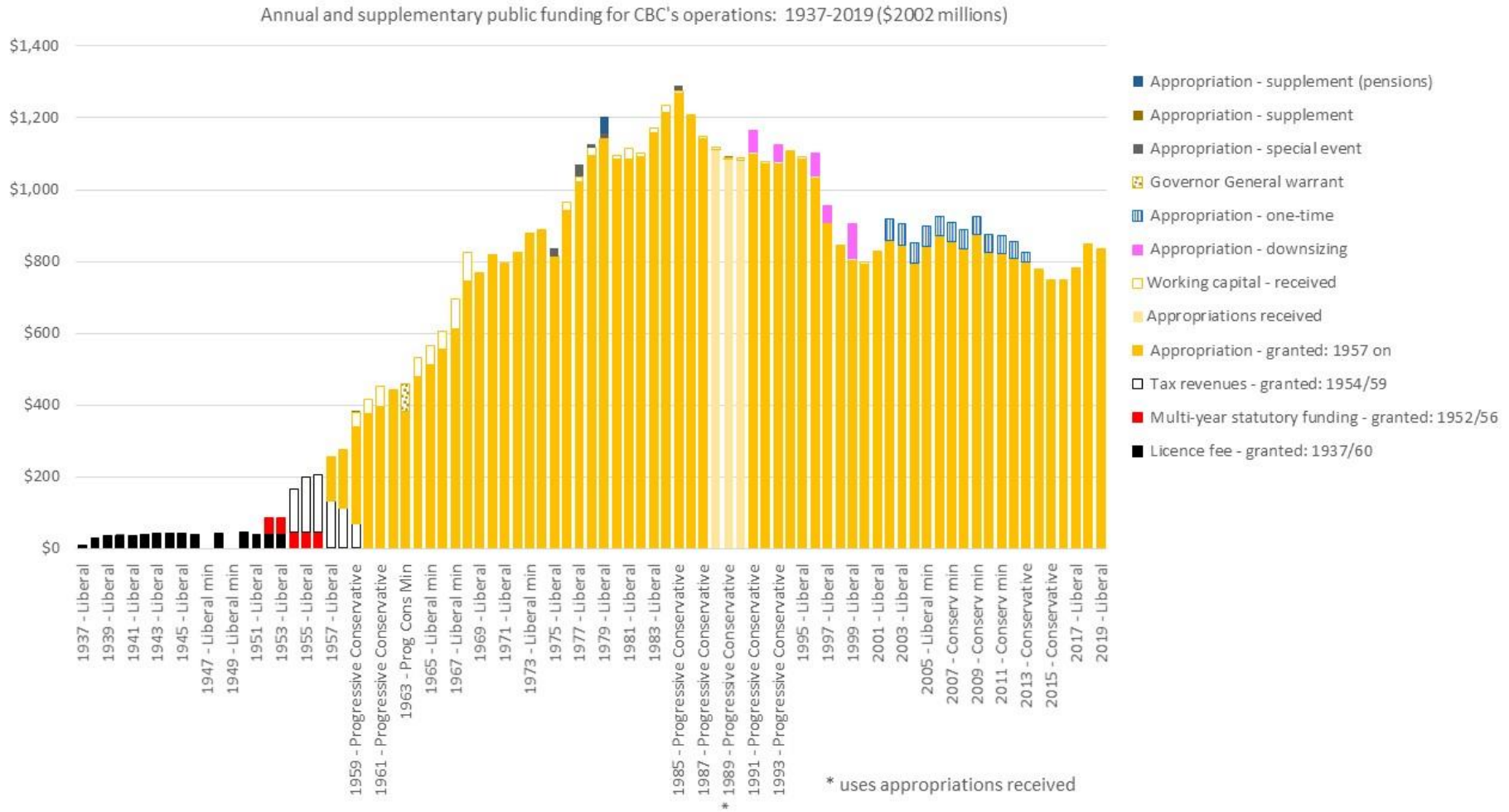


Table 5 Types of supplementary public funding from 1937 to 2019, by statute

Type of public funding	1936 Act	1958 Act	1968 Act	1991 Act	Instances
Licence fee - granted	22	1			23
Statutory grant - granted	5				5
Appropriation - tax revenues - granted	5	1			6
Appropriation - granted	2	10	23	28	63
Appropriation - working capital - received		9	18	28	55
Appropriation - downsizing			1	4	5
Appropriation - one-time				12	12
Appropriation - special event	1		5		6
Appropriation - supplement		1	1		2
Appropriation - supplement (pensions)			1		1
Government funding - grant	1				1
Governor General warrant		2			2
Grand Total	2	3	8	16	29

85. Since 1967/68 CBC's operating funding has been supplemented or reduced by 29 transfers of funding to and from its capital funding: Table 6. Since 1967/68 \$144.3 million have been transferred from CBC's capital appropriations to its operating appropriations; over the same period \$238.7 million have been transferred from CBC's operating to its capital appropriations.

Table 6 Transfers that have supplemented or reduced CBC's public funding for its operations

\$ millions 2002 (absolute values)	1968 Act		1991 Act		Total 1967/68 to 2018/19	
Transfer - from capital to operating	1	\$ 30.31	6	\$113.94	7	\$ 144.26
Transfer - from government department	2	\$ 15.14	3	\$38.04	5	\$ 53.18
Transfer - from operating to capital			17	\$238.72	17	\$ 238.72
Total	3	\$ 45.45	26	\$390.71	29	\$ 436.16

a) Radio licence fees – 1937 to 1959

86. The funding system provided in 1936/37 to fund CBC's operations was based on that provided for its predecessor – the Canadian Radio Broadcasting Commission established in 1932.¹¹⁴ While CBC's first annual report declared that it was self-sustaining, it received revenue from the annual licence fees Canadians paid for radio licences. From 1937 to 1953¹¹⁵ radio-set owners¹¹⁶

¹¹⁴ In *Attorney General of Quebec v. Attorney General of Canada et. al.*, [1932] A.C. 304; III Olmsted 18, the Judicial Committee of the Privy Council Office of the United Kingdom [to which decisions of the Supreme Court of Canada could then be appealed; in 1949 the *Supreme Court Act* was amended to transfer appellate jurisdiction to Canada] held 2 to 1 that the Parliament of Canada had jurisdiction "to regulate and control radio communication, including the transmission and reception of signs, signals, pictures and sounds of all kinds by means of Hertzian waves, and including the right to determine the character, use and location of apparatus employed".

¹¹⁵ CBC, *Annual Report 1953-1954*, at 40.

¹¹⁶ CBC, *Annual Report 1936-1937*, at 15. CBC was also entitled to the "profits on commercial programs": *ibid.*

paid a licence fee to and collected by the Federal government. While sometimes described as a tax,¹¹⁷ CBC viewed the licence fees as a “fee for services rendered and received.”¹¹⁸ The licence fees were set by Parliament and collected by the government.¹¹⁹

87. The fees were set by Order in Council.¹²⁰ In 1932 they increased from \$1 per year (approximately \$100 in 2002 terms) to \$2 (approximately \$200 in 2002 terms).¹²¹ Licences were sold locally by “radio dealers, the banks, the post office branches and by any vendor who applies ... for books of licences” as well as the RCMP (in Saskatchewan).¹²² Ten licences were printed per book, “valued at one dollar apiece, for which [the licence distributors] sent \$9 to some central office”;¹²³ in 2002 terms a single book of ten licences would cost \$2000. Those selling the licences received a commission.¹²⁴
88. The licences covered radio sets in homes and in cars: “A person can have ten radios, and he pays [in 1948] of a fee of \$2.50. If he gets one more radio in his car he has to pay an additional \$2.50.”¹²⁵ Some radio-set owners did not have to pay the licence fees: in 1950, the Federal “Department of Transport issued 6,764 free receiving licences to schools.”¹²⁶
89. The investment required to buy books of licences (five books would cost \$10,000 in 2002 terms) meant that local distributors sometimes failed to have the books in stock, making it difficult for radio owners to obtain licences when needed.¹²⁷ Although in 1932 provincial challenges of Federal jurisdiction over radio had stopped prosecutions for failure to pay the licence fee,¹²⁸ at least two dozen people had already been prosecuted for this reason.¹²⁹

¹¹⁷ Canada, *Debates of the House of Commons*, 21st Parliament: 7th Session, at 4087 (Mr. Knowles [Winnipeg North Centre]), 20 April 1953: “... I am sure people throughout the country are glad to know that at long last the request by many people that this nuisance tax be abolished has been met by the government.”

¹¹⁸ CBC, *Annual Report 1942-1943*, at 28.

¹¹⁹ CBC, *Annual Report 1936-1937*, at 15: “... the Corporation operates on the proceeds of licence revenue, supplemented by profits on commercial programs. Although it is provided by law that new construction may be financed by Government loan, there is no subvention or grant from public funds for either operating or capital account, the Corporation being self-sustaining.”

¹²⁰ Canada, *Debates of the House of Commons*, 17th Parliament 3rd Session, Vol. 1 (Hon. A. Duranleau, Minister of Marine) at 747 (3 March 1932),

http://parl.canadiana.ca/view/oop.debates_HOC1703_01/749?r=0&s=1 .

¹²¹ Canada, *Debates of the House of Commons*, 17th Parliament 3rd Session, Vol. 2, at 1843 (8 April 1932).

¹²² *Ibid.*, at 1847 (8 April 1932).

¹²³ *Ibid.*, at 1847 (8 April 1932).

¹²⁴ The commissions paid varied: radio dealers and other vendors received a 10% commission and post office staff received a 5% commission. In 1932 the government was considering raising the commission to 7.5%; Canada, *Debates of the House of Commons*, 17th Parliament 3rd Session, Vol. 2, at 1847 (8 April 1932).

¹²⁵ Canada, *Debates of the House of Commons*, 20th Parliament: 4th Session, at 6047 (Mr. Ross [St. Paul's]), 29 June 1948.

By 1948 \$2.50 was worth approximately \$21 [\$2002].

¹²⁶ CBC, *Annual Report 1949-1950*, at 24.

¹²⁷ Canada, *Debates of the House of Commons*, 17th Parliament 3rd Session, Vol. 2, at 1847 (8 April 1932).

¹²⁸ Canada, *Debates of the House of Commons*, 17th Parliament 3rd Session, Vol. 2, at 1847 (8 April 1932).

¹²⁹ *Ibid.*, at 1844-1845 (8 April 1932):

90. By 1952 the Department of Transport required licences for television sets, and charged a resident in British Columbia with operating a TV set without a licence. A local magistrate dismissed the charge, on the basis that TV sets were not radio sets and the Federal government had not provided for TV sets to require licences.¹³⁰
91. In the 1950s, the fees were collected under the authority of the Department of Transport¹³¹ by war veterans¹³² who earned commissions on the licences they sold.¹³³ CBC paid for the collection of the fees from 1937 to 1947: costs of collecting and administering the fees were deducted from the gross amount they raised and CBC received the remainder.¹³⁴ CBC began to receive the total amount collected from licence fees in 1948,¹³⁵ the year when licence fee income began to decline.
92. Licence fees provided CBC with \$57.7 million worth of income from 1937 to 1959, or \$363.8 million in 2002 terms. While the fees were apparently discontinued in 1953,¹³⁶ CBC continued to report income from “broadcasting licence fees” from 1955 to 1959; it did not explain the source of this income.

... When the rate of one dollar was put into effect the people in the lower St. Lawrence district did not know to whom they were to pay the licence fees. There were no advertisements in the local press, and no posters in local post offices. Postmen were supposed to collect the fee, but unfortunately they told the people that they had no authority to collect. As a result an inspector came down to the town of Rimouski and prosecuted fifteen or twenty people who had not paid their licence fee because they did not know where to pay them. ...

¹³⁰ Peter S. Anderson, *CBC and Its Mandate*, A thesis submitted in partial fulfillment of the requirements for the degree of Master of Arts (Communications) in the Department of Communications Studies, (Simon Fraser University: December 1976), at 58-59 (citing “No Fee Court Rules”, *The Vancouver Sun*, (14 November 1952), at 2): A police court magistrate in Abbotsford, B.C., dismissed a case against an area resident who had been charged by the Department of Transport with operating a TV set without a radio licence. The magistrate ruled that a TV set was not a radio and that, in fact, no provision had been made by the federal government for TV set licences.

¹³¹ Canada, *Debates of the House of Commons*, 20th Parliament: 4th Session, at 4186 (Hon. J.J. McCann), 21 April 1953. The Department acted under the authority of the *Radio Act*.

¹³² Canada, *Debates of the House of Commons*, 21st Parliament: 7th Session, at 4087 (Mr. Green [Vancouver-Quadra]), 20 April 1953.

¹³³ Canada, *Debates of the House of Commons*, 20th Parliament: 4th Session, at 4186 (Hon. J.J. McCann, Min. of National Revenue), 21 April 1953.

¹³⁴ CBC, *Annual Report 1947-1948*, at 51; the change required an amendment to subsection 1(a) of the *Canadian Broadcasting Act*, s. 14.

¹³⁵ *Ibid.*:

Licence fees have increased by \$892,449.94 [\$7.6 million \$2002]. This was due mainly to the amendment to Subsection 1 (a) of Section 14 Canadian Broadcasting Act, 1936, effective April 1st, 1947, whereby the gross amount of monies received in each year from licence fees is paid to the Corporation. Previously the cost of collection of the licence fees and administration was deducted from the gross amount.

¹³⁶ CBC, *Annual Report 1953-1954*, at 40; Canada, *Debates of the House of Commons*, 20th Parliament: 4th Session, at 4186 (Hon. J.J. McCann, Min. of National Revenue), 21 April 1953: “... the Radio Act was amended yesterday, and that amendment which discontinues the \$2.50 fee is in effect from April 1. ...”

Figure 17 Broadcast licence fees in current and constant dollars, 1937-1959

Year and government then in office	\$ millions (current)		\$ millions (2002)	
	Licence fees	Broadcasting licence fees	Licence fees	Broadcasting licence fees
1937 - Liberal	\$0.74		\$ 9.63	
1939 - Liberal	\$2.65		\$ 34.44	
1940 - Liberal	\$2.91		\$ 37.75	
1941 - Liberal	\$3.14		\$ 39.25	
1942 - Liberal	\$3.49		\$ 41.00	
1943 - Liberal	\$3.70		\$ 42.06	
1944 - Liberal	\$3.79		\$ 42.09	
1945 - Liberal	\$3.78		\$ 41.58	
1946 - Liberal min	\$3.77		\$ 41.01	
1947 - Liberal min			\$-	
1948 - Liberal min	\$4.80		\$ 46.59	
1949 - Liberal min			\$-	
1950 - Liberal	\$5.48		\$ 44.93	
1951 - Liberal	\$5.57		\$ 44.58	
1952 - Liberal	\$5.84		\$ 42.33	
1953 - Liberal	\$5.73		\$ 40.32	
1954 - Liberal	\$0.27		\$ 1.96	
1955 - Liberal		\$ 0.29	\$-	\$2.08
1956 - Liberal		\$ 0.38	\$-	\$2.68
1957 - Liberal		\$ 0.39	\$-	\$2.74
1958 - Prog Cons Min		\$ 0.45	\$-	\$3.07
1959 - Progressive Conservative		\$ 0.46	\$-	\$3.02
Subtotal	\$ 55.67	\$ 1.98	\$ 363.82	\$ 12.92
Total		\$57.66		\$376.74

b) Excise taxes – radio and television, 1953-1959

93. When the *Canadian Broadcasting Act* was amended to abolish the collection of radio licence fees, it was also changed to provide CBC with the revenues obtained from a tax on the sale of radios and TVs.¹³⁷ New subsection 14(4)(a) transferred the equivalent of the taxes collected “on the sale of sound broadcasting sets and apparatus” to the CBC and subsection 14(4)(b) similarly

¹³⁷ The members of the Opposition (the Progressive Conservatives) had ... said the principle of voting money for a five-year period in advance was fundamentally wrong. Whatever might be said for the parliamentary grant to the Canadian Broadcasting Corporation – and no one took exception to the grant for the year then under consideration – that was no argument whatever for a five-year grant, in advance, without any necessity of the matter being referred back to parliament year by year within that period of time. ... the majority of the house, in deciding by legislation that that matter would be placed beyond the reach of parliament for a period of five years, in my submission failed in its duty with reference to parliamentary control over public expenditures.

Canada, *Debates of the House of Commons*, 20th Parliament: 4th Session, at 4187 (Mr. Fleming [Eglinton]), 21 April 1953.

transferred the equivalent of the special excise tax collected “on the sale of television receiving sets and tubes”.¹³⁸ Both sets of taxes were then set at 15%.¹³⁹

94. The excise tax provided CBC with \$106.6 million in operating funds from 1954 to 1959, the equivalent of \$733.3 million in real (2002) terms.

Public funds provided by the radio and TV excise tax

Fiscal year	\$ millions current	\$ millions constant (2002)
1954 - Liberal	\$ 16.76	\$ 118.86
1955 - Liberal	\$ 21.47	\$ 152.27
1956 - Liberal	\$ 22.80	\$ 159.44
1957 - Liberal	\$ 18.92	\$ 127.86
1958 - Prog Cons Min	\$ 16.83	\$ 110.74
1959 - Progressive Conservative	\$9.81	\$ 64.09
Total	\$ 106.59	\$ 733.26

95. Two years after it was established, excise-tax income began to decrease (from \$22.8 million in 1956, to \$16.8 million in 1958). Parliament's enactment of new broadcasting legislation – the 1958 *Broadcasting Act* – led to the replacement of the excise tax by annual statutory grants.¹⁴⁰

c) Parliamentary funding – fixed grants set by statute: 1952 to 1956

96. In late 1951 Parliament amended the 1936 *Canadian Broadcasting Act* to provide CBC with a specified grant for each of the five years from 1951/52 to 1952/56. It required the Minister of Finance to “grant to the Corporation out of the Consolidated Revenue Fund the sum of [\$4,750,000] in the fiscal year that began on the first day of April, nineteen hundred and fifty-one, and the sum of [\$6,250,000] in each of the four next following fiscal years.”¹⁴¹

Public funds provided by the fixed statutory grant for CBC

Fiscal year	\$ millions current	\$ millions constant (2002)
1952 - Liberal	\$6.3	\$ 44.0
1953 - Liberal	\$6.3	\$44.6
1954 - Liberal	\$6.3	\$44.3
1955 - Liberal	\$6.3	\$44.3
1956 - Liberal	\$6.3	\$43.7
Total	\$31.3	\$221.0

¹³⁸ Canada, *Debates of the House of Commons*, 20th Parliament: 4th Session, at 4214 (Hon. J.J. McCann), 22 April 1953.

¹³⁹ *Ibid.*, at 4195 [image unclear] (Hon. J.J. McCann), 21 April 1953.

¹⁴⁰ CBC, *Annual Report 1959-1960*, “Statement of Operations”.

¹⁴¹ *An Act to amend the Canadian Broadcasting Act, 1936*, 21 December 1951, 15&16 Geo. 6, c. 6, s. 6, amending s. 14 of the *Canadian Broadcasting Act*.

CBC noted in its 1951/52 Annual Report that the operating surplus that year “was made possible by the annual statutory grant of \$6,250,000 during the year. This grant will continue for an additional four years as provided by Parliament”: CBC, *Annual Report 1951-1952*, at 43 (“Financial”).

97. In current terms CBC's public funding remained stable for five years in current terms; in real [\$2002] terms it began to decline in 1953/54, decreasing slightly from \$44.6 million to \$44.3 million.
98. While CBC received these specific grants [approximately \$44 million 2002] as well as additional funding in those years, Parliament never again provided CBC with legislated multi-year funding. Parliament did raise CBC's grant to \$12.6 million in 1956/57, however, "an amount ...representing the equivalent of the excise tax on the sale of television receivers and associated parts". While CBC described this money as "an extension" of the excise-tax funding mechanism¹⁴² the total amount varied from those previously granted by statute and it was therefore described in the dataset as an annual appropriation, rather than a fixed statutory grant.

d) Parliamentary funding – annual operating operations, 1960 to the present:

99. In 1958 Parliament replaced the 1936 *Canadian Broadcasting Act* with a new statute: the *Broadcasting Act*. It specified for the first time that CBC's property was owned by the Crown.¹⁴³ It also gave the Federal government then in office the authority to approve CBC's operating and capital budgets and to lay these before Parliament,¹⁴⁴ presumably to secure funding for these budgets by way of annual grants or appropriations.
100. By 1959/60 annual operating grants had entirely replaced excise tax income, with CBC describing one as a "Parliamentary Grant towards the net operating requirements of the Radio and Television Services" of \$58.4 million,¹⁴⁵ and another as a "Parliamentary grant for the capital requirements" of the services, of \$9.2 million.¹⁴⁶ Note that CBC sometimes returned and sometimes retained operating surpluses from one year to the next; these amounts were

¹⁴² Being s. 14(3) of the 1936 *Canadian Broadcasting Act*, as amended in 1951 (*An Act to amend the Communication Broadcasting Act, 1936*, 21 December 1951, 15&16 Geo. 6, c. 6, s. 6): see CBC, *Annual Report 1956-1957*, at 50.

¹⁴³ S. 27(3): "Property acquired by the Corporation is the property of Her Majesty and title thereto may be vested in the name of Her Majesty or in the name of the Corporation."

¹⁴⁴ S.35:

(1) The Minister shall annually lay before Parliament a capital budget and an operating budget for the next ensuing financial year of the Corporation, approved by the Governor in Council on the recommendation of the Minister and the Minister of Finance.

(2) Within one year after the coming into force of this Act and every fifth year thereafter the Corporation shall submit to the Minister and the Minister of Finance for submission to the Governor in Council a five-year capital program proposed by the Corporation together with a forecast of the effect of the program on the Corporation's operating requirements.

S. 21(d) defined the "Minister" as "the member of the Queen's Privy Council for Canada who is designated by the Governor in Council as the Minister through whom the Corporation is to be accountable to Parliament for the conduct of its affairs."

¹⁴⁵ Vote 43, *Appropriation Act No. 5*, 1959.

¹⁴⁶ Vote 44, *Appropriation Act No. 5*, 1959.

excluded from the Forum's estimate of operating appropriations as their inclusion would have overestimated the amounts approved by Parliament (*i.e.*, double-counting).¹⁴⁷

101. The operating appropriations granted by Parliament to CBC for each year from 1959/60 to 2018/19 excluding 5 years for which data are not available¹⁴⁸ amounted to \$52.477 billion [\$2002]. The operating appropriations received by CBC in the same years amounted to \$49.098 billion [\$2002],¹⁴⁹ or \$3.379 billion less than the amount granted by Parliament. (CBC does not generally receive the amounts granted by Parliament, due to supplements to or reductions in the appropriations; these changes are discussed below.)
102. Overall, the public funding CBC's annual operating appropriations (both granted to and received by CBC) have declined since 1984/85; in 2018/19 they were 36% lower than in 1984/85: Figure 18.

¹⁴⁷ An unanswered question, though, has to do with CBC's historical legal authority to retain surplus appropriations.

The 1936 *Act* essentially treated CBC as self-funding, implying in theory that CBC could retain surplus funds. In practice the issue did not arise, as CBC did not report surpluses with respect to its operations from 1936/37 to 1957/58.

The 1958 *Act* did not expressly address surplus operating funds. While s. 33(4) required CBC to credit all capital funds received from Parliament to a Proprietor's Equity Account, s. 33(2) required CBC to deposit all moneys received "through the conduct of its operations or otherwise" to its bank account(s), and to administer this money "exclusively in the performance of its powers, duties and functions". Then, 39(1) required CBC to return "working capital ... in excess of six million dollars". As the *Act* did not define 'working capital', it is unknown whether Parliament intended all surplus operating funds to count towards this concept. In any event, CBC began to return unexpended operating appropriations in 1959/60; see at 20 and the 'Statement of Operations'.

Like its predecessor, the 1968 *Act* did not expressly address surplus operating funds, and required CBC to deposit and administer all moneys "received ... through the conduct of its operations or otherwise ... exclusively in the exercise and performance of its powers, duties and functions". In 1967/68 and 1968/69 the CBC reported unused operating appropriations; rather than retaining them it "refunded" the unused operating appropriations to the Receiver General of Canada. In 1969/70, however, CBC reported without further discussion an \$11.9 million surplus that it "retained to meet future operating expenditures": CBC, *Annual Report 1969-1970*, at 21 ("Financial Review"). Then, in 1974/75 CBC retained "the unexpended balance of operating appropriations of current and prior years" of \$4.98 million [\$17.2 million 2002], "in accordance with an agreement with Treasury Board": CBC, *Annual Report 1974-1975*, at 44 (*Notes to the Financial Statement*); see also 37 ("Financial Review" – "Equity of Canada").

In contrast with its three predecessors, the 1991 *Act* specifically addresses surplus moneys – and also leaves the determination of whether a 'surplus' exists to the Ministers of Canadian Heritage and Finance:

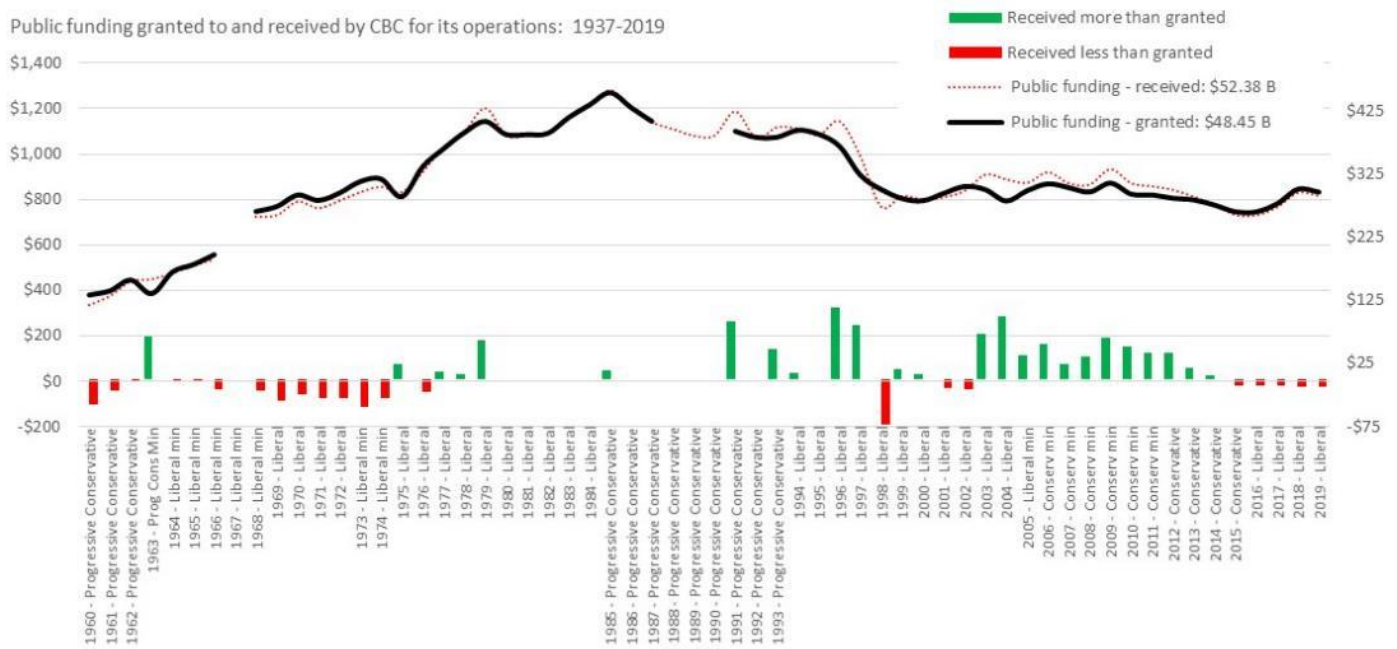
Payment over surplus money

59 Subject to any other Act of Parliament, where the Minister and the Minister of Finance, with the approval of the Governor in Council, so direct, the Corporation shall pay or cause to be paid to the Receiver General so much of the money of the Corporation or of a wholly-owned subsidiary of the Corporation as those Ministers consider to be in excess of the amount that is required for the purposes of the Corporation or subsidiary, and any money so paid may be applied toward the discharge of any obligation of the Corporation or subsidiary to the Crown or may be applied as revenues of Canada.

¹⁴⁸ 1966/67; 1986/87 to 1989/90.

¹⁴⁹ The total for the period except for 1966/67 was \$52.233 billion [\$2002].

Figure 18 Parliamentary operating appropriations granted to and received by CBC, 1960-2019



3. Changes in public funding for CBC’s operations over time

103. From time to time Parliament and the Federal government have announced reductions in public funding for the CBC: Table 7.

Table 7 Changes announced to public funding granted to CBC for its operations

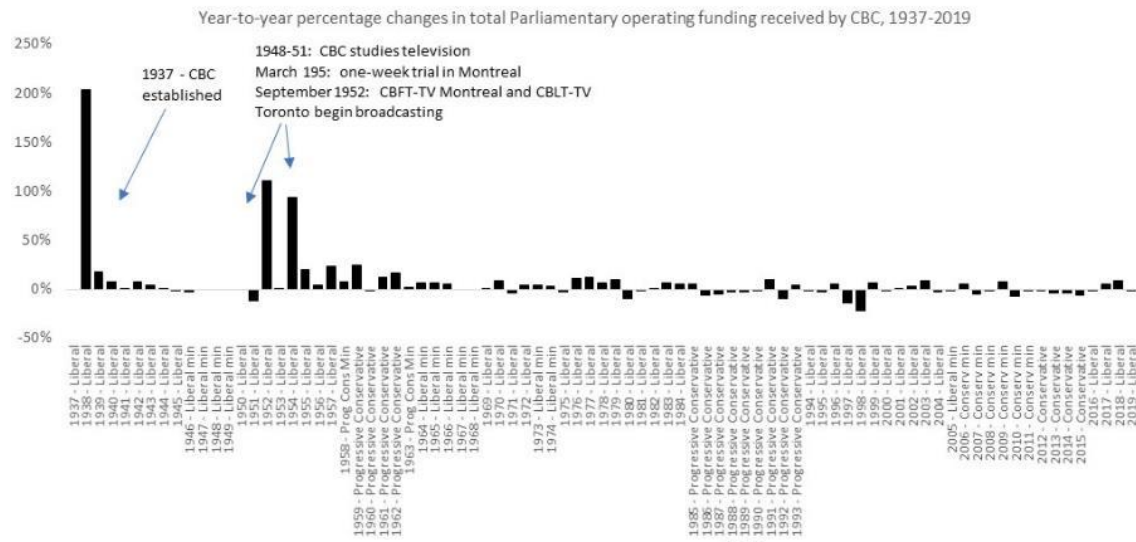
Year	Amount		When Announced	Duration	Years affected
	Current \$M	2002 \$M			
1952/53	\$0.116	\$0.8			
1985/86, at 27	\$85.0	\$129.6	Spring 1986		
1994/95, at 51	\$100.0	\$114.2	April 1993 Budget	2 years	1996/97 (\$50M) 1997/98 (\$50M)
1994/95, at 51	\$165.0	\$185.6	February 1995 Budget Program Review I	3 years	1995/96 1996/97 (\$52.9 M) 1997/98 (\$68.3 M)
1994/95, at 51	\$29.0	\$33.1	March 1996 Program Review II	1 year	1998-99
1994/95, at 51	\$15.0	\$17.1	Discontinuation of RCI funding	2 years	1995/96 1997/98
2012/13 at 18	\$115.0	\$93.6	CBC budget 2012	3 years	2012/13 2013/14 2014/15
2014/15, at 51	\$14.0	\$11.2	November 2013 Economic Update	2 years	2014/15 2015/16

104. The Forum analyzed the public funding received by CBC for its operations from 1937 to 2019, to identify other changes.

a) **Percentage changes in funding over time**

105. Figure 19 shows several significant changes in Parliamentary funding for CBC’s operations in the period from 1937 to 1954: the trebling of CBC funding from 1937 to 1938 (204% increase) as CBC was established and began to expand radio operations across the nation; the doubling of its funding from 1951 to 1952 (111% increase) and from 1953 to 1954 (93% increase), as CBC began to launch television service. In the 76 years for which year-to-year percentage changes can be calculated, CBC’s funding has been increased in real terms 45 times, and has been reduced 31 times; in other words, in 41% of 76 years CBC’s income was reduced below the cost of inflation (*i.e.*, the cost of living).

Figure 19 Year-to-year percentage changes in total Parliamentary operating funding received by CBC



106. As this paper’s purpose was to gain an understanding of the degree to which Parliament’s funding of CBC’s operations changes from one year to another the period from 1937 to 1959 was excluded as being unrepresentative of Parliament’s more recent approach to funding public broadcasting operations that now include radio, television (since the early 1950s) and discretionary services (since the late 1980s). During the earlier period CBC devoted significant resources to extending the national broadcasting service; since then CBC has devoted fewer resources to this purpose.

107. Even without the dramatic fluctuations from the late 1930s to 1950s public funding for CBC’s operations varied a great deal. Figure 20 shows the year-to-year percentage change in public funding received by CBC for its operations from 1960 to 2019; Table 8 summarizes the results.

Table 8 Annual percentage change in public funding received by CBC for its operations, 1959/60 to 2018/19

Range of change	Instances	% of total changes, 1960-2019
-10% or more	2	3%
-5 to -9.99%	7	12%
-1 to -4.99%	13	22%
-.99 to +.99	8	14%
1 to 4.99%	9	16%
5 to 9.99%	15	26%
10% or more	4	7%
1960 to 2019	58	100%
Average annual change:		1.2%

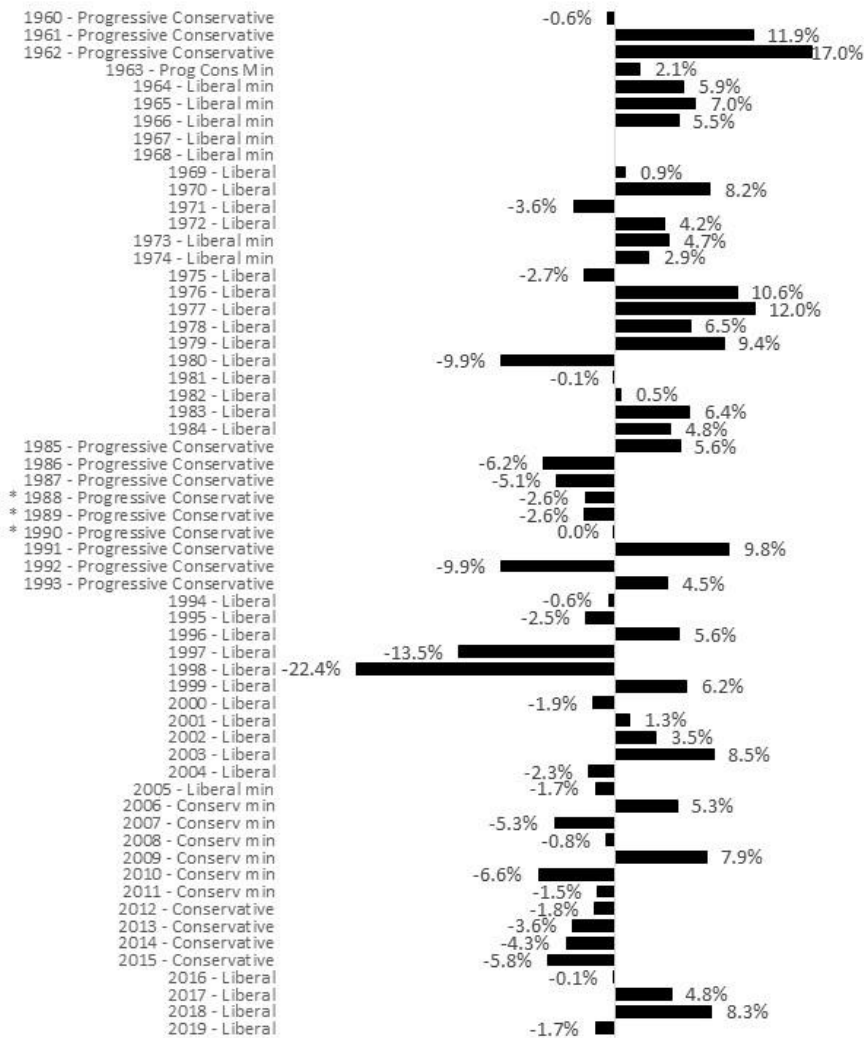
108. The average annual change in public funding received by CBC for its operations from 1959/60 on was 1.2%. The change was greater than +/- 1.0% in 50 of the 58 years for which data were available.

109. The public funding received by CBC for its operations increased by 5% or more in relation to the previous year in a third of the 58 years (19 years or 32.7%) for which data were available from 1960 to

2019. In 9 years (10%) this funding decreased relative to the previous year by 5% or more.

110. The longest period with year-to-year increases was from 1960/61 to 1965/66 and lasted six years; the longest period with year-to-year decreases was also six years, from 2009/10 to 2014/15.

Figure 20 Annual percentage change in public funds received by CBC for its operations, 1960-2019



b) Changes to the public funding granted for CBC’s operations

111. As Figure 18 indicated, CBC rarely receives the public funding granted by Parliament due to additions to or reductions in the funding it has been granted.¹⁵⁰ It is at times unclear why the

¹⁵⁰ As mentioned in Part I, however, changes in CBC’s *Annual Reports* for 1987/88, 1988/89 and 1989/90 describing its Parliamentary appropriations make it impossible to know whether the amounts granted differed from the amounts CBC received. The “Financial Overview” and an appended table in the 1992/93 *Annual Report* mentioned differences in the appropriations granted and received, where the financial statements and the *Notes to the Financial Statement* did not (see CBC, *Annual Report 1992-1993*, Vol. 2 at 3 (“Financial Overview”), at 10 (“Statement of Income and Expense and Reconciliation to Government Funding Basis”), at 17 [‘appropriations approved and the payments received’] and 24 [Summary – Source and Application of Operating and Capital Funds]). The same approach (differences mentioned in the financial overview and a table following the *Notes to the Financial Statement*) was used by CBC in its 1993/94 *Annual Report* (see Parliament’s funding of CBC’s operations. 110,

appropriations granted by Parliament to CBC for its operations changed. CBC's early *Annual Reports* – from the 1930s to the early 1970s – usually identified specific Parliamentary votes granting CBC supplementary funding, making it possible to determine whether the changes were debated by Members of the House and the Senate.¹⁵¹ CBC's *Annual Reports* since the early 1970s do not consistently identify Parliamentary votes that fund the public broadcaster, making it difficult to find Parliamentary debates on those votes.

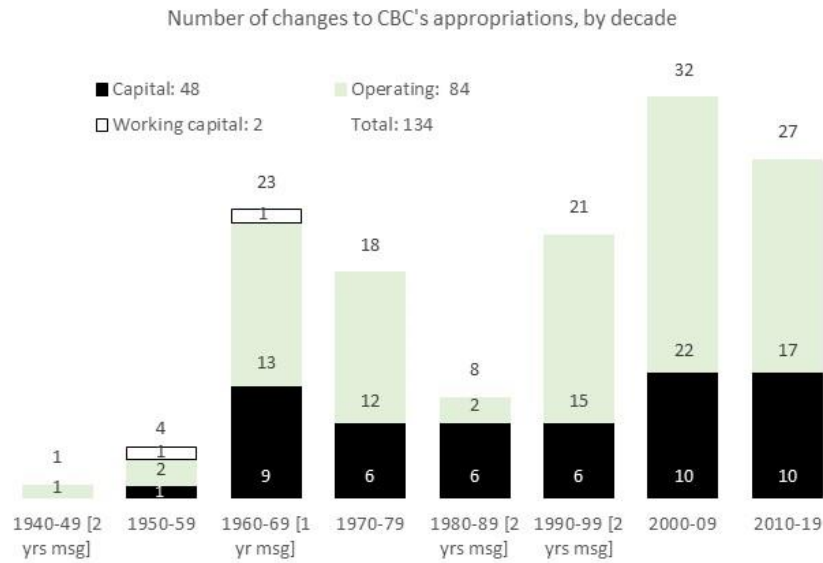
112. CBC's *Annual Reports* also did not explain the process through which the appropriations granted by Parliament were changed, describe the timing of the steps through which these changes were made, or clarify when decisions to change funding were finally issued. It is therefore unclear when CBC learned or learns of changes made to Parliament's funding of its operations – before, during or after it plans its budget for the coming year? It is similarly unclear when Parliament itself learned of the changes – before, during or after its debates on CBC's appropriations, or the following year when CBC published its *Annual Report*.
113. Overall it is estimated¹⁵² that the public funding granted by Parliament to the CBC for its operations was changed by 134 additions and reductions from 1940¹⁵³ to 2019: see Figure 21. While more than half the changes to CBC's public funding involved its operations (84 times, or 62.7% of all changes), the funding for CBC's capital works and its working capital also changed 48 and 2 times, respectively. The number of changes per decade grew from the 1940s to the 1970s, fell by nearly two-thirds, and rose again in the 2000s.

¹⁵¹ "Canadian Parliamentary Historical Resources" at <http://parl.canadiana.ca/> provides access to the *Debates* and other documents of the House of Commons, Senate and their committees.

¹⁵² Our results are estimates because 3 *Annual Reports* are missing (1946/47, 1948/49 and 1966/67), and clear information about the appropriations granted to CBC are missing in 4 years (1987/88, 1988/89, 1989/90 and 1992/93).

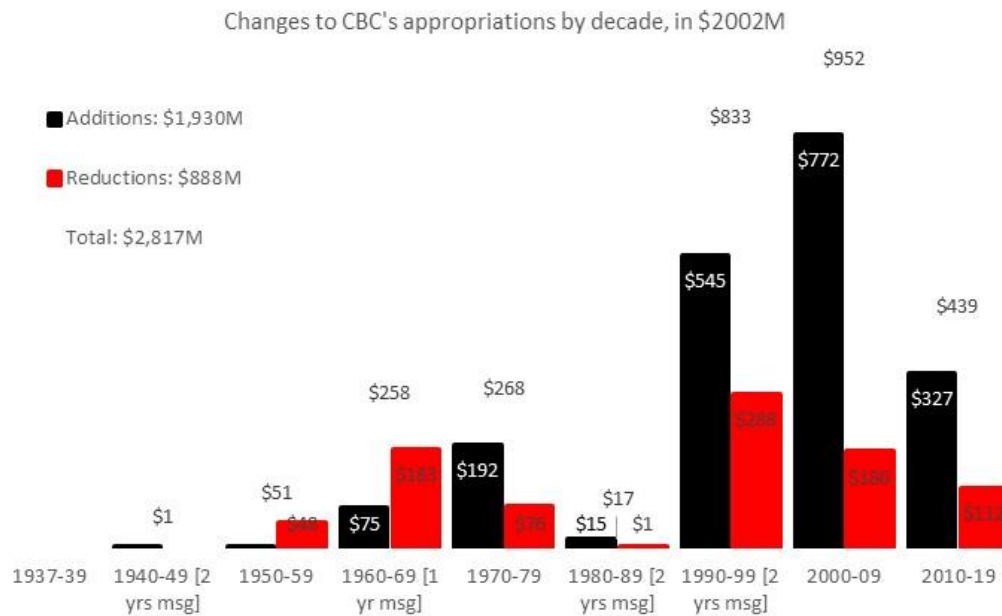
¹⁵³ No changes were identified in the *Annual Reports* of 1936/37, 1937/38 and 1938/39.

Figure 21 Changes to CBC's public funding, by decade



114. It is estimated that the additions to and reductions in CBC's public funding amounted to more than \$2.8 billion [\$2002] over the CBC's history, with the 2000-09 decade having the highest combined dollar value (\$952 million) of additions and reductions.

Figure 22 Total amount involved in additions to and reductions in CBC's operating, capital and working capital funding/appropriations, by decade: 1937-2019



115. More than two thirds (\$2,074 million, or 74%) of the amounts involved in changes to CBC's public funding related to the funding of its operations, and the majority of the changes in funding (\$1,929.8 million, or 68%) related to additions to CBC's public funding: Table 9.

Table 9 Additions and reductions to CBC's public funding (\$ million 2002)

Additions and reductions [\$M 2002]	Addition	Reduction	Total	Changes as % of total
Change in capital funding	\$ 443.51	\$247.00	\$ 690.51	25%
Change in operating funding	\$ 1,486.27	\$587.70	\$ 2,073.97	74%
Change in working capital funding		\$52.96	\$ 52.96	2%
Total changes	\$ 1,929.78	\$887.66	\$ 2,817.44	100%
Additions & reductions as % of total	68%	32%	100%	

116. Some changes raise questions with respect to legal jurisdiction. In 1971/72, for example, CBC was granted \$207 million in funding and permission to use \$4.6 million in carried-over funds from previous years. While Parliament is responsible for the 'purse' of the nation, so to speak, Treasury Board rather than Parliament asked CBC not to spend \$2 million of its funding:

... the vote approved by Parliament which comprised a Parliamentary payment of \$207,000,000 and the use of prior years' non-lapsing vote carry-over to the extent of \$4,600,000. The Corporation drew down only \$205,000,000 of the \$207,000,000 voted **in accordance with a request made by Treasury Board** on September 14, 1972. The carry over of \$4,600,000 was not required and the Parliamentary payment of \$205,000,000 was under-expended by \$3,149,000.¹⁵⁴ [bold font added]

117. Similarly, note 6 of the 1975/76 *Annual Report's Notes to the Financial Statement* states that Parliament's funding of CBC's operations was reduced by \$6.25 million [\$20.1 million in \$2002] "as per letters from Secretary of Treasury Board dated February 14, 1975 and June 13, 1975". The letters are not included in the *Annual Reports*, and the 1968 *Broadcasting Act* does not address Treasury Board's authority to change CBC's funding. The remainder of this section focusses on changes in public funding for CBC's operations, and in particular additions to and reductions in that funding, of 48 were found:

Table 10 Number of years with additions to and reductions in the appropriations granted to CBC for its operations, by decade

Operating funding	Additions	Reductions	Unknown (frozen allotment)	Total
1937-39				
1940-49	1			1
1950-59	2			2
1960-69	1	9		9
1970-79	5	5		7
1980-89	2			2
1990-00	6	2		7
2000-09	9	7	1	10
2010-19	6	10		10
1937-2019	32	33	1	48

¹⁵⁴ CBC, *Annual Report 1972-1973*, at 28 ("Financial Review").

(1) Additions

118. Additional public funding for CBC's operations includes one-time annual funding beginning in 2001 and ending in 2013¹⁵⁵ supplementary appropriations, grants and payments for special events,¹⁵⁶ funding for downsizing and restructuring, transfers from CBC's capital appropriations,¹⁵⁷ transfers and adjustments from Treasury Board (including 'frozen allotments'), a Governor General Special Warrant¹⁵⁸ and frozen allotments.¹⁵⁹ It is estimated that CBC's operating appropriations received at least 48 additions totalling more than \$1,480 million [\$2002]. Table 12 shows nine types of additions and their description by CBC's *Annual Reports*.

Table 11 Additions to public funding of CBC's operations

Additions to public funding of CBC's operations (and CBC's description of the additions)	Instances	Amount \$M [\$2002]
Additions – one-time		
"... included supplementary appropriations of \$0.9 million"	1	\$ 1.20
Additional non-recurring funding for programming initiatives	11	\$ 562.66
One-time funding for programming initiatives	1	\$ 60.00
Subtotal, one-time funding	13	\$ 623.87
Addition – special event		
"a grant of \$200,000 from the Government of Canada"	1	\$ 1.60
1976 Summer Olympics, broadcasting service	1	\$ 24.83
1978 Commonwealth Games	1	\$ 12.65
1978 Commonwealth Summer Games	1	\$ 7.38
A further amount of \$105,565 for net operating requirements in excess of grant received	1	\$ 0.69
Grant – Royal Visit	1	\$ 0.59
Payment to the Corporation in providing a broadcasting service Papal Visit	1	\$ 14.27
Summer Olympics 1976	1	\$ 33.39
Subtotal, special events	8	\$ 95.41
Addition - transfers from capital		
Plus Transfer from Capital	1	\$ 10.15

¹⁵⁵ CBC, *Annual Report 2001-2002*, Notes to the Financial Statement, at 61, note 3d; CBC, *Annual Report 2012-2013*, Notes to the Financial Statement, at 135 ("24. Government Funding").

¹⁵⁶ Including the 1940 Royal Visit (\$47,449.38 current); 1976 Summer Olympics (\$14.45 million current); 1978 Commonwealth Games (\$12.532 million current) and 1985 Papal Visit (\$8.992 million current).

¹⁵⁷ According to a footnote in the *Notes to the Financial Statement* in CBC's 2001/02 *Annual Report*, "In the event that significant changes in current year requirements occur, appropriations are transferred from one vote to another or reprofiled from one fiscal year to the next through Appropriation Acts tabled in the House of Commons": at 59, note 1.

the transfers from operating to capital that year (\$15.17 million) were

¹⁵⁸ As noted in Part I,

Governor General warrants permit "the government to make charges on the Consolidated Revenue Fund not otherwise authorized by Parliament" when Parliament has been dissolved, a Minister believes that the public good urgently requires an expenditure, "the President of the Treasury Board has reported that there is no appropriation for the payment", and amounts involved are "retroactively included in the next appropriation Act".

¹⁵⁹ We have excluded from 'supplementary' income the amounts earned by CBC from 1946 through to and including 1964, in the form of 'supervisory charges' with respect to RCI, as this income was earned rather than granted by Parliament.

Additions to public funding of CBC's operations (and CBC's description of the additions)	Instances	Amount \$M [\$2002]
Transfer from (to) capital funding - Supplementary Estimates B	1	\$ 3.47
Transfer from Capital	1	\$ 30.31
Transfer from Capital Fund	2	\$ 90.57
Transfer from capital funding - Supplementary Estimates B	1	\$ 1.04
Transfer from/(to) capital funding - Supplementary Estimates B	1	\$ 8.71
Subtotal, transfers from capital	7	\$ 144.26
Addition - transfer from government department		
Add: Amount expended for operating expenditures from Secretary of State Vote 56a - 1976 Summer Olympics	1	\$ 4.80
Allocation from Treasury Board vote	1	\$ 10.34
Compensation adjustment allocated from Treasury Board	3	\$ 38.04
Subtotal, transfer from government department	5	\$ 53.18
Addition - downsizing		
Funding for downsizing & other costs	1	\$ 99.46
Funding for downsizing program	1	\$ 46.43
Funding for downsizing program ... "repayable advance"	1	\$ 63.02
Plus: Restructuring	1	\$ 47.43
Restructuring	1	\$ 60.39
Subtotal, downsizing	5	\$ 316.73
Frozen allotment		
Frozen allotment used (reprofiled from previous years)	1	\$ 38.20
Frozen allotment used (reprofiled in future years)	1	\$ 19.46
Release of frozen allotment reprofiled from a previous year	1	\$ 17.48
Subtotal, frozen allotments	3	\$ 75.14
Addition – Governor General warrant		
Governor General Special Warrants	1	\$ 71.94
Addition - pension liability		
"a supplementary vote"	1	\$ 49.50
Addition - repayable advance		
"repayable advance ... recovered with future appropriations with interest starting in 1998/99...."	1	\$ 56.24
Total, additions	44	\$ 1,486.27

119. This analysis does not include other items noted in CBC's *Annual Reports*, however. In 2014/15, for example, CBC noted a \$16 million "compensation adjustment" from Treasury Board:

22. GOVERNMENT FUNDING

Parliamentary appropriations approved and the amounts received by the Corporation are as follows:

	2015	2014
Operating funding		
Base funding	941,687	968,438
Additional non-recurring funding for programming initiatives	-	-
Compensation adjustment allocated from Treasury Board	6	18,705
Transfer to capital funding	(12,409)	(11,525)
Operating funding received	929,284	975,618
Capital funding		
Base funding	92,331	92,331
Transfer from operating funding	12,409	11,525
Capital funding received	104,740	103,856
Working capital funding	4,000	4,000
	1,038,024	1,083,474

Total funding approved and received by the Corporation for the year is not the same as the total government funding presented in the Consolidated Statement of Income (Loss). Capital Funding received is recorded as Deferred Capital Funding in the Consolidated Statement of Financial Position, with income being recognized in the Consolidated Statement of Income (Loss) on the same basis and over the same periods as the related property, equipment and intangible assets.

	March 31, 2015	March 31, 2014
Opening balance	518,272	525,696
Government funding for capital expenditures	104,740	103,856
Amortization of deferred capital funding	(102,812)	(111,280)
Balance, end of year	520,200	518,272

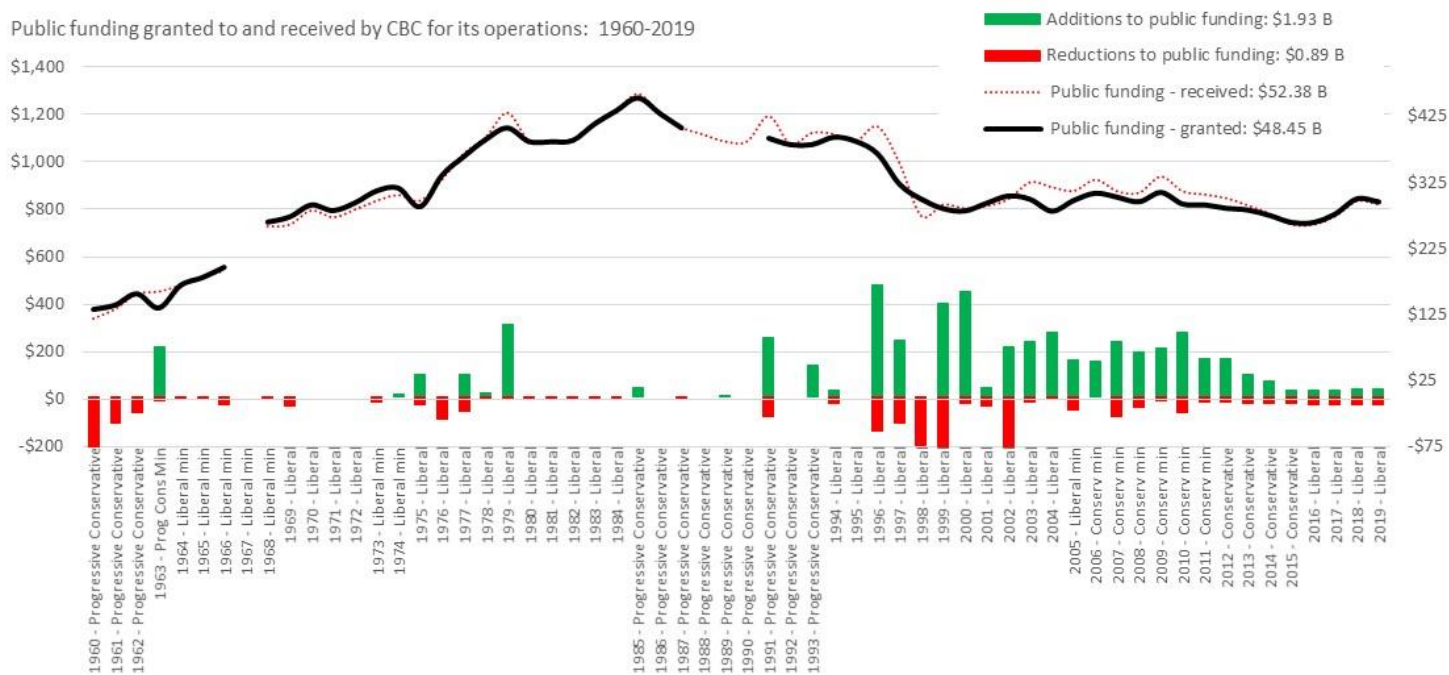
120. In 2003 Treasury Board explained that compensation adjustments cover anticipated salary increases:

[104] The "Compensation reserve" is an amount earmarked in the Government's fiscal framework to cover the anticipated costs for salary increases from collective bargaining or Treasury Board decisions to increase the salaries of unrepresented staff.¹⁶⁰

121. The 2013 adjustment drew our attention because CBC appears to have incurred an \$18 million loss that year: without the \$18.7 million adjustment, would its net loss have been twice as high?
122. As Figure 23 shows, the additions to (and reductions in) public funding of CBC's operations have generally not been made in a regular manner, and vary from one point to the next. Reductions to CBC's operating funding often occur at the same time as additions.

¹⁶⁰ Treasury Board of Canada Secretariat, "ARCHIVED - Expenditure Review of Federal Public Sector - Volume Two - Compensation Snapshot and Historical Perspective, 1990 to 2003", <https://www.tbs-sct.gc.ca/report/orp/2007/er-ed/vol2/vol215-eng.asp#edn104> (date accessed: 4 November 2019).

Figure 23 Public funding for CBC’s operations (granted vs received) and changes to that funding, 1960-2019



123. More than half (\$916.7 million [\$2002], 61.7%) of the additions to public funding for CBC’s operations appear to relate to CBC’s programming, with the remaining additions directed to downsizing or other expenses: Table 12.

Table 12 Types of additions to public funding of CBC’s operations

Type of addition to public funding of CBC’s operations	Number	\$ M 2002	\$ as % of total
Addition – one-time	13	\$ 623.87	42.0%
Addition – downsizing	5	\$ 316.73	21.3%
Addition – transfer from capital	7	\$ 144.26	9.7%
Addition – special event	8	\$ 95.41	6.4%
Frozen allotment	3	\$ 75.14	5.1%
Addition – Gov Gen warrant	1	\$ 71.94	4.8%
Addition – repayable advance	1	\$ 56.24	3.8%
Addition – transfer from government department	5	\$ 53.18	3.6%
Addition – pension liability	1	\$ 49.50	3.3%
Total	44	\$ 1,486.27	100.0%
Appears related to programming			
Addition – one-time	13	\$ 623.87	42.0%
Addition – transfer from capital	7	\$ 144.26	9.7%
Addition – special event	8	\$ 95.41	6.4%
Addition – transfer from government department	5	\$ 53.18	3.6%

Subtotal, directly related to programming	33	\$ 916.71	61.7%
Does not appear directly related to programming			
Addition - downsizing	5	\$ 316.73	21.3%
Frozen allotment	3	\$ 75.14	5.1%
Addition - Gov Gen warrant	1	\$ 71.94	4.8%
Addition - repayable advance	1	\$ 56.24	3.8%
Addition - pension liability	1	\$ 49.50	3.3%
Subtotal, not directly related to programming	11	\$ 569.56	38.3%

124. Since 1990/91 CBC's operations have also been supplemented or reduced on 23 occasions by transfers from and to its capital funding. Specifically, \$114 million [\$2002] were transferred from CBC's capital to its operating appropriation, while \$239 million [\$2002] were transferred from CBC's operating to its capital appropriation.

Table 13 Transfers to and from CBC's public funding for its operations, 1991-2019

Year	Transfer - from capital to operating		Transfer - from operating to capital	
	Instances	\$2002 M (absolute)	Instances	\$2002 M (absolute)
1994 - Liberal	1	\$10.15		
1996 - Liberal	1	\$50.62		
1997 - Liberal	1	\$39.96		
1999 - Liberal			1	\$39.27
2000 - Liberal	1	\$8.71		
2001 - Liberal			1	\$13.60
2002 - Liberal			1	\$15.17
2003 - Liberal			1	\$7.26
2004 - Liberal	1	\$3.47		
2005 - Liberal min	1	\$1.04		
2007 - Conserv min			1	\$30.25
2008 - Conserv min			1	\$16.45
2009 - Conserv min			1	\$4.94
2010 - Conserv min			1	\$22.57
2011 - Conserv min			1	\$7.70
2012 - Conservative			1	\$8.17
2013 - Conservative			1	\$8.72
2014 - Conservative			1	\$9.21
2015 - Conservative			1	\$9.80
2016 - Liberal			1	\$10.55
2017 - Liberal			1	\$11.03
2018 - Liberal			1	\$11.61
2019 - Liberal			1	\$12.43
Total	6	\$113.94	17	\$238.72

125. The first transfer (from capital to operating) occurred in 1990/91, “to offset shortfalls in the funding of 1990-91 restructuring costs”.¹⁶¹ It is generally unclear from CBC's *Annual Reports* how approval was obtained to move funding from one appropriation by Parliament to another; the 1990/91 *Annual Report* states vaguely that “[a]pproval was granted” for the transfer.¹⁶² It is also unclear whether CBC or the approving authority expected that CBC's operational funding would eventually be made ‘whole’, so to speak: the total transferred from operating to capital (\$238 million [\$2002]) is more than twice the amount transferred from capital to operating (\$114 millions [\$2002]).

(2) *Reductions*

126. Public funding for CBC's operations has been restricted or reduced on at least 40 occasions, with the total funding involved amounting to \$588 million [\$2002]. The restrictions include 17 transfers to CBC's capital appropriations, 15 times when CBC returned money to Canada, 5 frozen allotments, 2 reductions in payments ordered by Treasury Board in the mid-1970s, and a transfer of CBC's operating appropriations to Radio Canada International.

Table 14 Examples of restrictions on public funding for CBC's operations, 1937-2019

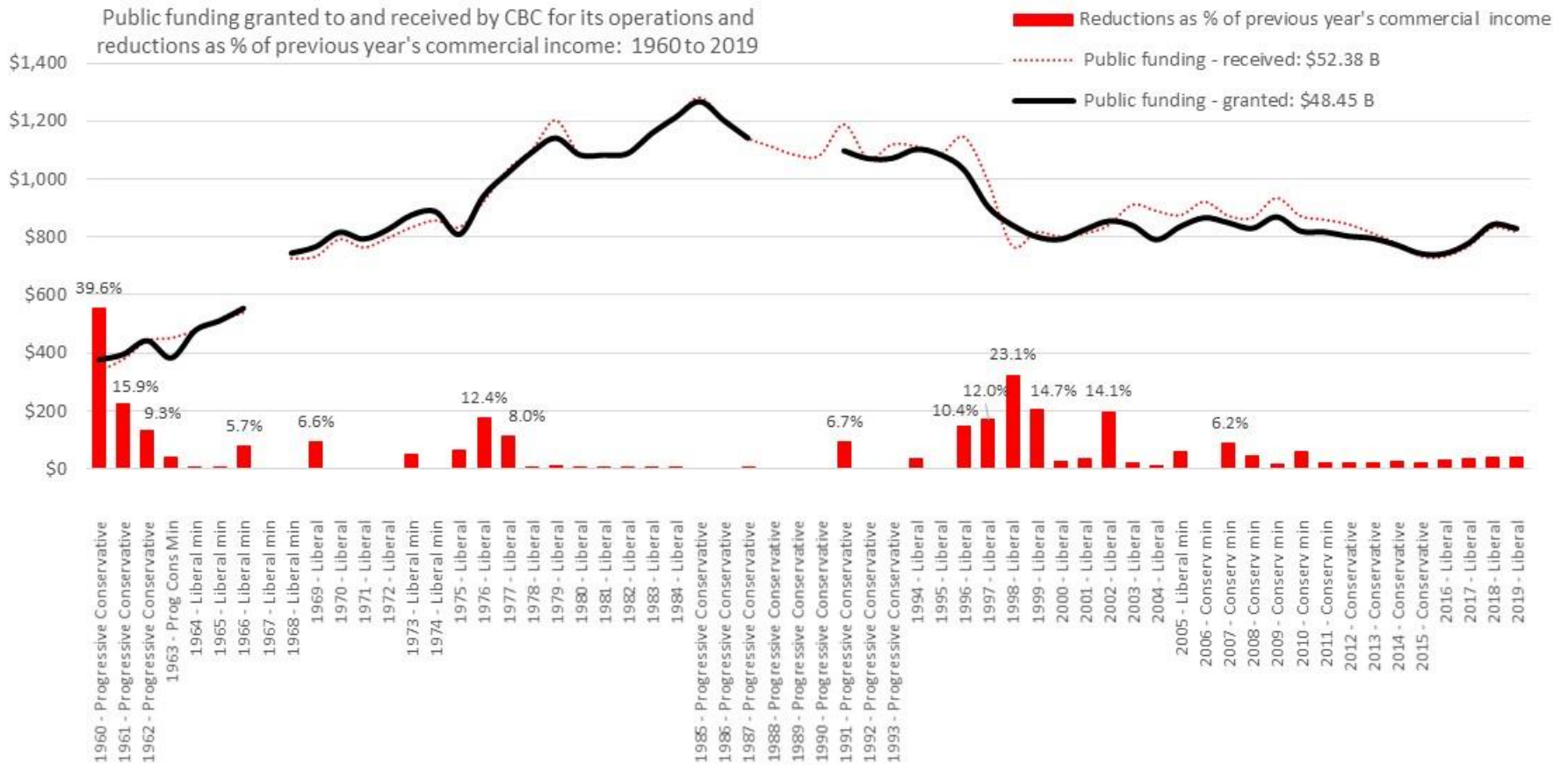
Restrictions	Instances	\$M [\$2002]
Reduction - transfer to capital	17	\$238.72
Reduction - refund to Canada	15	\$124.22
Frozen allotment	5	\$185.93
Reduction - by Treasury Board	2	\$28.57
Less: reduction in payments as per letter from Secretary of the Treasury Board dated September 14, 1972	1	\$8.47
Reduction in payments as per letters from Secretary of the Treasury Board dated February 14, 1975 and June 13, 1975, and Repayments to Canada	1	\$20.10
Reduction – appropriation diverted to RCI	1	\$10.25
Total	40	\$587.70

127. As noted earlier, the additions to and reductions in public funding of CBC's operations do not happen on a regular basis, and the amounts involved are similarly irregular. The Forum wondered whether it is reasonable to believe that CBC can readily fill any funding gaps with its commercial income. Figure 24 (next page) shows reductions in public funding for CBC's operations as a percentage of CBC's total commercial income in the year prior to the reductions,

¹⁶¹ CBC, *Annual Report 1990-1991*, at 32 (“Financial Overview”, “Income”).

¹⁶² *Ibid.*, *Notes to the Financial Statement*, at 45 (“8. Parliamentary Appropriations”).

Figure 24 Reductions in public funding for CBC's operations as a percentage of prior year's commercial income, 1960-2019



while Table 15 summarizes the results. Of the 45 reductions from 1960 to 2019, more than a quarter (14, or 31%) represented 5% or more of CBC's commercial income in the year before the restriction, while 8 (18%) represented 10% or more of the commercial income in the previous year.

Table 15 Restrictions on CBC operating funding, as percentage of previous year's commercial income: 1960-2019

Reduction at T, as a % of commercial income at T-1	Number	% of total
Less than 1%	12	27%
More than 1% and less than 5%%	19	44%
5% or more	14	31%
10% or more	8	18%
15% or more	3	7%
20% or more	2	4%
30% or more	1	2%
Total reductions, 1960-2019	45	

128. These results raise a question as to whether it is reasonable to assume that, when public funding for CBC's operations is reduced, CBC will readily be able to earn back the lost funding through its commercial activities. A related question is the degree to which operating funding reductions of 5% or more – a third of the reductions since 1960 – shift the CBC further away from the public service mandate set down by Parliament's broadcasting statutes, towards a more commercial mandate driven by necessity which may lead CBC's programming to resemble that of its commercial competitors.

4. Public funding of CBC's operations, in context

129. While public funding of CBC's operations and its commercial income have both decreased (since 1985 and 2014, respectively; see *e.g.* Figure 13), it is unclear whether these decreases merely reflect CBC's unique status as a broadcaster established and largely funded by Parliament, or reflect trends in Canada's broadcasting system in general. Since 1968, after all, Parliament's broadcasting policy for Canada declares that its broadcasting system includes both the CBC and private broadcasters (as well as community broadcasters, since 1991¹⁶³) and that CBC's programming is to be made available everywhere in Canada, if funding is available.¹⁶⁴
130. The Forum therefore considered CBC's funding in terms of its historical context, in the context of changes in the Canadian economy, and in relation to private radio and television broadcasting.

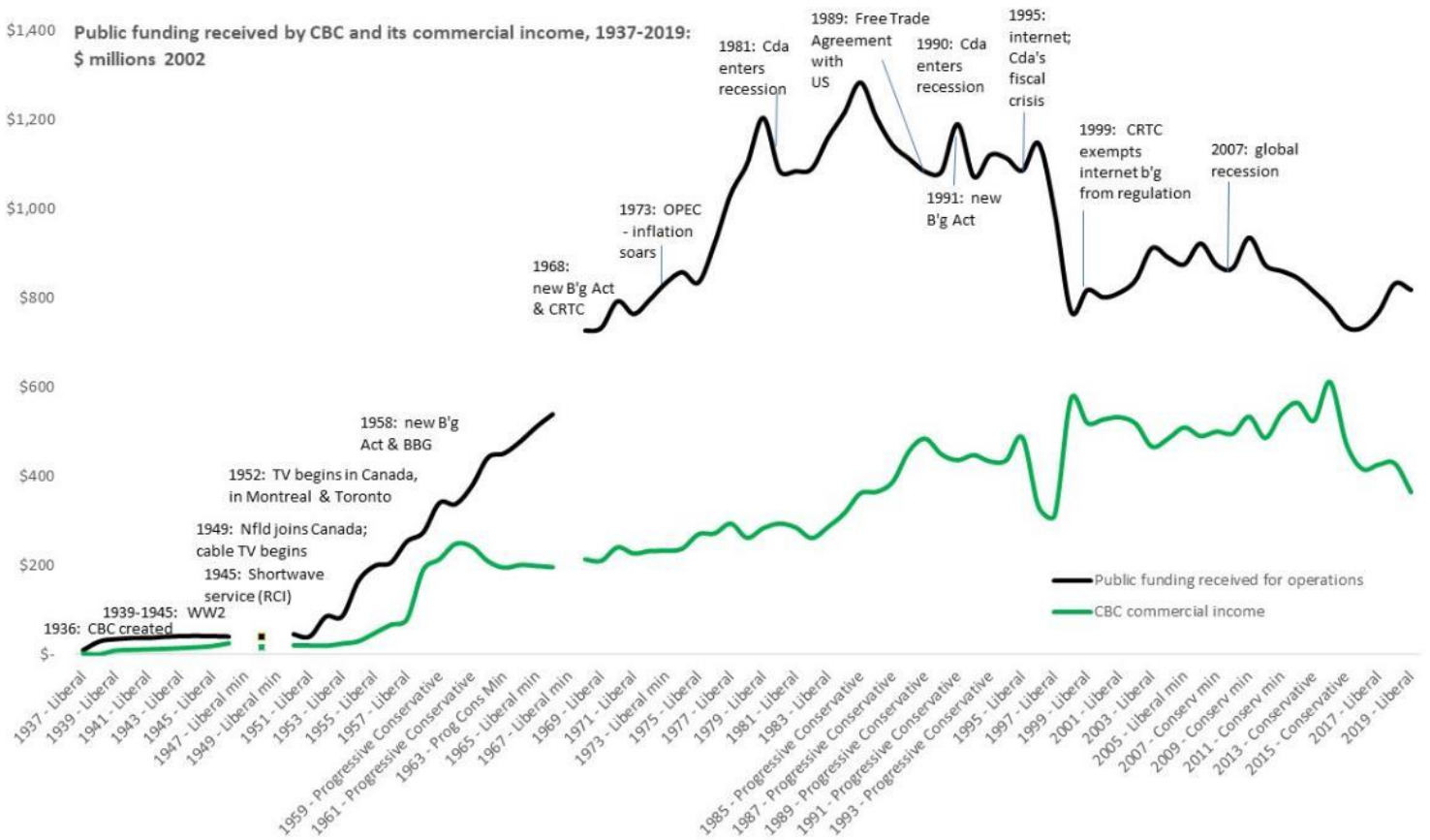
¹⁶³ S. 3(1)(b) refers to "public, private and community elements"; none of the terms is defined.

¹⁶⁴ 1968 *Act*, s. 2(g)(ii): "the national broadcasting service should ... be extended to all parts of Canada, as public funds become available"; 1991 *Act*, S. 3(1)(m)(vii): "the programming provided by the Corporation should ... be made available throughout Canada by the most appropriate and efficient means and as resources become available for the purpose".

a) CBC public and commercial funding in historical context

131. Figure 25 shows CBC's funding over time in the context of important events in Canada and the world. For instance, public funding for CBC began to increase in the late 1940s, as television was introduced, and since the 1980s has often though not always decreased in conjunction with national and worldwide economic downturns.

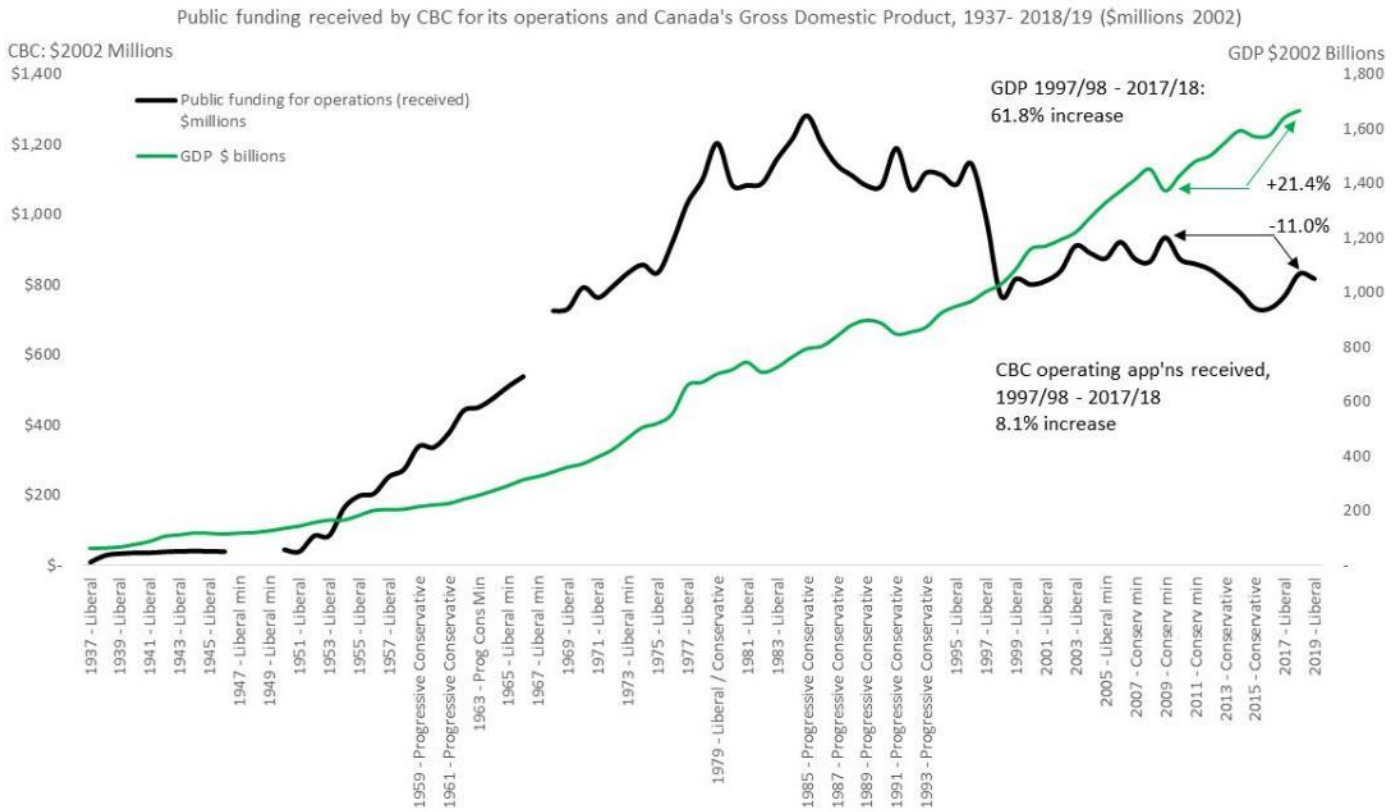
Figure 25 CBC operating appropriation and its commercial income, 1937-2019 (\$ millions current)



b) CBC's public funding and national economic performance

132. As Figure 26 suggests, reductions in public funding for CBC's operations were sometimes preceded by national economic difficulties. From 1997 to 2018, however, the operating appropriations received by CBC grew more slowly than Canada's GDP (8.1% vs 61.8%), and from 2009 on, CBC's operating appropriations decreased as GDP grew (- 11.0% vs 21.4%): Figure 26.

Figure 26 CBC's public funding and Canada's Gross Domestic Product, 1937-2018/19



133. Another way to compare Canada's economy, and the operating appropriations received by CBC is to consider these concepts in terms of daily life. The Forum divided real (2002) values for Canada's GDP and the public funding received by the CBC for its operations each year, by Canada's population for that year. It then divided the per capita amount by the days in that year.¹⁶⁵

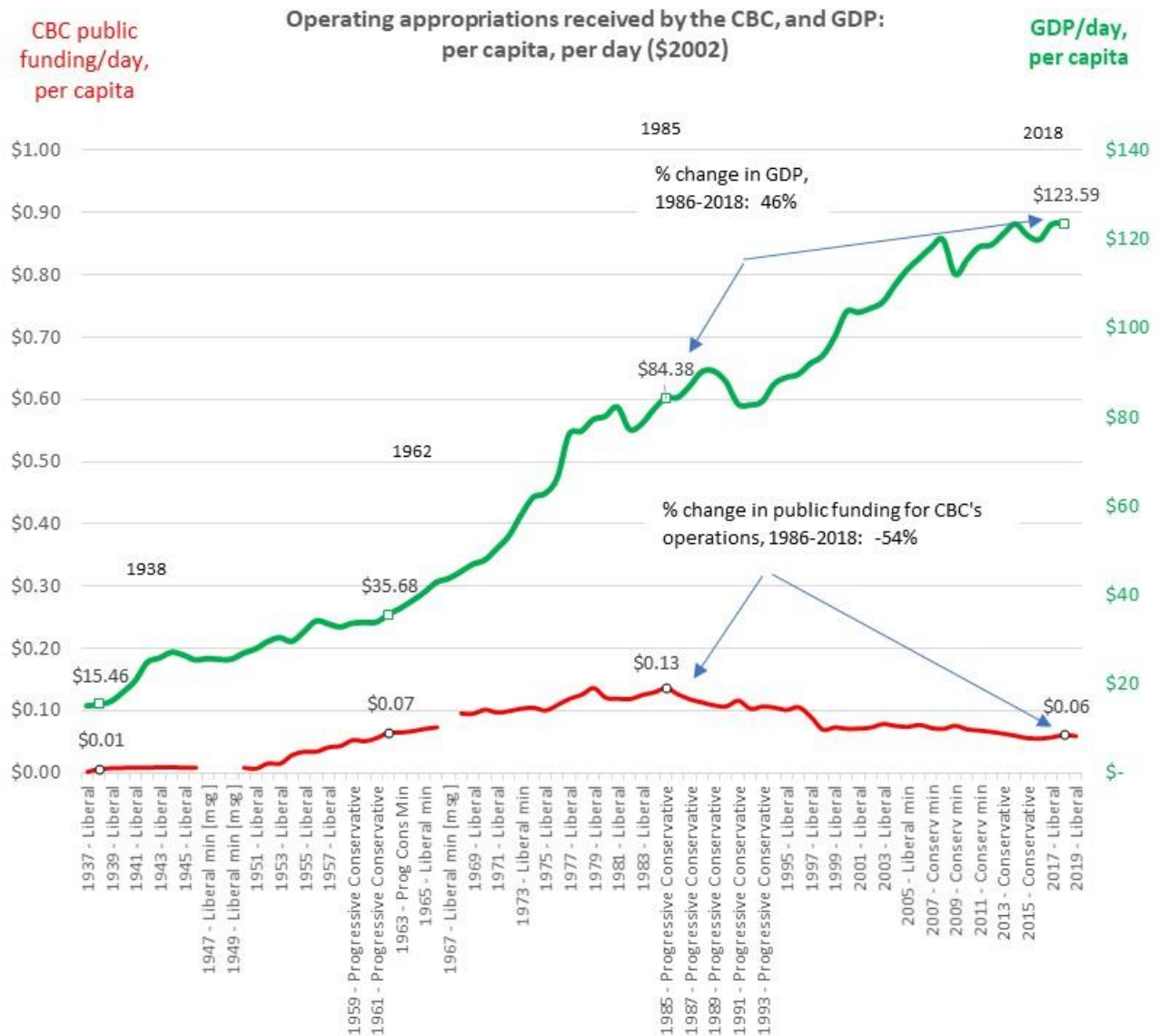
134. In 1938, daily GDP per capita was just over \$15, and the daily per-person cost of the operating appropriations received by CBC was less than half a penny a day – see Figure 27 – for which CBC provided one radio system serving Southern Canada, and fewer than two dozen stations operating primarily in English: Figure 27.

135. In 2018 daily GDP per capita was more than \$123 per capita per day, while the daily per capital cost of the operating appropriations received by CBC was 6¢ a day – for which CBC provided programming on radio, on television and online; in English, French and a number of Indigenous languages; through dozens of radio and television stations and four major networks (radio and television in English and in French), operating in Southern and Northern Canada, as well as

¹⁶⁵ Using 365 days for non-leap years, and 366 days for leap years (years divisible by 4 without a remainder).

internationally (online only). Daily per capita public funding for CBC's operations has declined by 54% since 1984/85, when it reached 13¢ per person, per day. Over the same period GDP per capita per day has increased by 46%.

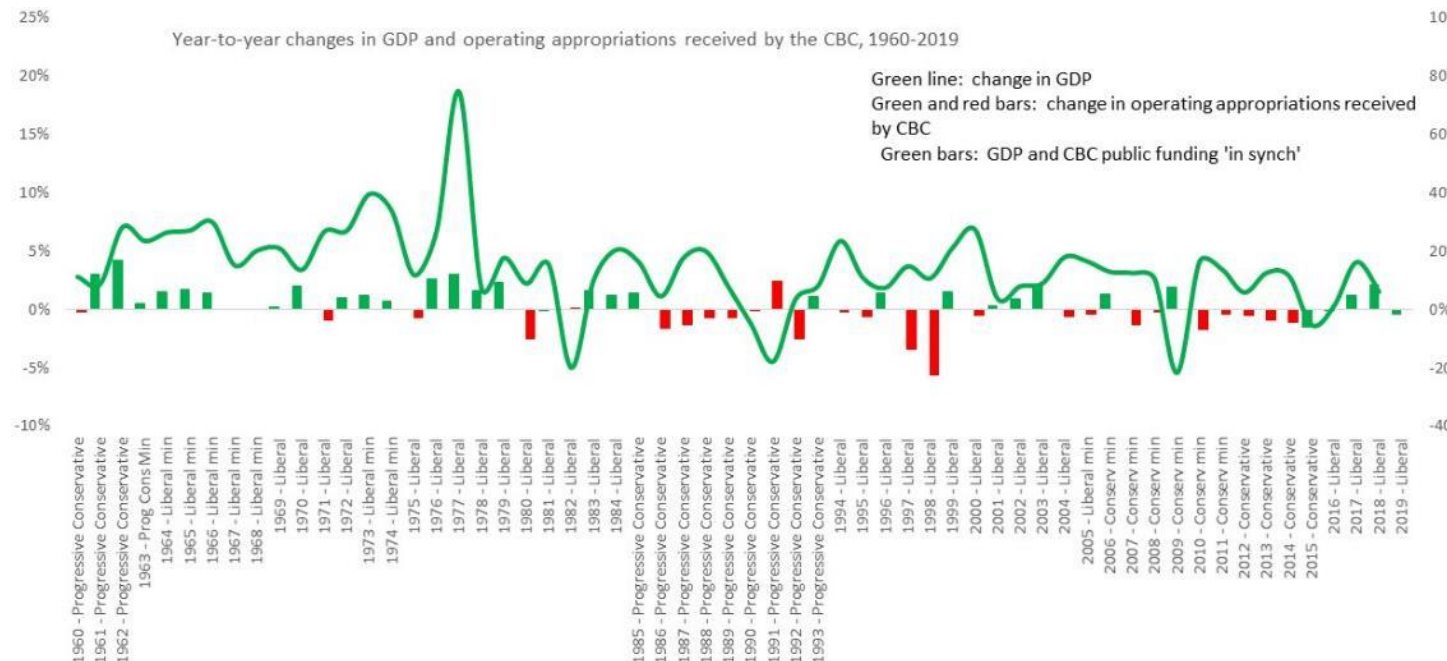
Figure 27 GDP and the operating appropriations received by CBC, per person, per day (\$2002)



136. Changes in public funding received by the CBC for its operations were compared with changes in the economy. If CBC's public funding level were linked to general economic conditions, one might expect that changes in the economy would be reflected by changes in CBC's budget: if the economy grew, public funding received by the CBC for its operations would grow; if the economy shrank, public funding received by the CBC for its operations would decrease.
137. Figure 28 shows year-to-year percentage changes in the annual public funding received by CBC for its operations (red and green bars) and in Canada's GDP (the green line), from 1960 to 2019

(omitting years before 1960 when much of the CBC’s service consisted of radio and CBC had begun to build the public broadcaster’s television system). Green bars show percentage changes in public funding received by the CBC for its operations in the same direction as changes in GDP: *i.e.*, as GDP increased or decreased, public funding received by the CBC for its operations for CBC also increased or decreased. Red bars show percentage changes in public funding received by the CBC for its operations that were in the opposite direction of changes in GDP: *i.e.*, as GDP increased, CBC’s public funding decreased, or vice versa.

Figure 28 Year-to-year changes in GDP and operating appropriations received by CBC, 1960-2018



138. Table 16 (below) summarizes the information in Figure 28. In the 1960s and 1970s public funding received by the CBC for its operations increased or decreased in synch with increases and decreases in Canada’s GDP for 15 out of the 18 years for which data were available, or in 83% of these years. Since then, public funding received by the CBC for its operations has increased or decreased in synch with increases and decreases in GDP for 16 out of the 38 years (42%) for which data are available

Table 16 Summary of changes in GDP and Parliament’s funding of CBC’s operations, 1960-2018

Decade	Changed in synch with GDP	Changed out of synch with GDP	Years for which data available	‘In synch’ years as % of total years for which data are available
1960-69	7	1	8	88%
1970-79	8	2	10	80%
Subtotal, 1960-79	15	3	18	83%
1980-89	4	5	9	44%
1990-99	3	7	10	30%
2000-09	5	5	10	50%

Decade	Changed in synch with GDP	Changed out of synch with GDP	Years for which data available	'In synch' years as % of total years for which data are available
2010-18	4	5	9	44%
Subtotal, 1980-18	16	22	38	42%
Total 1960-18	31	25	56	55%

139. The degree to which overall changes in public funding received by the CBC for its operations align with changes in the Canadian economy has weakened since the 1960s.

140. The Forum wondered whether significant changes in Canada's economy might coincide with reductions in Parliament's public funding for CBC: in times of serious economic challenges, Parliament might decide that public funding of Federal departments and institutions should be reallocated to strengthen the economy and/or financial support for Canadians.

141. According to the Conference Board of Canada¹⁶⁶ the Canadian economy entered into a recession 11 times from 1937 to 2019:

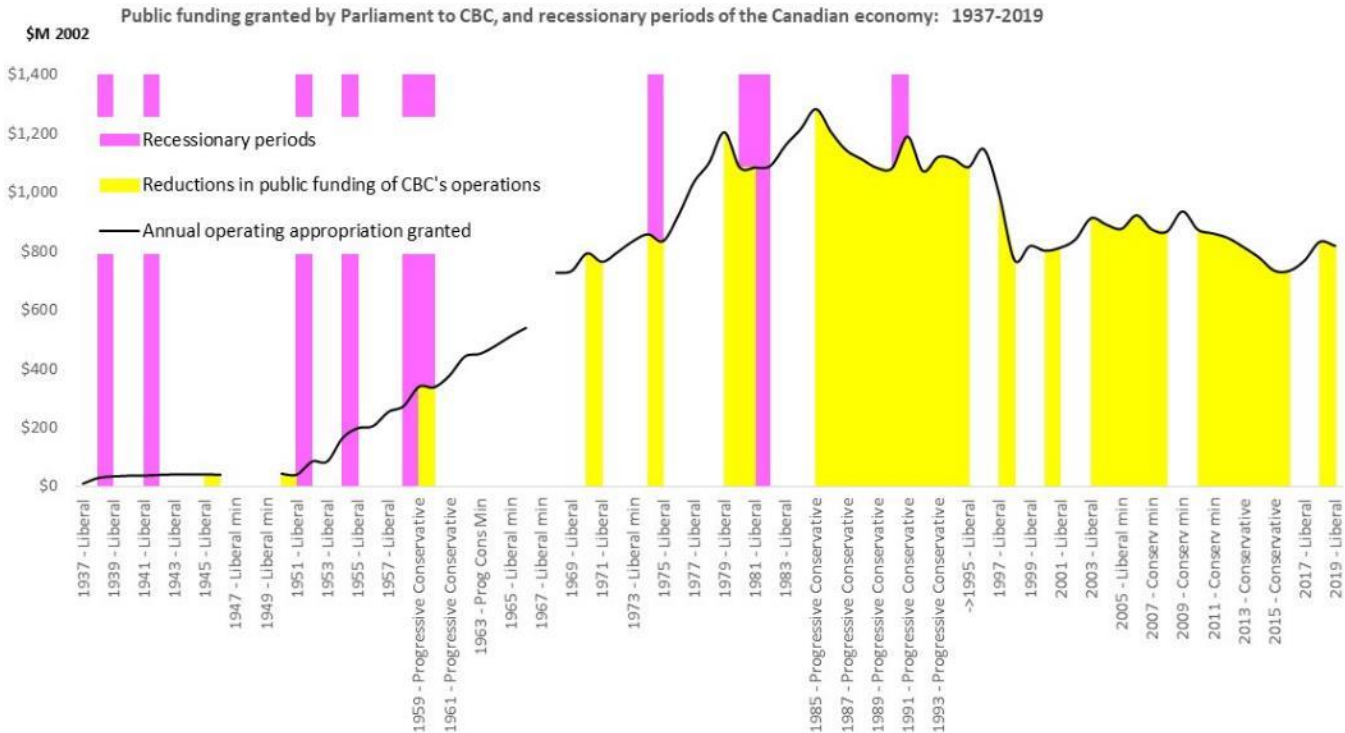
November 1937-June 1938	December 1974-March 1975
August 1947-March 1948	January 1980-June 1980
April 1951-December 1951	June 1981-October 1982
July 1953-July 1954	March 1990-June 1990
March 1957-January 1958	October 2008-May 2009
March 1960-March 1961	

142. Figure 29 compares the public funding granted by Parliament to the CBC from 1937 to 2019 with the ten¹⁶⁷ national economic recessions in the same period. Parliament reduced CBC's public funding for its operations during four recessions (1951, 1974, 1980 and 2008), and increased the funding during the remaining six recessions. Public funding for CBC's operations was also reduced in real [\$2002] terms in 25 years when Canada was not experiencing a recession.

¹⁶⁶ See Mark Bonham, "Recession in Canada" The Canadian Encyclopedia, <https://www.thecanadianencyclopedia.ca/en/article/recession>.

¹⁶⁷ As we lack data about changes in public funding received by the CBC for its operations from 1947 to 1948, we have omitted the recession that occurred in 1948.

Figure 29 Comparison of CBC public funding and recessionary periods in the Canadian economy, 1937-2019



* 1938/39 combines commercial and licence fee income
 -> 1988, 1990, 1992, 1995 show app'ns granted, not received
 Recession data: <https://www.thecanadianencyclopedia.ca/en/article/recession>

143. No clear link was found between reductions in public funding for CBC’s operations, and the performance of the Canadian economy.

c) CBC income relative to private radio and television services

144. The 1991 *Broadcasting Act* states that Canada’s broadcasting system comprises “public, private and community elements”.¹⁶⁸ Figure 30 compares CBC’s total, public and commercial income with total revenues of private radio and television (conventional and discretionary) services.¹⁶⁹

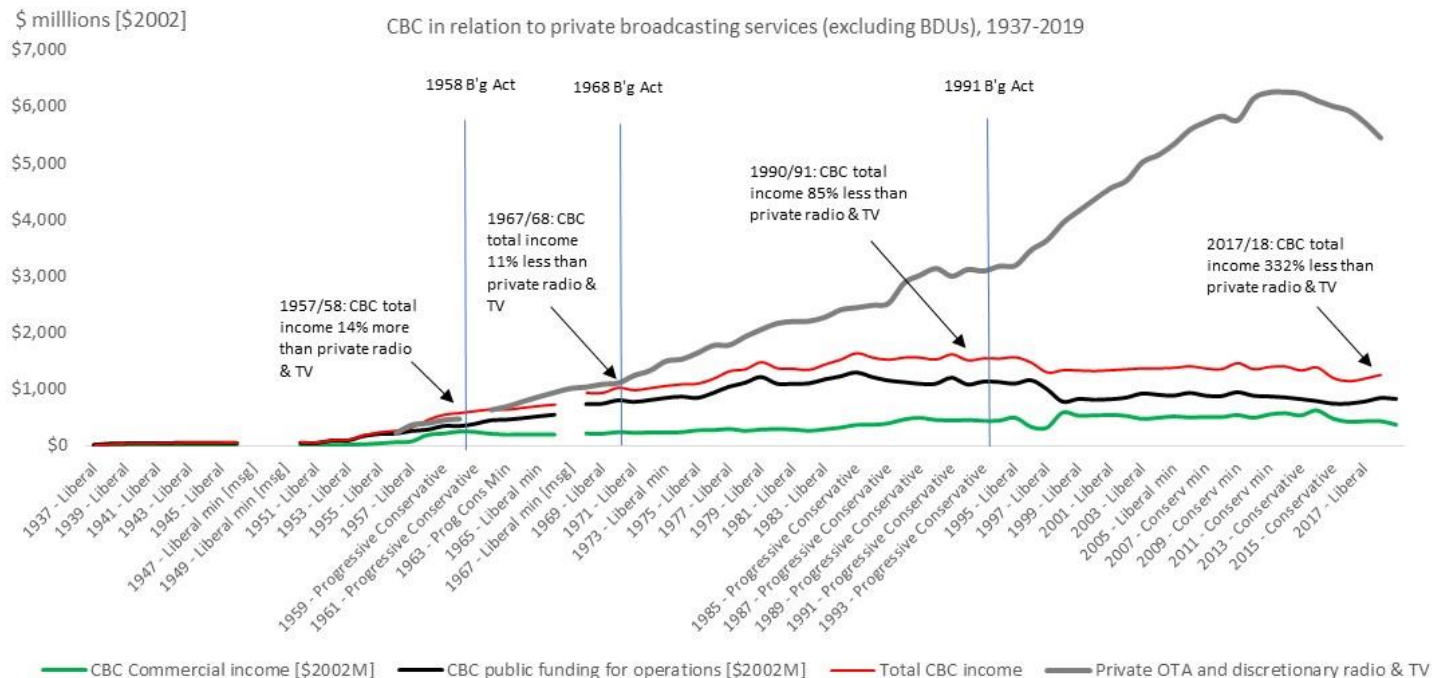
145. Overall, the growth in private over-the-air radio and television, and discretionary programming services has not been paralleled by growth in Parliament’s funding of CBC’s operations. The private sector’s revenue (from 1956 on) was 14% lower than CBC’s total income in 1958, when the *Broadcasting Act* replaced the 1936 *Canadian Broadcasting Act*. By 1968, when a new *Broadcasting Act* was enacted, CBC’s total income was 11% lower than that of the private programming sector, and by 1991, 85% lower. In 2018 (the most recent year for which private

¹⁶⁸ S. 3(1)(b).

¹⁶⁹ In other words, the broadcast distribution sector (cable, satellite etc.) is excluded.

sector data are available), the private programming sector’s total revenues were more than three times greater (334% higher) than CBC’s total income.

Figure 30 Comparison of CBC’s total income with total revenue of private radio and television services



5. Other sources of income: 1937-2019

146. CBC has always engaged in commercial activities to earn additional income. In reviewing CBC’s *Annual Reports* from 1937 to 2019 it was very clear that CBC’s financial budget has grown more complex – a natural development given the growth in its responsibilities. In 1936/37, CBC’s only external source of income was from the sale of commercial time (program sponsorships); in 2015/16 and 2018/18 CBC reported 11 and 13 sources of commercial funding, respectively:

Table 17 CBC’s reported sources of commercial funding in 2015/16 and 2018/19

2015/16 (at p. 81)	2018/19 (at p. 115, 116, 119)
1. Advertising	1. TV advertising
2. Subscriber fees	2. Subscriber fees
3. Production revenue	3. Production revenue
4. Digital programming	4. Digital advertising
5. Retransmission rights	5. Retransmission rights
6. Program sponsorship	6. Program sponsorship
7. Other services	7. Other services
8. Foreign exchange gain	8. Foreign exchange gain (loss)
9. Building, tower, facility and service rentals	9. Leasing income
10. Contribution from Local Programming Improvement Fund	10. Program license <i>[sic]</i> sales
11. Reciprocal trade revenues other than advertising	11. Net gain (loss) from the change in fair value of financial instruments
	12. Financing and investment income
	13. Other gains and losses

147. Changes in the CBC's presentation of its commercial revenue information over time hindered historical analysis of that information. That said, in some cases the complexities stood out and while they were not the focus of this research report, three issues are discussed briefly below.

a) **Investment income**

148. CBC has often placed parts of its funding in interest-earning instruments, enabling it to earn income during the year before spending the funding. It explained in the 1950s that these investments were temporary:

1953/54: "Surplus funds have been invested temporarily in Government of Canada bonds pending expenditure on capital facilities for which they are required."¹⁷⁰

1955-56: "Funds temporarily idle have been invested in Government of Canada Bonds pending utilizations for specific purposes for which they are required."¹⁷¹

149. CBC has used such investments to fund its operations: in 1957/58 it sold \$9.9 million of the \$12.4 million in Government of Canada Bonds it then held (\$65 million, of \$82 million in [\$2002]) "to meet operating and capital needs of the Corporation".¹⁷²

150. The current *Broadcasting Act* expressly permits CBC to "invest any moneys administered by it in bonds or other securities of, or guaranteed by the Government of Canada."¹⁷³ CBC has reported that it "uses derivative financial instruments to manage the risk of loss due to movements in foreign exchange rates. The Corporation's policy is not to utilize derivative financial instruments for speculative purposes."¹⁷⁴

151. CBC's *Annual Reports* did not always clearly explain its investment activities. One example occurred during World War II. Canada declared war on Germany on 10 September 1939.¹⁷⁵ Six months earlier CBC's total current assets of \$434,712.07 had included cash (\$265 thousand), accounts receivable (\$144 thousand) and licence fees owing from the Department of Finance (\$27 thousand).¹⁷⁶ After war was declared (1939/40), CBC's total current assets more than doubled to \$1,193,774.17. While CBC's "Financial" commentary does not say so, this increase was due to its purchase of \$500,000 (\$6.3 million in 2002 terms) worth of Dominion of Canada bonds (Table 18):

Table 18 CBC's purchase of bonds in 1939/40		
1939/40 Annual Report – Balance Sheet – current assets		
Current assets	\$ current	\$2002
Cash	\$456,558.35	\$5,706,979.38
Accounts Receivable (less bad debts)	\$198,888.31	\$2,486,103.88
Department of Finance (licence fees)	\$31,605	\$395,062.50

¹⁷⁰ CBC, *Annual Report 1953-1954*, at 40.

¹⁷¹ CBC, *Annual Report 1955-1956*, at 47.

¹⁷² CBC, *Annual Report 1957-1958*, at 25 ("the financial position").

¹⁷³ S. 57(3).

¹⁷⁴ CBC, *Annual Report 2003-2004*, Notes to the Financial Statement, note 2e, at 65.

¹⁷⁵ See https://en.m.wikipedia.org/wiki/Canadian_declaration_of_war_on_Germany.

¹⁷⁶ CBC, *Annual Report 1938-1939*, at 15, Appendix 1.

Table 18 CBC's purchase of bonds in 1939/40		
1939/40 Annual Report – Balance Sheet – current assets		
Investments		\$0.00
Dominion of Canada 4.5% Bonds due 1 Sept/40	\$500,000.00	\$6,250,000.00
Portion of premium	\$6,722.23	\$84,027.88
Total	\$737,215.54	\$9,215,194.25

152. During the seven war years from 1939 to 1945 CBC mentions bonds in six *Annual Reports*. It seems likely that CBC's investment in Federal bonds was used to support Canada during the war. Though absent from CBC's 1940/41 Balance Sheet, \$500,000 worth of bonds reappeared in 1941/42,¹⁷⁷ were mentioned in each *Annual Report* thereafter, and were sold in 1944/45 for a profit of \$15,750.¹⁷⁸

Table 19 CBC bonds and loans, 1940-1945

CBC bonds and loans, 1940-1945 (\$ current)					
Balance and income Statements	Bonds	Loans			
		Loans and amounts	Interest	Payment on principal	Amount owing
1938/39	\$0	1939 - \$500,000	\$67,087	50,000	450,000
1939/40	\$500,000	1939 - \$500,000	\$63,540	50,000	400,000
1940/41	[not shown]	1939 - \$500,000	\$32,071	300,000	100,000
		1941 - \$750,000		63,840	686,159
1941/42*	\$497,500	1941 - \$750,000	24,502	246,601	503,399
1942/43	\$501,130	1941 - \$750,000	25,026		
1943/44	\$501,130	Apparently all loans repaid by 1942/43 ¹⁷⁹			
1944/45	Sold (profit of \$15,750)				
Total	\$15,750	\$1,250,000	\$212,226		
\$2002	\$171,196		\$4,931,468		
Total interest on 1939 loan, in 1939 and 1940:			\$130,627		
\$2002			\$1,665,510		

* The 1939 loan disappears in 1941/42 without comment from CBC. It notes instead (at 25) that “[t]he loans from the Dominion Government have been reduced by a further \$283,000, of which \$167,000 was a prepayment.” Deducting the amount of \$246,601 (payment on principal in 1941/42) from the \$283,000 mentioned, leaves \$36,399 – some \$60,000 short of the \$100,000 shown as the amount owing from the 1939 loan in 1940/41. CBC's 1942/43 *Annual Report* subsequently notes at 27 that the total \$1.25 million in loans was “repaid in full” with \$503,398” in 1941/42 – the \$503,398 amount does not appear in that statement.

153. From one perspective, CBC's apparent support for Canada's national war effort is laudable, as it demonstrated the commitment of all elements of Federal departments, agencies and corporations to the effort. From another perspective it raises uncertainty about the interpretation of CBC's jurisdiction within the broadcasting statute of that time – the 1936 *Canadian Broadcasting Act*.

¹⁷⁷ As “Dominion of Canada Bonds – Par Value \$500,000 – Actual Cost”, at \$497,500 (at 26).

¹⁷⁸ At 35: “Profit on Dominion of Canada Bonds sold”.

¹⁷⁹ The 1942/43 *Annual Report* said it had repaid the \$1.25 million in loans “with interest” (at 28).

154. The 1936 Act limited CBC's activities to all things "incidental or conducive to the attainment of any of the objects or the exercise of any of the powers of the Corporation".¹⁸⁰ While CBC had some discretion over its income, that income was to be administered "exclusively in furtherance of the purpose for which the Corporation is constituted"¹⁸¹
155. The bond purchase raises a concern about the degree to which it actually served CBC's purposes. Even though CBC in its 1942/43 *Annual Report* noted that it was holding cash in bonds,¹⁸² presumably to safeguard the value of its "excellent cash position"¹⁸³ against inflation, CBC was by that point also \$750,000 in debt to Canada. It had borrowed \$500,000 from Canada in 1937/38 to finance its construction of new radio stations¹⁸⁴ and after paying interest of \$130,627 on that loan, managed to repay the loan in full in 1940/41. It then borrowed another \$750,000 in 1941/42 to fund more construction. Assuming that the Governor in Council had approved CBC's acquisition of debt, was it prudent¹⁸⁵ for CBC to also buy a \$500,000 bond that, in the end, generated less than \$16 thousand in profit, compared to the \$130,627 it paid to borrow the same amount? Was the purchase of \$500,000 in bonds conducive to CBC's activities, and if so, how?¹⁸⁶
156. The Act also prohibited the Corporation from expenditures of more than \$10,000 without the prior approval of the Prime Minister and his/her Cabinet (Governor in Council):¹⁸⁷ did the Governor in Council approve CBC's purchase of these bonds? In terms of CBC's independence (not clearly defined at that time), did CBC purchase the bonds on its own accord, or at the express or implicit behest of the Government? CBC's *Annual Reports* in the late 1930s and early

¹⁸⁰ This is the final subsection of s. 8 of the Act, dealing with CBC's objects. None of the other 16 subsections deal with CBC investments; very broadly interpreted s. 8(p) as permitting the 'lease' of its money, through the purchase of interest-bearing bonds:

8. The Corporation shall carry on a national broadcasting service within the Dominion of Canada and for that purpose may

...

(p) subject to the provisions of sections ten and eleven hereof, sell, lease, or otherwise dispose of, all or any part of the property of the Corporation;

¹⁸¹ S. 15:

The Corporation may administer all funds which may be placed to its credit in the Bank of Canada or in a chartered bank in accordance with the provisions of section fourteen hereof, and may administer all other sums and revenues which may be obtained by or given to the Corporation or derived for any other source, exclusively in furtherance of the purpose for which the Corporation is constituted.

¹⁸² CBC, *Annual Report 1942-1943*, at 28: "After repaying loans with interest, this leaves ... \$1,447,000 in cash or receivable accounts. Of this latter sum \$500,000 is held in Dominion of Canada bonds."

¹⁸³ CBC, *Annual Report 1941-1942*, at 25.

¹⁸⁴ CBC, *Annual Report 1938-1939*, at 14.

¹⁸⁵ CBC, *Annual Report 1937-1938*, at 14: "[t]he Corporation's finances and operations have continued to be subject to prudent budgeting control, resulting in an adequate operating surplus."

¹⁸⁶ For instance, the Balance Sheet of CBC's 1944/45 *Annual Report* at 35 shows that CBC was maintaining a "Special Reserve for Post War Adjustments", demonstrably part of CBC's jurisdiction, but the profit from the sale of bonds was not expressly transferred to that reserve.

¹⁸⁷ S. 10. Notwithstanding anything contained in this Act, Corporation shall not, unless the approval of the Governor in Council has first been obtained: -

(a) enter into any agreement involving any expenditures in excess of ten thousand dollars;

1940s also provided little information about its financing activities. As the Minister at that time 'prescribed' the form of CBC's *Annual Report*,¹⁸⁸ was the lack of clarity due to or permitted by the Minister? Overall, regardless of the historical context in which CBC is making investments, should Parliament either expect or require Canada's national public broadcaster to focus even part of its time, personnel and finances on earning income from investments that have little or nothing to do with audio-visual program production and distribution?

b) Pension fund

157. Somewhat different concerns arise concerning the funding for CBC employees whose work for the Corporation enabled or enables them to earn pensions. In creating CBC in 1936 Parliament permitted CBC to "establish and support a pension fund for the benefit of employees or ex-employees of the Corporation, or the dependents of such persons."¹⁸⁹
158. It took six years for CBC to establish a pension plan for its current and former staff. CBC first surveyed its personnel in 1939/40, to determine their functions and classification.¹⁹⁰ In 1941/42 employee representatives held a national convention where they decided to ask "that a pension scheme be instituted without delay for employees of the Corporation".¹⁹¹ CBC's Board of Governors agreed to the proposal for a "contributory pension plan" in 1942/43, "to take effect from April 1, 1943."¹⁹²
159. From time to time CBC's pension fund has had surpluses. In 1986/87 CBC noted that the pension plan had a surplus of \$62.4 million, and applied an unidentified portion of the surplus to increase the plan's benefits and the remainder to reduce CBC's contribution.¹⁹³ CBC also suspended its contributions to the pension fund from January 1993 to February 1995,¹⁹⁴ later describing this as the "CBC Pension contribution holiday".¹⁹⁵ From roughly 2000 to 31 December 2003 CBC also "benefitted from a contribution holiday due to the good performance" of the pension plan.¹⁹⁶

¹⁸⁸ *Canadian Broadcasting Act, 1936*, s. 26: "The Corporation shall through the Minister submit n annual report to Parliament in such form as the Minister may prescribe."

¹⁸⁹ S. 8(m).

¹⁹⁰ CBC, *Annual Report 1939-1940*, at 18.

¹⁹¹ CBC, *Annual Report 1941-1942*, at 25.

¹⁹² CBC, *Annual Report 1942-1943*, at 26.

¹⁹³ CBC, *Annual Report 1986-1987*, Notes to the Financial Statement, at Note 9: "In accordance with the Pension Benefits Standards Act and Regulations, the Corporation has applied a portion of the surplus to increase the benefits under the Plan, to reduce the contribution of the employer to the normal cost of the Plan and left the balance in the Fund."

¹⁹⁴ CBC, *Annual Report 1993-1994*, Notes to the Financial Statement, at 114 (Note 10): "1993/94, Notes to the Financial Statement – "During the year ended march 31, 1994 the Corporation continued to temporarily suspend its contributions to CBC pension fund as approved by the Board of Directors and initiated in January 1993."

Société Radio Canada, Rapport annuel 1994-1995, Notes to the Financial Statement, at 113 (Note 9).

¹⁹⁵ CBC, *Annual Report 1995-1996*, Financial Overview, at 53.

¹⁹⁶ CBC, *Annual Report 2004-2005*, at 44, "Management Discussion and Analysis".

160. In 2006/2007 CBC's pension fund had a surplus of \$433 million, and CBC decided to allocate \$77 million of this surplus to its programming activities:

... the latest actuarial valuation as at December 31, 2006, indicated an actuarial surplus on a going-concern basis (assumes the Plan will be maintained indefinitely) of \$433 million and a surplus on a solvency basis (assumes the Plan would be wound up and benefits settled) of \$131 million. Under current Federal income tax legislation, the Plan sponsor, CBC|Radio-Canada, cannot contribute to the Plan until the surplus has been reduced by \$77 million. After reviewing its options, the Board approved Management's recommendation that this \$77 million, which CBC|Radio-Canada would normally contribute towards the Pension Plan, be invested in programming and other Corporate priorities.¹⁹⁷

161. CBC also did not contribute to the pension plan in 2007/08, instead redirecting that funding "to programming and other corporate priorities".¹⁹⁸
162. The Forum raises the issue of the pension fund established by CBC in conjunction with its employees, because CBC's use of surplus funds from that fund is not well described in its *Annual Reports* and because it is not entirely clear whether CBC is entitled to use all surplus pension funds in this way. Supposing – and the Forum has not undertaken any research on this point – that employees and the Corporation contribute jointly to the fund: should surpluses of that fund be allocated entirely to either the Corporation or to its contributing employees, or shared?
163. In the last decade CBC and its staff have apparently agreed to share pension surpluses. CBC Pensioners National Association notes that in 2008 CBC, all but one of its unions and the Association agreed to share pension surpluses equally, and that this agreement was approved by the Ontario Superior Court of Justice.¹⁹⁹
164. What remains unclear is the total amount used by CBC from the surpluses earned by the fund established by CBC and its pensioners before 2008, and whether, going forward, CBC may again want to rely on financial support from the pension fund(s). Having authorized CBC to establish a

¹⁹⁷ CBC, *Annual Report 2006-2007*, at 58, "Financial Review".

¹⁹⁸ CBC, *Annual Report 2008-2009*, at 49, "Financial Review".

¹⁹⁹ CBC Pensioners National Association, "Achievements", <https://www.cbcpensioners.ca/achievements.php>
Pension Surplus

Starting in 2003, CBC decided to cease sharing pension surpluses with pensioners and employees. Faced with that decision, the Association filed a legal claim (class action) in the Ontario Superior Court of Justice to force CBC to continue to apply its policy of sharing pension surpluses, while the unions filed grievances. In 2008, the Association, CBC and the unions at CBC, except SCRC, agreed to a surplus sharing agreement that provides that whenever there is a pension surplus available for sharing, it will be shared equally between CBC and the employees/pensioners. The 50% available for sharing by employees and pensioners will be based on the contributions to the pension fund by each pensioner and employee. This settlement required approval by the Court. On October 25, 2010, Justice Andra Pollak of the Ontario Superior Court of Justice in her decision approving the settlement, stated that she was satisfied that the settlement is fair and reasonable and in the best interest of the class (pensioners).

pension fund “for the benefit of” its current and ex-employees and their dependents, did Parliament in fact intend that CBC should from time to time use the surplus from that pension fund – financed in part by its employees – for CBC’s own operations? Did CBC’s use of ‘pension holidays’ affect Parliament’s decisions over the amount to grant CBC for its operations?

c) Sale of assets

165. CBC has also made money by selling its assets. In 2008/09 it decided to sell its receivables,²⁰⁰ and announced their sale in 2009/10 for \$153.1 million, “to finance the two-year Recovery Plan, allowing the Corporation to address ongoing financial pressures”²⁰¹ In 2013/14 it put 26 of its transmission sites up for sale.²⁰² In 2014/15 it sold its mobile production assets, for approximately \$7.8 million.²⁰³ In 2017 it sold its building in Halifax.²⁰⁴ In 2016/17 it announced that it would sell its holdings in Sirius XM for approximately \$58 million,²⁰⁵ and that it had sold Maison Radio Canada in Montreal²⁰⁶ for \$42.2 million.²⁰⁷ In July 2018 CBC sold its Calgary building.²⁰⁸ (‘Reducing real estate footprint’ is one of eight indicators listed in CBC’s 2018/19 *Annual Report* to measure CBC’s “connection to our audience/market”.²⁰⁹)
166. These sales highlight the degree to which CBC’s financial position appears to have required the Corporation to focus on matters unrelated to its mandate – to buy war-time bonds, to use surplus pension funds and to sell its assets to make money or meet ‘footprint-reduction’ targets, rather than to focus on the objects as set out by law for the national public broadcaster in the 1991 *Broadcasting Act*.

B. CBC’s ‘net results’

167. In collecting data about CBC’s funding over its history information was also gathered about its financial position at the end of its fiscal year – whether its total income from all sources equalled, surpassed or was less than its expenditures. Unfortunately CBC tended to use different terms to identify the net results from the 1940s to the early 2000s, and rarely (if ever) defined precisely how it calculated this statistic.

²⁰⁰ CBC, *Annual Report 2008-2009*, Notes to the Financial Statement, at 95 (27. Subsequent Event):
In March 2009, the Corporation’s Board of Directors approved a financial recovery plan to deal with the financial pressures the Corporation is facing. In June 2009, the Corporation submitted two Treasury Board submissions requesting the authority to sell receivables and net investment in sales-type leases to fund employee termination benefits and support programming areas until the benefits of the financial recovery plan are materialised. ...

²⁰¹ CBC, *Annual Report 2009-2010*, at 47.

²⁰² CBC’s *Annual Reports* for 2013/14, 2014/15 and 2015/16 did not mention any income from the sale of transmission sites, however.

²⁰³ CBC, *Annual Report 2014-2015*, at 120 (28. Subsequent events).

²⁰⁴ CBC, *Annual Report 2017/18*, at 20.

²⁰⁵ CBC, *Annual Report 2015-2016*, at 92 (28. Subsequent events).

²⁰⁶ CBC, *Annual Report 2016-2017*, at (29. Subsequent Events) at 110.

²⁰⁷ CBC, *Annual Report 2017-2018*, at 89 (14. Disposal of Maison de Radio-Canada Premises).

²⁰⁸ CBC, *Annual Report 2018-2019*, at 20.

²⁰⁹ *Ibid.*, at 19.

168. In 80 *Annual Reports* CBC used 40 different phrases to describe its 'net results for the year':
Table 20. CBC used the phrase, 'net results for the year', from 2000/01 on.

Table 20 40 ways of describing 'net results for the year'

CBC descriptions of 'net results for the year'			
Net results for the year [2000/01 to 2018/19]	19	An unexpended balance of \$2,771,000'	1
Net Operating Surplus	8	Current year deficit	1
Surplus (deficit) for the year	5	Current year surplus (deficit)	1
Excess of expense over income	3	Excess of Income over Expense	1
Net results of operations for the year	3	Funds received in excess of operations -- transferred to surplus, per statement	1
(Deficit) surplus for the year		Net Operating Deficit	1
Operating Surplus	2	"Operating deficit before providing allowance for depreciation and obsolescence"	1
Surplus for the year	2	Operating appropriation "under-expended by \$3,149,000"	1
Total Operating Deficit	2	Operating expenditures in excess of funds received to provide a broadcasting service	1
Unexpended (overexpended) appropriations - current year	2	Operating fund deficit for the year	1
Unexpended current year's operating appropriation	2	Operating fund surplus (deficit), end of year	1
(blank ²¹⁰)	1	Operating Surplus for the five months ending March 31, 1937 (No allowance having been made for depreciation)	1
"... a budgetary surplus of \$6,104,000"	2	Operating Surplus for Year	1
"...ended the year with an operating surplus of \$6.6 million"	1	Proprietor's Equity Account - re depreciation	1
"an amount refundable as shown by the Balance Sheet of \$589,262."	1	Surplus - per statement attached	1
"an unexpended balance of \$644,000 to be refunded to the Receiver General"	1	Transfer to Proprietor' Equity Account	1
"budgetary surplus of net operating requirements"	1	"Underexpended by \$62,000"	1
"budgetary surplus of net operating requirements"	1	"Unexpended (overexpended) appropriations - current	1
"the use of prior years [sic] vote carry-over to the extent of \$7,403,000. The balance ... amounting to \$3,081,000, has been refunded to Canada."	1	"unexpended balance amounted to \$4,114,000"	1
"unexpended balance"	1	"unexpended balance of 1,981,000"	1
Add: Funds provided from surplus (\$482,146)	1		
Total			80
Number of descriptions			41

169. In the absence of a consistently used 'net result' term in three-quarters of CBC's *Annual Reports*, and as CBC did not at any point clearly state how it calculated 'net result', the Forum estimated the CBC's end-of-year financial position by deducting its total expenses from its total income, using the income and expense information CBC provided in its financial statements and the financial reviews where it discussed its financial position.²¹¹

²¹⁰ The 1975/76 *Annual Report* did not clearly identify a 'net result' for the year in either its statements, its financial review or in the *Notes to the Financial Statements*.

²¹¹ Except for the 1983/84 *Annual Report* that lacked an overview, and the 1946/47, 1948/49 and 1966/67 *Annual Reports*, copies of which we failed to locate.

170. Estimating ‘net result’ simply by deducting expenses from income ignores depreciation, however, a value assigned to estimate the diminishing value of physical assets (such as buildings) and ephemeral assets (such as programs) and which is at times a factor in calculating income. In its early years CBC clearly calculated its net position (“Operating surplus”) by deducting total expenses including depreciation and inventory, from its total income: Figure 27 and Figure 32.

Figure 31 CBC’s ‘net results’ in 1937/37 and 1937/38

1936/37, p. 16	1937/38, p.16
CANADIAN BROADCASTING CORPORATION INCOME AND EXPENDITURE 2nd November, 1936 to 31st March, 1937	CANADIAN BROADCASTING CORPORATION INCOME AND EXPENDITURE 1st April, 1937 to 31st March, 1938
INCOME Licence Fees \$741,666.65 Commercial Broadcasting \$130,434.02 Deduct Expenditures 35,101.52 ----- 65,332.50 ----- TOTAL NET INCOME \$36,999.15	INCOME Net Licence and Commercial Revenue \$2,252,732.29 Interest on Bank Deposits 1,003.00 ----- Total Net Income \$2,253,735.29
EXPENDITURE General and Administration 70,604.78 Operation of Stations and Studios 137,942.84 Programs 252,958.81 Station Network 246,672.97 ----- TOTAL EXPENDITURES 708,179.40	EXPENDITURE General and Administration \$ 146,686.26 Operation of Stations and Studios 303,968.60 Programs 1,088,419.61 Station Network 536,396.17 Depreciation of Fixed Assets for Twelve Months ended 31st March, 1938 106,846.09 ----- 2,182,316.73 Less—Inventory of Expendable Stores 17,206.00 ----- Total Expenditure 2,165,110.73
Operating Surplus for the five months ending March 31, 1937, (No allowance having been made for depreciation) \$128,819.75	Total Expenditure 2,165,110.73 ----- Operating Surplus for Year \$ 88,624.56

Figure 32 Comparing CBC’s ‘net results’ to ‘income less expenses’ (1937 vs 1938)

	1936/37, p. 16		1937/38, p. 16
Total income	\$ 836,999	Total net income	\$2,253,735
Expenses	\$ 708,179	Expenses, excluding depreciation	\$2,075,471
[no value for depreciation]		Add Depreciation	\$106,846
		Subtotal, expenses	\$2,182,317
		Deduct inventory	\$17,206
“Total Expenditures”	\$ 708,179	“Total Expenditures”	\$2,165,111
Estimate: Income – expense	\$ 128,820		\$ 178,264
Operating surplus	\$ 128,820	Operating surplus	\$88,624

171. By 1950/51 CBC’s financial calculations grew more complex. CBC no longer clearly included depreciation in its expenses: it deducted expenditures from income instead, and then added depreciation to the result, effectively re-including depreciation as part of its calculation of net results: Figure 33.

Figure 33 1950/51 and 1951/52 Annual Reports and depreciation

CBC 1950/51 Annual Report at 60	CBC 1951/52 Annual Report at 46
INCOME AND EXPENDITURES 1st April 1950 to 31st March 1951	INCOME AND EXPENDITURES 1st April 1951 to 31st March 1952
INCOME Licence Fees 5,571,991.31 Commercial Broadcasting 2,463,344.62 Miscellaneous 266,043.80 8,301,379.73	INCOME Statutory Grant 6,250,000.00 Licence Fees 5,841,317.69 Commercial Broadcasting 2,456,431.92 Miscellaneous 265,848.40 14,813,598.01
EXPENDITURES Sound Broadcasting Programs 4,843,451.04 Engineering 1,958,129.60 Station Networks (Wire Lines) 1,161,251.50 Administration 540,980.93 Press and Information 271,476.06 Commercial 208,708.80 Interest on Loans 230,627.40 9,214,625.33 Deficit 913,245.60 Add: Allowance for Depreciation and Obsolescence— 2½% on Buildings 47,685.26 5% on Equipment 188,162.91 235,848.17 Sound Broadcasting Operating Deficit 1,149,093.77 Television Broadcasting (Preliminary Expenses) Programs 60,294.43 Engineering 44,747.06 Miscellaneous 1,142.80 Deficit 106,184.29 Add: Allowance for Depreciation and Obsolescence— 2½% on Buildings 9,974.43 5% on Equipment 6,621.78 16,596.21 Television Broadcasting Deficit 122,780.50 Total Operating Deficit \$1,271,874.27 Note: For expenditures re International Service see separate statement.	EXPENDITURES Sound Broadcasting Programs 5,774,141.15 Engineering 2,193,015.09 Station Networks (Wire Lines) 1,270,321.54 Administration 625,645.41 Press and Information 321,023.32 Commercial 243,915.60 Interest on Loans 243,353.25 10,674,415.36 Surplus 4,139,182.65 Deduct: Allowance for Depreciation and Obsolescence— 2% on Buildings 54,638.28 10% on Equipment 392,764.73 447,403.01 Sound Broadcasting Operating Surplus 3,691,779.64 Television Broadcasting (Preliminary Expenses) Programs 128,703.66 Engineering 108,308.17 Administration 6,448.23 Miscellaneous 2,429.70 Deficit 245,889.76 Add: Allowance for Depreciation and Obsolescence— 2½% on Buildings 38,339.04 10% on Equipment 84,996.28 123,335.32 Television Broadcasting Deficit 369,225.08 Net Operating Surplus \$3,322,554.56 Note 1. — Television Expenditures are Financed by Separate Loans. Note 2. — For Expenditures re International Service see Separate Statement.

172. (Somewhat confusingly, while CBC's income statement says that it *added* depreciation, arithmetic shows that CBC deducted depreciation: Table 21. CBC's *Annual Report* for the following year was also confusing. In 1951/52 it said it deducted depreciation from its radio (sound) deficit – and did so. Then it said it *added* depreciation to its TV deficit – but in fact deducted the amount.)

Table 21 Treatment of depreciation in 1950/51 and 1951/52

1950/51, p. 60		1951/52, p. 46	
Total income	\$ 8,301,380		\$ 14,813,598
Expenditures			
Sound expenditures	\$9,214,625	Sound expenditures	\$ 10,674,415
Sound deficit	-\$913,245	Sound surplus	\$ 4,139,183
"Add" depreciation	\$235,848	"Deduct" depreciation	\$447,403
Sound broadcasting deficit	-\$1,149,094	Sound broadcasting surplus	\$ 3,691,780
Note: -\$913,245 plus \$235,848 =	-\$677,397		
Note: -\$913,245 less \$235,848 =	-\$1,149,093		

1950/51, p. 60		1951/52, p. 46	
TV expenditures: "Deficit"	-\$106,184	TV expenditures" "Deficit"	-\$245,890
"Add" depreciation	\$16,596	"Add" depreciation	\$123,335
TV broadcasting deficit	-\$122,781	TV broadcasting deficit	-\$369,225
Note: -\$106,184 plus \$16,596 =	-\$89,588	Note: -\$245,890 plus \$123,335=	-\$122,555
Note: -\$106,184 less \$16,596 =	-\$122,780	Note: -\$245,890 less \$123,335=	-\$369,225
Total Operating Deficit	-\$1,271,875	Net operating surplus	\$ 3,322,555

173. It is unclear whether CBC's treatment of depreciation in these two years was following standard accounting practices of the time,²¹² but regardless, CBC's treatment of depreciation was an ongoing issue throughout the data collection phase of this research. Few of CBC's reports in the 20th century stated explicitly whether depreciation was included in²¹³ or excluded from its expenses.²¹⁴
174. CBC's approach to net results and depreciation became somewhat more confusing in the 1960s. Where net results in the 1950s were calculated by deducting 'expenses less depreciation' from income, in CBC's 1959/60 *Statement of Operations* deducts income from expenses and describes the result of \$3.18 million as "Depreciation included in total expense for the year".²¹⁵ Meanwhile, the financial overview that precedes the *Statement of Operations* begins by mentioning a "budgetary surplus of \$6,104,000" – based on the operating appropriation granted by Parliament – and then goes on to state that based on the actual operating appropriation that it received it will be returning \$2.45 million less \$106,000 [*i.e.*, \$2.34 million] to the Receiver General: see Figure 34. (The \$2.34 million was used as CBC's net result for the year.)

²¹² The 1950/51 *Annual Report* did not include *Notes to the Financial Statements*.

²¹³ An early example of clarity was CBC's statement in its 1945/46 *Annual Report* that it did not include any charge for depreciation, as "Depreciation rates have been generous in the past, having accounted for 70 per cent of fixed assets. For this fiscal year, therefore, no further allowance has been provided for under expenditures."

²¹⁴ In 1945/46 CBC clearly describes its net financial position in relation to depreciation: "Operating Deficit Before Providing Allowance for Depreciation and Obsolescence": CBC, *Annual Report 1945-1946*, "Financial" at 36.

²¹⁵ What was puzzling was why depreciation was calculated by deducting income from expense, if depreciation actually was "included in total expense for the year as stated."

Figure 34 CBC's 1959/60 calculation of its net result for the year

CBC, Annual Report 1959-1960		Page 20																																																																																																																																																
Statement of Operations		THE FINANCIAL POSITION																																																																																																																																																
<p>STATEMENT OF OPERATIONS For the year ended March 31, 1960 (With comparative figures for the year ended March 31, 1959)</p> <p>EXPENSE</p> <table border="1"> <thead> <tr> <th></th> <th>Programs without Advertising</th> <th>Programs with Advertising</th> <th>1960</th> </tr> </thead> <tbody> <tr> <td>Cost of Production and Distribution --</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Cost of Programs</td> <td>\$39,425,862</td> <td>\$18,464,439</td> <td>\$57,890,301</td> </tr> <tr> <td>Network distribution</td> <td>6,912,261</td> <td>2,229,243</td> <td>9,141,504</td> </tr> <tr> <td>Station transmission</td> <td>2,049,232</td> <td>961,800</td> <td>3,010,832</td> </tr> <tr> <td>Payments to private stations</td> <td>--</td> <td>5,333,470</td> <td>5,333,470</td> </tr> <tr> <td>Commission to agencies and networks</td> <td>--</td> <td>5,592,000</td> <td>5,592,000</td> </tr> <tr> <td></td> <td>48,387,355</td> <td>32,580,752</td> <td>80,968,107</td> </tr> <tr> <td>Northern Radio Service</td> <td></td> <td></td> <td>400,560</td> </tr> <tr> <td>Operational Supervision and Services --</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Program</td> <td>2,355,525</td> <td></td> <td></td> </tr> <tr> <td>Administrative</td> <td>2,726,415</td> <td></td> <td></td> </tr> <tr> <td>General</td> <td>1,797,808</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td>6,877,848</td> </tr> <tr> <td>Total Cost of Production and Distribution</td> <td></td> <td></td> <td>88,396,815</td> </tr> <tr> <td>Selling and General Administration --</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Selling expense</td> <td>1,232,043</td> <td></td> <td></td> </tr> <tr> <td>Engineering and development</td> <td>1,051,347</td> <td></td> <td></td> </tr> <tr> <td>Management and central services</td> <td>3,419,560</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td>5,702,950</td> </tr> <tr> <td>Total Expense for the year</td> <td></td> <td></td> <td>94,099,765</td> </tr> <tr> <td colspan="4">REVENUE</td> </tr> <tr> <td>Commercial revenue (gross)</td> <td>38,162,337</td> <td></td> <td></td> </tr> <tr> <td>Broadcasting licence fees</td> <td>--</td> <td></td> <td></td> </tr> <tr> <td>Interest on investments</td> <td>109,199</td> <td></td> <td></td> </tr> <tr> <td>Miscellaneous</td> <td>292,404</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td>38,563,940</td> </tr> <tr> <td colspan="4">PARLIAMENTARY GRANT</td> </tr> <tr> <td>In respect of the net operating requirements of the Radio and Television Service:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Vote 43 Appropriation Act No. 5, 1959</td> <td>58,404,000</td> <td></td> <td></td> </tr> <tr> <td>Less: Amount of Vote 43 not expended</td> <td>6,103,722</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td>52,300,278</td> </tr> <tr> <td>Provided under Section 14 (4) of the Canadian Broadcasting Act (1936)</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td>90,664,218</td> </tr> <tr> <td>Depreciation included in total expense for the year</td> <td></td> <td></td> <td>5,175,547</td> </tr> <tr> <td></td> <td></td> <td></td> <td>94,039,765</td> </tr> </tbody> </table>			Programs without Advertising	Programs with Advertising	1960	Cost of Production and Distribution --				Cost of Programs	\$39,425,862	\$18,464,439	\$57,890,301	Network distribution	6,912,261	2,229,243	9,141,504	Station transmission	2,049,232	961,800	3,010,832	Payments to private stations	--	5,333,470	5,333,470	Commission to agencies and networks	--	5,592,000	5,592,000		48,387,355	32,580,752	80,968,107	Northern Radio Service			400,560	Operational Supervision and Services --				Program	2,355,525			Administrative	2,726,415			General	1,797,808						6,877,848	Total Cost of Production and Distribution			88,396,815	Selling and General Administration --				Selling expense	1,232,043			Engineering and development	1,051,347			Management and central services	3,419,560						5,702,950	Total Expense for the year			94,099,765	REVENUE				Commercial revenue (gross)	38,162,337			Broadcasting licence fees	--			Interest on investments	109,199			Miscellaneous	292,404						38,563,940	PARLIAMENTARY GRANT				In respect of the net operating requirements of the Radio and Television Service:				Vote 43 Appropriation Act No. 5, 1959	58,404,000			Less: Amount of Vote 43 not expended	6,103,722						52,300,278	Provided under Section 14 (4) of the Canadian Broadcasting Act (1936)							90,664,218	Depreciation included in total expense for the year			5,175,547				94,039,765	<p>The Balance Sheet of the Canadian Broadcasting Corporation as at March 31, 1960, accompanied by the Statement of Proprietor's Equity Account and the Statement of Operations for the year ended March 31, 1960, appear on the following pages. In accordance with Section 34 of the Broadcasting Act, the books and accounts of the Corporation have been audited by the Auditor General of Canada whose report as required under Section 87 of the Financial Administration Act accompanies the accounts.</p> <p>The grant voted by Parliament for the 1959/60 net operating requirements of the radio and television services was \$58,404,000 from which the Corporation required \$52,300,000, representing a budgetary surplus of \$6,104,000. During the course of the year \$54,747,000 was received by the Corporation on account of the grant and therefore the difference between the receipt of \$54,747,000 and the net requirement of \$52,300,000, or \$2,447,000, is due for repayment to the Receiver General of Canada, less the \$106,000 over-expenditure carried forward from the previous year.</p>
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175. By 1967/68 CBC referred to depreciation in its *Statement of Source of Funds to Discharge Net Cost of Operations*, stating that depreciation was “included as an operating cost, not recoverable from the parliamentary grant”;²¹⁶ its *Statement of Operations* does not refer to depreciation. In 1971, CBC deducted depreciation after showing a deficit (appropriations less net operating); the result was now a small surplus. In 1972/73 CBC’s *Financial Review* begins by describing “Total expense of \$394,992,00” for the year, and then describes “[t]he expense of \$362,390,000 after excluding Olympics and depreciation”,²¹⁷ implying that the total expense figure included depreciation that was later excluded.
176. CBC has since 2000/01 consistently reported “net results for the year”: Table 22. Its results show net losses in each of the past seven years, and cumulative losses since 2000/01 of \$429.7 million in current dollars (representing \$286.1 million in \$2002).

216 At 77.

217 At 32.

Table 22 "Net results for the year" reported in in CBC's Annual Reports from 2001 to 2019

Year (and government in office)	CBC Annual Reports		CPI (2002=1) (Statistics Canada)	CBC net results for the year, in \$2002 millions
	Page	Current \$ millions		
2001 - Liberal	46	\$147.94	0.978	\$151.27
2002 - Liberal	54	\$11.39	1	\$11.39
2003 - Liberal	93	\$20.10	1.028	\$19.55
2004 - Liberal	43	\$32.67	1.047	\$31.21
2005 - Liberal minority	51	(\$113.65)	1.07	\$106.22
2006 - Conservative minority	65	(\$44.19)	1.091	\$40.50
2007 - Conservative minority	65	(\$69.23)	1.115	\$62.09
2008 - Conservative minority	32	(\$33.82)	1.141	\$29.64
2009 - Conservative minority	61	(\$15.70)	1.144	\$13.72
2010 - Conservative minority	71	(\$58.36)	1.165	\$50.10
2011 - Conservative minority	71	(\$29.66)	1.199	\$24.74
2012 - Conservative	77	\$40.86	1.217	\$33.58
2013 - Conservative	78	(\$50.97)	1.228	\$41.51
2014 - Conservative	76	(\$17.95)	1.252	\$14.34
2015 - Conservative	73	(\$47.39)	1.266	\$37.43
2016 - Liberal	51	(\$63.99)	1.284	\$49.84
2017 - Liberal	65	(\$70.77)	1.304	\$54.27
2018 - Liberal	65	(\$12.56)	1.334	\$9.42
2019 - Liberal	73	(\$54.45)		
2001 to 2019:		(\$429.72)		(\$286.81)

177. The results in the next few pages include the 'net result' reported by CBC (bearing in mind that it described 'net result' inconsistently before 2001).
178. Given CBC's inconsistent descriptions of 'net results' in the 20th century, a second measure of 'net result' was calculated using the income and expense information in CBC's financial statements. Total expenses (including depreciation where it seemed reasonably clear that depreciation had been included in expenses, or otherwise adding depreciation to expenses if unclear) were deducted from CBC's total income (consisting of commercial income and the operating appropriation CBC received from Parliament). The result - 'operating income' - may be inaccurate due to CBC's inconsistent reporting of its treatment of depreciation: if depreciation was included but this was not clearly stated, adding depreciation double-counted this value, and underestimated CBC's actual net result for the year.
179. A third version of 'net results' was calculated using the approach of the federal broadcast regulatory authority, the Canadian Radio-television and Telecommunications Commission (CRTC). It has been publishing summaries describing broadcasters' financial performance since the late 1980s and has regularly used pre-tax margins to measure broadcasters' net results. It

begins by deducting expenses from total income including working capital,²¹⁸ resulting in 'operating income'. It next deducts depreciation from that result, resulting in a measure of 'profit before interest and taxes' (PBIT). Finally, it deducts interest and adjustments, yielding a measure of broadcasters' 'pre-tax profit margin'.

Table 23 CRTC's calculation of pre-tax profit margin

CRTC - FINANCIAL SUMMARY - PRIVATE CONVENTIONAL TELEVISION					
Canada					
(\$)	2014	2015	2016	2017	2018
Reporting Units	92	93	93	93	94
Revenue					
Local Time Sales	333,539,869	330,116,650	315,077,260	292,797,691	289,131,128
National Time Sales	1,179,822,846	1,177,561,783	1,124,659,745	1,087,697,537	1,023,082,146
Network Payments	110,830,219	103,908,694	98,875,379	101,636,552	94,578,599
Infomercials	17,691,962	14,280,927	14,285,448	13,409,084	13,943,380
Syndication-Production	16,259,351	12,020,208	11,177,163	6,118,615	5,769,917
Local Programming Improvement Fund	21,739,115				
Small Market Local Programming Fund		8,975,115	8,555,384	7,325,515	
Independent Local News Fund					21,670,779
Government Grants	320,105	268,681	213,409	0	528,957
Other Revenue	123,478,685	109,926,549	104,940,203	99,385,427	92,658,331
Total Revenue	1,803,682,152	1,757,058,607	1,677,783,991	1,608,370,421	1,541,363,237
Expenses					
Programming and Production	1,397,326,203	1,363,291,030	1,293,081,378	1,258,785,721	1,286,388,646
Technical	79,093,564	79,008,215	74,924,511	68,539,005	68,934,975
Sales and Promotion	188,018,943	182,411,077	174,029,068	163,432,373	154,565,434
Administration and General	180,588,177	191,365,621	166,016,509	148,176,991	145,489,452
Total Expenses	1,845,026,887	1,816,075,943	1,708,051,466	1,638,934,090	1,655,378,507
Operating Income (Loss)	-41,344,735	-59,017,336	-30,267,475	-30,563,669	-114,015,270
Depreciation	97,311,460	81,847,663	82,934,748	70,495,553	67,680,625
Locally reflective news programming (from BDUs)					47,763,275
P.B.I.T.	-138,656,195	-140,864,999	-113,202,223	-101,059,222	-133,932,620
Interest Expense	11,469,219	7,501,603	100,138	3,585,702	4,918,757
Adjustments Gain (Loss)	-125,445,025	-72,933,343	-8,034,230	-49,319,086	-23,106,004
Pre-tax Profit	-275,570,439	-221,299,945	-121,336,591	-153,964,010	-161,957,381

180. As it excludes the costs of interest and depreciation the CRTC's pre-tax profit margin reduces the impact of different characteristics of Canada's radio, television and distribution broadcasting sectors. The broadcast distribution sector, for example, consists of cable and satellite

²¹⁸ See e.g. CRTC, *Communications Monitoring Report 2019*, Figure 6.17 CBC/SRC conventional television stations [sic] revenue by source (\$ millions), 2014-2018,

<https://crtc.gc.ca/eng/publications/reports/policymonitoring/2019/cmr6.htm>:

"Parliamentary appropriations" is government funding for operating and working capital expenditures.

undertakings that make more intensive use of capital and loans than the radio and television sectors; similarly, the capital investment requirements of television stations may be greater than those of radio. Deducting expenses related to depreciation and loans (interest payments) creates a measure that minimizes the impact of capital-investment and borrowing characteristics, allowing comparisons across broadcasting sectors.

181. As CBC did not consistently report 'adjustments' for most of its financial history, a slightly modified version of the CRTC's pre-tax profit figure was used to measure CBC's end-of-year financial position: total income less total expense (excluding depreciation and interest). Insofar as interest is concerned, in the early 1990s CBC entered into a capital lease to build the Canadian Broadcasting Centre in Toronto.²¹⁹ Where the Statement of Income and Expense and Reconciliation to Government Funding Basis in the 1993/94 *Annual Report* do not list interest expense, the *Notes to the Financial Statement* to CBC's 1993/94 *Annual Report* mention accrued interest of \$17.3 million as well as imputed interest of \$1,003 million.²²⁰ Although the CBC's capital-lease arrangement seems similar to a loan in which interest and repayments of principal are paid, the CBC's accounting approach was followed with respect to the Broadcasting Centre: its interest was not deducted from expense and its "Obligations under capital leases" were not counted as an outstanding loan.
182. Finally, and as noted previously, the focus of this research was on year-to-year operating income and expense – the degree to which Parliament's operating appropriations and CBC's commercial income supports the expenditures it makes to meet the purposes for which it exists. The impact of financial carry-overs from previous years was excluded because CBC is not entitled to rely on those carry-overs: like its two immediate predecessors the current *Broadcasting Act* enables the government to require CBC to pay surpluses to Canada outright or to use its surpluses to repay its debts to Canada.²²¹ (Moreover, requests to the government for permission to use previous carry-overs arguably places both parties in the position of having to claim that such requests – granted or not – do not compromise CBC's financial, programming and journalistic independence.)

²¹⁹ The arrangement was described in some detail in CBC, *Annual Report 1993-1994*, *Notes to the Financial Statement* at 114-115 (Note 12). It was later amended in 1996/97 when the Broadcast Centre Trust "refinanced the building on a long-term basis, leading to an amendment of the CBC's lease payment schedule." CBC, *Annual Report 1996-1997*, *Notes to the Financial Statement*, at 58 (Note 11a).

²²⁰ Note 12, at 115.

²²¹ S. 59:

Payment over surplus money

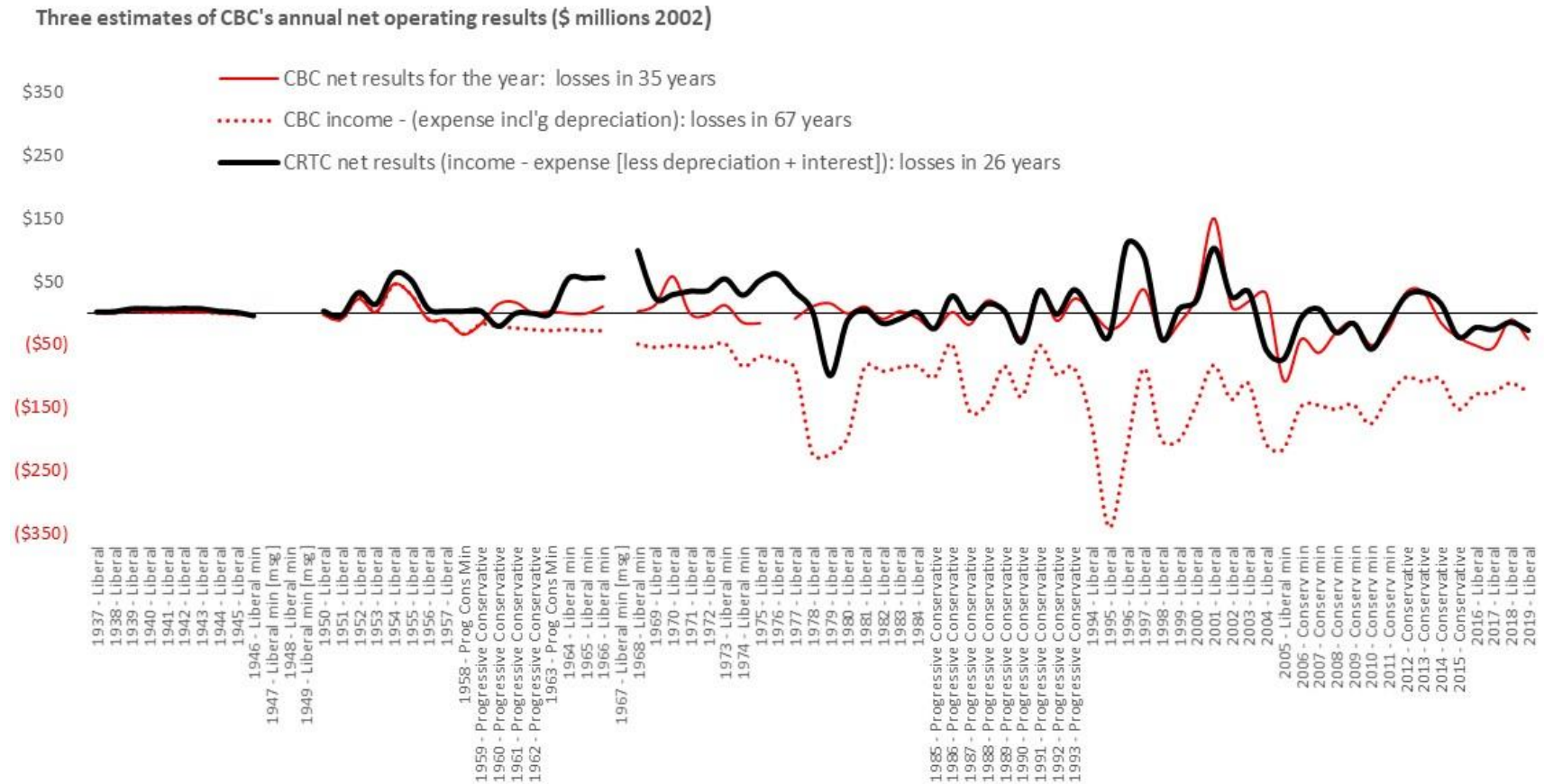
59 Subject to any other Act of Parliament, where the Minister and the Minister of Finance, with the approval of the Governor in Council, so direct, the Corporation shall pay or cause to be paid to the Receiver General so much of the money of the Corporation or of a wholly-owned subsidiary of the Corporation as those Ministers consider to be in excess of the amount that is required for the purposes of the Corporation or subsidiary, and any money so paid may be applied toward the discharge of any obligation of the Corporation or subsidiary to the Crown or may be applied as revenues of Canada.

183. Results of the paper's estimates of CBC's year-end position from 1936/37 to 2018/19 are shown in Figure 35, and summarized in Table 24.
184. Briefly, all three measures of net results show CBC's income from all sources was first insufficient to meet its operating expenses in 1945/46, a decade after Parliament established the Corporation.
185. CBC's net results show losses in 35 of the 79 years (44%) for which data were available. Net results calculated by deducting total expense including depreciation from income show losses in 67 of the 80 years for which data were available (84%). Net results calculated using the CRTC pre-tax profit figure show losses in 26 of the 80 years for which data were available (33%).
186. In the twenty years from 2000 to 2019, and regardless of the measure used, CBC's total income was insufficient to meet its operating expenses in more than half the years of the period.

Table 24 CBC losses, 1937-2019, by decade

By decade	CBC net results for the year		CBC income less (expense including depreciation)		Pre-tax profit (income less (expense less (dep'n + interest)))	
	Loss - #	Profits less losses	Loss - #	Profits less losses	Loss - #	Profits less losses
1937-39	0	\$7.92	0	\$7.92	0	\$11.99
1940-49	2	\$12.48	2	\$10.63	1	\$34.14
1950-59	6	\$22.54	6	\$28.16	1	\$181.29
1960-69	0	\$91.27	9	(\$276.20)	1	\$271.34
1970-79	4	\$61.48	10	(\$966.26)	1	\$239.20
1980-89	4	(\$15.85)	10	(\$1,076.55)	5	(\$14.61)
1990-99	6	(\$32.42)	10	(\$1,590.57)	5	\$157.71
2000-09	5	(\$9.06)	10	(\$1,490.03)	5	\$8.16
2010-19	8	(\$213.67)	10	(\$1,263.85)	7	(\$123.25)
Total years with loss		35		67		26
Total years: 83		79		80		80
Years with loss as % of total years		44%		84%		33%
1990-2019: 30 years		19 (54%)		30 (100%)		17 (57%)
2000-2019: 20 years		13 (65%)		20 (100%)		12 (60%)

Figure 35 CBC's net results, 1936/37 to 2018/19



187. The variation in the estimates of the three measures of 'net result' for CBC's operations over its history reflects the serious problems created by the frequent changes in CBC's financial presentations, as well as the overall absence in all of its reports of clear and consistent discussion of its current and historical financial position. These problems make it difficult to draw conclusions about CBC's net results beyond the basic point that Parliament has often permitted its largest cultural institution to operate with insufficient resources to meet the requirements that its own legislation has established for the Corporation.

III Debt and the CBC

188. Parliament, in requiring CBC to provide and to extend broadcasting service across Canada,²²² made financial provisions in its broadcasting statutes towards this purpose. The 1936 *Canadian Radio Broadcasting Act* permitted Parliament to appropriate funding for any purpose of the Corporation,²²³ and both the 1958²²⁴ and 1968²²⁵ *Acts* enabled Parliament to grant CBC appropriations for capital projects. The 1991 *Act* requires CBC to submit corporate plans each year "based on the financial resources proposed to be allocated to the Corporation as set out in the Estimates" for the year tabled in the House of Commons.²²⁶
189. CBC has not relied exclusively on capital appropriations – it received its first capital appropriation in 1958/59²²⁷ – to build the stations and networks needed to produce and distribute the programming required by Parliament, however, but has also borrowed money for that purpose.
190. This section describes the type of debt held by CBC and the amounts paid by the CBC with respect to interest and the repayment of principal. 'Frozen allotments' resemble advances and are also discussed at the end of this section.
191. The four types of borrowing mentioned in the CBC's *Annual Reports* – loans, advances, bonds and notes – differ primarily in terms of their source (whether moneys are borrowed from

²²² The 1936 *Canadian Broadcasting Act*, for example, required CBC to "carry on a national broadcasting service within the Dominion of Canada" and permitted it to establish and equip stations needed "to give effect to the provisions of the Act": s. 8(b), (c)

²²³ S. 14: "The Minister of Finance shall deposit from time to time in the Bank of Canada or in a chartered bank to be designated by him to the credit of the Corporation: -
(b) any appropriation granted by Parliament for the purposes of the Corporation;"

²²⁴ S. 33(4) "The Corporation shall in its books of account establish a Proprietor's Equity Account and shall credit thereto the amount of all money paid to the Corporation for capital purposes out of Parliamentary appropriations."

²²⁵ S. 45(4) "The Corporation shall in its books of account establish a Proprietor's Equity Account and shall credit thereto the amount of all moneys paid to the Corporation for capital purposes out of Parliamentary appropriations."

²²⁶ S. 55(1).

²²⁷ The 1957/58 *Annual Report* and its predecessors do not discuss capital appropriations, the 1958/59 *Annual Report* state sat 12 that, "[t]he grant provided by Parliament to meet capital expenditure requirements of both [radio and television] services totalled \$8,649,000."

Parliament or from the private sector)²²⁸ and general purpose (for major capital projects, annual working capital, or operations).

192. CBC’s borrowing resembles the problems noted throughout CBC’s *Annual Reports* in that the loans it has taken were often difficult to identify. For example, a \$33.04 million loan [\$151 million [\$2002]) that the 1972/73 *Annual Report* shows as having been made in 1971/72, is not mentioned in 1971/72 *Annual Report*’s Financial Review, Balance Sheet or *Notes to the Financial Statement*: Figure 36.

Figure 36 The mystery of the \$33 million loan

1972/73 at 38		1971/72, “Financial Review”, at 50	
Statement of Source and Application of Funds		Provenance	
Year ended March 31, 1973		Exercice au 31	
	1973	1972	
<i>Source of Funds</i>			
<i>Parliamentary appropriations:</i>			
Payment for operating expenditures	\$205,000,000	\$181,000,000	
Loans for capital expenditures	22,000,000	33,040,000	
	227,000,000	214,040,000	
Operating income	55,000,750	50,969,618	
<i>Items not requiring a current outlay of funds:</i>			
Depreciation and amortization	14,399,907	11,331,062	
Proceeds from sale of assets	50,299	475,299	
Decrease in working capital	5,301,609		
	\$301,752,565	\$276,815,979	
<i>Application of Funds:</i>			
Operating expense	\$263,034,853	\$237,217,921	
Additions to capital assets	29,505,081	24,601,575	
Reduction in capital loans	8,216,905	6,564,905	
Investments in subsidiary companies	995,726		
Increase in working capital		8,431,578	
	\$301,752,565	\$276,815,979	

Capital Assets
 Capital assets, at \$238,205,000 increased by \$22,345,000 during the year from \$215,860,000: \$14.8 million was employed for consolidation of facilities; \$3.1 million was used for extensions and improvements to coverage, distributed 92% to television and 8% to radio; and the remainder of \$4.4 million was employed for additions and replacements to existing plant.

Equity of Canada
 The equity of Canada in the Corporation amounting to \$159,054,000 at March 31st, 1972, included \$137,480,000 Canada loans to finance the acquisition of capital assets, \$12,533,000 as surplus retained to meet future operating expenditures and the balance of \$9,041,000 as proprietor’s equity account.

²²⁸ In 1996 Treasury Board defined “Loans from Canada” as: “short-term borrowings, long-term borrowings, advances from the Government of Canada for working capital or other purposes, and other debt-like instruments.” Treasury Board, *1996 Annual Report: Crown Corporations and Other Corporate Interests of Canada*, at 55.

1971/72, Balance Sheet (“Liabilities”), at 53		1971/72, Notes to the Financial Statement, at 59	
<p>Balance Sheet</p> <p>As at March 31, 1972</p> <p>Liabilities</p>		<p>Bilan</p> <p>Au 31 mars 1972</p> <p>Passif</p>	
Current Liabilities	1972	1971	
Accounts payable and accrued liabilities (note 4)	\$ 18,954,440	\$ 21,048,349	
<p>Equity of Canada</p> <p>Loans to finance the acquisition of capital assets, repayable in 1972 – 91 at interest rates varying from 5¼% to 8½% (note 5)</p> <p>Proprietor’s Equity Account per statement attached</p> <p>Surplus – per statement attached</p>		<p>5. Loans for Capital Expenditures</p> <p>The Corporation receives funds for capital expenditures by way of interest-bearing loans from Canada. Repayments of principal are extended over a twenty-year period with payments of principal and interest being made annually. During 1972–73, the Corporation will pay the sum of \$8,216,900 in respect to the principal of such loans.</p>	
	137,480,219	111,005,123	
	9,041,222	13,790,832	
	12,533,373	13,015,519	
	159,054,814	137,811,474	
	\$178,009,254	\$158,859,823	

193. The absence of up-to-date information in CBC’s *Annual Reports* about the Corporation’s debt was an ongoing problem, whether the debt flowed from loans from Canada, from ‘frozen allotments’ whose precise nature was never clearly stated or from debt to the private sector.

A. Loans and advances from Canada

194. When CBC was created in 1936 it acquired the assets of its predecessor, the Canadian Radio Broadcasting Commission, consisting of “eight publicly owned or leased stations and 14 privately owned stations” that produced and broadcast radio programming.²²⁹ Half of Canada’s population, and in particular, people in rural areas, could not access CBC’s programming: engineering studies conducted in 1937 found that “the national network gave effective service to only 49 per cent of Canada’s population and that this coverage was predominantly urban”.²³⁰ CBC therefore decided to “increase the coverage of the network to 84 per cent of the population” to “carry out its purposes” at a minimum²³¹ by building high-power stations in

²²⁹ CBC, *Annual Report 1936-1937*, at 8.

²³⁰ *Ibid.* (“Engineering”); CBC’s 2018/19 *Annual Report* does not report on its services’ population coverage.

²³¹ *Ibid.*

Western Canada, central Canada and the Atlantic provinces, as well as a national short-wave system.²³²

195. CBC's efforts to ensure that its services were available in all parts of Canada extended to the 2010s after which, in conjunction with the decision by ISED to shift all broadcast signals to digital, the CBC moved its services to digital transmitters and began to turn off and sell its analog transmitters.²³³ One effect of the CBC's move was to reduce availability of the CBC's free over-the-air television services,²³⁴ although it is difficult to determine the extent to which this has happened as the CBC's *Annual Reports* in the 21st century do not consistently report the percentage of the population that obtains its English-language and French-language radio and television services – offline or online.

1. Loans – capital works

196. Throughout its existence CBC's decisions to expand the reach of its broadcasting service required the consent of the Federal government. The 1936 Act required CBC to obtain Governor-in-Council (GIC) approval before entering into agreements to spend more than \$10,000,²³⁵ and gave the GIC the discretion to "authorize the construction, extension or improvement of capital works of the broadcasting facilities of the Corporation in Canada".²³⁶ The

²³² *Ibid.*

²³³ *Revocation of licences for the rebroadcasting stations CBIT Sydney and CBKST Saskatoon and licence amendment to remove analog transmitters for 23 English- and French-language television stations*, Broadcasting Decision CRTC 2012-384 (Ottawa, 17 July 2012), <https://crtc.gc.ca/eng/archive/2012/2012-384.htm>:

...

6. ... the CBC outlined its financial and technological rationale for ceasing its analog television transmission, as well as its plans for informing the public about the coming changes.

7. Specifically, the CBC noted its financial situation, the relatively low number of households relying on over-the-air transmission for reception of its service and the availability of viable alternatives for receiving its television signal. The CBC further noted that it had an obligation under the Broadcasting Act (the Act) to manage its resources as efficiently and effectively as possible to further its mandate. It described the difficulties of acquiring equipment and parts that were obsolescent and increasingly unavailable. The CBC also indicated that shutting down the analog television network would save a minimum of \$10 million a year in operating costs and would allow it to generate revenues through the sale of assets.

....

²³⁴ Kate Taylor, "CBC's switch to digital transmission will leave some without access", *Globe and Mail* (Ottawa, 10 July 2011; updated 11 May 2018), <https://www.theglobeandmail.com/technology/cbcs-switch-to-digital-transmission-will-leave-some-without-access/article586653/>:

CBC-Radio Canada is spending \$60-million to replace 27 analog transmitters with digital ones, 14 English and 13 French, that will deliver pristine high-definition television for free in most cities between Vancouver and St. John's. But for the many haves, there are also some have-nots - another 16 communities including Saskatoon, London, Ont., and Saint John - which will lose over-the-air service.

The CBC estimates that less than 1 per cent of Canadians will be affected, but critics point out that the public broadcaster has a mandate to reach all Canadians.

²³⁵ S. 10; s. 4 of the 1951 amendments to the Act raised the amount requiring prior GIC approval, to \$25,000.

²³⁶ S. 17:

(1) The Governor in Council may authorize the construction, extension or improvement of capital works of the broadcasting facilities of the Corporation in Canada, on the recommendation of the Minister, may authorize the Minister of Finance to place to the credit of the Corporation from any unappropriated moneys in the Consolidated Revenue Fund such sum or sums as may be necessary to carry out such construction,

1958 Act required CBC to obtain GIC approval for its capital budget²³⁷ and before establishing any broadcasting stations²³⁸ while the 1968 Act required GIC approval before spending more than \$250,000.²³⁹ The 1991 Act currently requires CBC to submit its capital budget – which presumably includes details of its plans for capital expenditures – to Treasury Board for its approval.²⁴⁰

197. All four of Parliament's broadcasting statutes have permitted it to grant CBC appropriations for capital projects. The 1936 Act required the Minister of Finance to deposit in the Bank of Canada (or a chartered bank) "any appropriation granted by Parliament for the purposes of the Corporation",²⁴¹ a broad statement that might have encompassed capital appropriations. The Act also gave the GIC the discretion to authorize interest-bearing 'advances' of up to \$500,000 [in 1937, equivalent of \$6.5 million 2002] to fund CBC's "construction, extension or improvement of capital works".²⁴² The Act's successors were more specific, requiring CBC to establish a Proprietor's Equity Account for all money or moneys "paid to the Corporation for capital purposes out of Parliamentary appropriations".²⁴³
198. CBC appears to have used its own resources and loans from Canada to build and extend Canada's national broadcasting system until 1958/59, when Parliament first granted CBC a capital appropriation.²⁴⁴ Parliament granted at least thirteen interest-bearing loans to CBC for its capital works from 1937/38 to 1957/58 and from 1964/65²⁴⁵ to 1972/73.²⁴⁶ The first loan was for \$500,000 [\$6.5 million 2002] in January 1939, eighteen months after CBC was created;²⁴⁷ the

extension or improvement of capital works: provided that the total amount which may be so authorized for the said purposes shall not exceed five hundred thousand dollars.

(2) Such moneys so advanced shall bear such rate of interest and shall be amortized on such terms and conditions as may be fixed by the Governor in Council.

(3) The interest and amortization charges on the moneys so advances shall be a first charge on the revenues of the Corporation.

²³⁷ S. 35(1).

²³⁸ S. 29(1)(b).

²³⁹ S. 41.

²⁴⁰ S. 54(4).

²⁴¹ S. 14(1)(b).

²⁴² S. 17.

²⁴³ 1958 *Broadcasting Act*, s. 33(4); 1968 *Broadcasting Act*, s. 45(4) and 1991 *Broadcasting Act* s. 57(4)

[underlining added].

²⁴⁴ CBC, *Annual Report 1958-1959*, at 12: \$8.649 million "to meet capital expenditure requirements of its" radio and television services (of which it subsequently refunded \$3.3 million).

²⁴⁵ In 1964/65 CBC paid \$2.2 million [2002] in interest expense, arising "out of the Government policy of financing the acquisition of capital assets by Government of Canada loans. This policy became effective April 1, 1964." CBC, *Annual Report 1964-1965*, at 20.

²⁴⁶ It is unclear whether CBC borrowed money from Canada in 1973/74. The Consolidated Statement of Source and Application of Funds (p. 63) reports that CBC had \$22 million in loans for capital expenditures in 1972/73, and \$55.934 million in loans in 1973/74 – an increase of \$33.934 million [\$215 million \$2002]. The report does not discuss this change and in the absence of specific information from the Corporation, we did not include it as a new loan.

²⁴⁷ CBC, *Annual Report 1937-1938*, at 15.

last was in 1956, for \$3 million [\$59.4 million 2002]. Overall, Parliament lent CBC \$743 million [2002] from 1938 to 1973 for capital works: Table 25.

Table 25 Loans mentioned by CBC's Annual Reports, 1938 – 1973

Period	Identifiable loans	\$ M 2002
1938 – Liberal	Act. S. 17	\$ 6.494
1939 – Liberal	Appropriation Act No. 3, 1939, Vote 664	\$ 9.740
1947 – Liberal min	Appropriation Act No. 1946, Vote 965	\$ 21.277
1950 – Liberal	Appropriation Act No. 7, 1949 (December), Vote 934	\$ 36.000
1951 – Liberal	Appropriation Act No. 4, 1950, Vote 719	\$ 4.710
1952 – Liberal	Appropriation Act No. 4, 1951, Vote 564	\$ 10.563
1953 – Liberal	Appropriation Act No. 4, 1952, Vote 819	\$ 14.286
1954 – Liberal	Appropriation Act No. 3, Vote 540	\$ 33.688
1955 – Liberal	Appropriation Act No. 4, 1954, Vote 534	\$ 21.277
1956 – Liberal	Appropriation Act No. 5, 1955 (Vote 785) – “sixth loan for the Television Service”	\$ 59.441
1965 – Liberal min	Loans to finance the acquisition of capital assets	\$84.821
1966 – Liberal min	CBC “borrowed ... finance the acquisition of capital assets”	\$75.240
1970 – Liberal	Loans to finance the acquisition of capital assets	\$121.675
1972 – Liberal	Loans for capital expenditures	\$150.868
1973 – Liberal min	Loans for capital expenditures	\$93.220
Total, 1938-1973, excluding 1947, 1949 and 1967 for which <i>Annual Reports</i> were unavailable		\$743.300

199. CBC paid \$116 million [\$2002] in interest and repayments of principal towards the \$266 million [\$2002] it borrowed from Canada from 1937/38 to 1964/65, to build the national broadcasting system.
200. From 1965/66 to 1973/74, however, Parliament included the interest and repayments of principal on the \$655 million [\$2002] in loans that it granted to CBC for its operations; the interest and repayments totalled approximately \$433 million [2002]: Table 26 .

Table 26 CBC's debt, interest payment and repayments of principal, 1937/38 to 1979/80

\$ millions 2002	Loans taken	Outstanding debt	As % of public funding granted	Interest paid	Repayment of principal	Total interest & repayments	As % of public funding granted	Interest and principal paid by:
1938 - Liberal	\$6.49	\$6.49	18%					CBC
1939 - Liberal	\$9.74	\$5.84	17%	\$0.22	\$0.65	\$0.87	2.5%	CBC
1940 - Liberal		\$14.38	40%	\$0.30	\$4.55	\$4.85	13.3%	CBC
1941 - Liberal		\$9.25	25%	\$0.38	\$4.28	\$4.66	12.6%	CBC
1942 - Liberal		\$5.72	14%	\$0.28	\$3.22	\$3.49	8.8%	CBC
1943 - Liberal				\$0.14	\$5.59	\$5.73	13.9%	CBC
1947 – Liberal min*	\$21.28							
1948 – Liberal min		\$16.95	42%	\$0.47		\$0.47	1.1%	CBC
1950 – Liberal		\$62.00	141%	\$0.76		\$0.76	1.7%	CBC
1951 – Liberal	\$4.71	\$60.87	151%	\$1.67		\$1.67	4.1%	CBC
1952 – Liberal	\$10.56	\$65.14	77%	\$1.71	\$4.58	\$6.29	7.4%	CBC

\$ millions 2002	Loans taken	Outstanding debt	As % of public funding granted	Interest paid	Repayment of principal	Total interest & repayments	As % of public funding granted	Interest and principal paid by:
1953 – Liberal	\$14.29	\$80.36	94%	\$2.07		\$2.07	2.4%	CBC
1954 – Liberal	\$33.69	\$113.48	69%	\$2.62		\$2.62	1.6%	CBC
1955 – Liberal	\$21.28	\$134.75	68%	\$3.88		\$3.88	2.0%	CBC
1956 – Liberal	\$59.44	\$191.77	93%	\$4.52	\$0.53	\$5.05	2.5%	CBC
1957 – Liberal		\$184.35	73%	\$6.23	\$0.93	\$7.16	2.8%	CBC
1958 – Prog Cons Min		\$177.85	65%	\$6.07	\$1.66	\$7.74	2.8%	CBC
1959 – Progressive Conservative				\$3.69	\$26.67	\$30.35	8.9%	CBC
1960 – Progressive Conservative					\$26.32	\$26.32	7.0%	CBC
1965 – Liberal min	\$84.82	\$84.82	17%	\$2.23			0.4%	CBC
1938-1965	\$266.30	CBC paid for loans:		\$37.24	\$78.98	\$116.20		
1966 – Liberal min	\$75.24 ²⁴⁸	\$152.60	28%	\$5.77	\$4.07	\$9.84	1.8%	Parliament
1968 – Liberal min		\$394.28	54%	\$20.00	\$15.37	\$35.37	4.7%	Parliament
1969 – Liberal		\$468.88	64%	\$24.17	\$20.08	\$44.25	5.8%	Parliament
1970 – Liberal	\$121.67	\$551.75	70%	\$29.89	\$24.95	\$54.84	6.7%	Parliament
1971 – Liberal		\$531.12	70%	\$35.57	\$30.14	\$65.72	8.3%	Parliament
1972 – Liberal	\$150.87	\$627.76	79%	\$38.46	\$29.98	\$68.44	8.3%	Parliament
1973 – Liberal min	\$93.22	\$640.95	77%	\$41.71	\$34.82	\$76.53	8.7%	Parliament
1974 – Liberal min	\$213.49	\$755.27	88%	\$42.86	\$35.56	\$78.42	8.8%	Parliament
1975 – Liberal		\$682.35	82%					Deferred
1966-1975	\$654.49	Parliament paid for loans:		\$250.61	\$194.97	\$433.40		
1938-1975	\$920.80	CBC & Parliament paid:		\$287.85	\$273.95	\$549.60		

* 1947 data from Hansard

201. In 1965 Parliament again began to loan CBC money for its capital works, “out of the Government policy of financing the acquisition of capital assets by Government of Canada loans. This policy became effective April 1, 1964.”²⁴⁹ That said, when CBC appeared before a Parliamentary committee on broadcasting in 1966, it suggested that it was already asking for funding for interest payments and repayments of principal within the public funding Parliament granted for its operations. CBC explained its use of loans including interest, instead of grants: “[i]t is simply so that our books will reflect the cost of financing the money we need for capital.”²⁵⁰ CBC’s President added, however, that “[o]n the other hand, we have to ask for the money in order to pay it back. So it appears practically twice. It appears in toto in the first loan and it appears for 20 years as we pay it back.”²⁵¹ When the 1968 Act was passed by Parliament, CBC confirmed

²⁴⁸ We have identified the \$75.24 million interest payment as having been paid by Parliament although the 1965/66 *Annual Report* was vague with respect to interest. It wrote at 19 that “Funds to finance the repayment of the loans - \$713,000 for the current year, [sic] – were provided in the parliamentary appropriation required to discharge the responsibilities of the national broadcasting service.” “Interest on loans to finance the acquisition of capital assets” was included in the Statement of Operations as an expense.

²⁴⁹ CBC, *Annual Report 1964-1965*, at 20 (“Financial Review”, “General”).

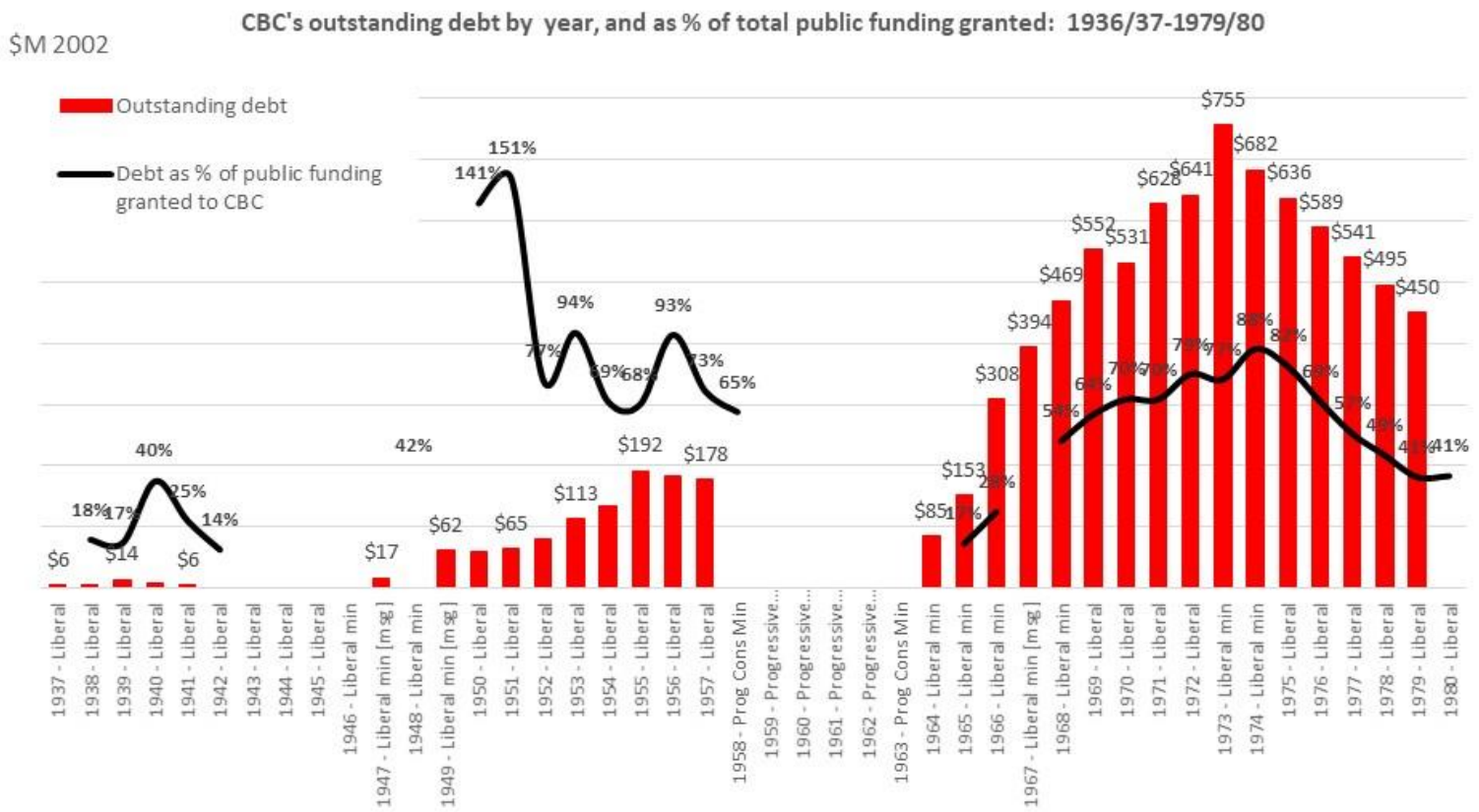
²⁵⁰ President, CBC (Mr. Ouimet), before the House of Commons Standing Committee on Broadcasting, Films and Assistance to the Arts (17 November 1966), Hansard at 1312.

²⁵¹ *Ibid.*

that funding for repaying the money it borrowed from Canada as well as the interest owed were both provided in CBC’s Parliament appropriation.²⁵²

202. CBC’s debt grew significantly over time, amounting to more than half the public funding granted by Parliament to the Corporation for its operations from the 1950s to 1960s, and from the late 1960s to late 1970s: Figure 37. By 1972 CBC’s outstanding debt to Canada amounted to just over three-quarters (77%) of the total public funding it was granted that year for its operations.

Figure 37 Outstanding debt of the CBC by year, and as a percentage of the public funding it was granted for operations



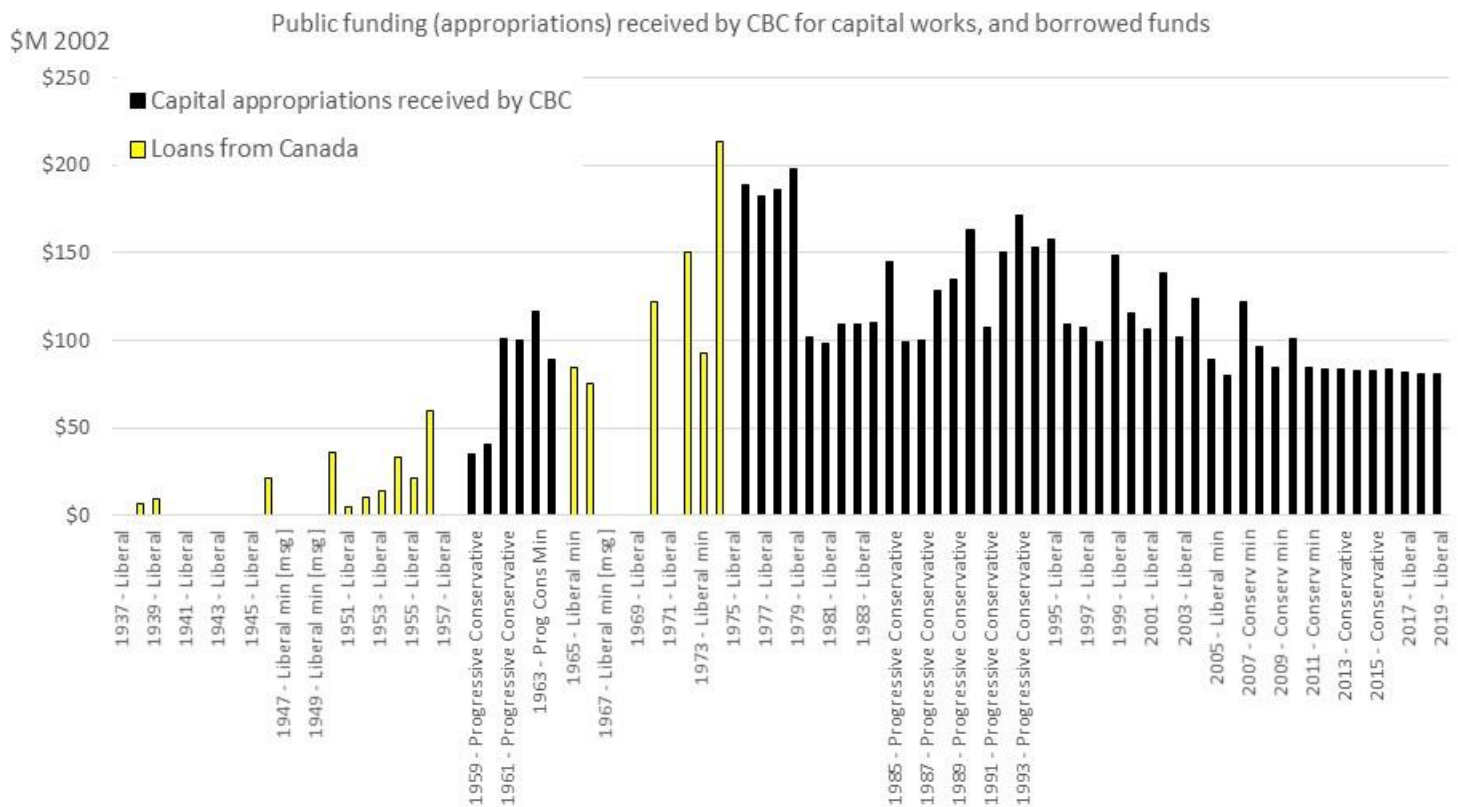
²⁵² CBC, *Annual Report 1967-1968*, at 71 (“Financial Report”, “Operations” and “Interest on Loans”); Repayment of principal on loans is not included in expense but is applied separately against the Parliamentary grant, which includes the annual amount required for the repayment. The amount required to pay interest on loans is provided for in the Parliamentary grant.”

We note, however, that CBC also wrote that when it borrowed money form Parliament in 1965/66, Parliament for the first time included “[f]unds to finance the repayment of the loans - \$713,000 - ... in the parliamentary appropriation require to discharge the responsibilities of the national broadcasting service.” CBC, *Annual Report 1965-1966*, at 19.

203. Parliament resumed the granting of capital appropriations to CBC in the mid-1970s, and except for advances granted for working capital purposes did not subsequently loan CBC capital funds: Figure 38.

204. In 1973/74 CBC wrote that “[t]he principal amount outstanding on [the loans made by Canada to CBC] has been deferred until March 31, 1979”.²⁵³ It added that “the capital expenditures of the Corporation were financed by loans from Canada” until March 31/74, and that “[a]fter that date they will be financed by grants.”²⁵⁴ In 1980 Parliament wrote off the debt.²⁵⁵

Figure 38 CBC’s loans from Canada and capital appropriations from Parliament, 1936/37-2018/19



205. It is somewhat unclear why Parliament for so many years chose to have CBC borrow money from Canada to build the national broadcaster’s system for producing, distributing and transmitting its radio and television programming, in light of the fact that the assets created by CBC became part of the equity of Canada.

²⁵³ CBC, *Annual Report 1973-1974, Notes to the Financial Statement*, at 66 (“4. Loans for capital expenditures”).

²⁵⁴ *Ibid.*

²⁵⁵ CBC, *Annual Report 1980-81, Notes to the Financial Statement* at 51, note 7, citing Bill C-22, an *Act to adjust the Accounts of Canada*, passed by the House of Commons on 3 July 1980.

206. It may be that at the outset Parliament required CBC to borrow and repay money to build its system because it was financed until the 1950s in part by licence fees and in part by commercial income, CBC was not considered to be owned by Canadians in general. This view was noted by the Minister responsible for CBC during a 1948 debate on what is now known as RCI:

I might give the committee a little information in reference to this international short wave. Our physical plant is in Sackville, New Brunswick. It was built in 1942 and is owned outright by the crown [*sic*], but is operated for a fee by the Canadian Broadcasting Corporation. No licence fees are collected from anybody with respect to international short wave; all the expenses come out of the money of the taxpayers. **The situation is different in connection with the Canadian Broadcasting Corporation. It was set up by the government, and those persons in Canada who pay for radio receiving licences and commercial firms who pay licence fees may be said to be the owners of that system. They are the sole contributors to it.** International short wave, on the contrary, is the property of all the people, all the taxpayers; and out of the appropriation we are asking parliament [*sic*] to vote this year this service will be continued.

....²⁵⁶

207. (The challenge, though, was that attracting new radio-set licensees required CBC to expand its service, expanding service required CBC to take on interest-bearing loans, repaying loans diverted funding from programming, and prospective audiences might be uninterested in paying for inexpensive programming.)
208. CBC, meanwhile, did not appear to consider itself operating solely in the interests of licence fee holders and advertisers. In 1938 it described itself as a “national utility” and “trustee of the national interest in broadcasting”;²⁵⁷ in discussing uncertainty about its finances in 1950 it wrote that it would maintain its existing services and meet its commitments, “in the public interest”.²⁵⁸
209. By the 1960s, however, CBC’s role in “operating a national broadcasting service” was well-established.²⁵⁹ That said, it complied with the Federal government’s 1964 loans-not-capital-appropriations policy. When asked in 1966, “Why not get the \$3 million right now instead of repaying \$6 million, the original grant plus interest?”, however, CBC’s president answered, “I cannot possibly find any way to disagree with you on this.”²⁶⁰

2. Advances – working capital

210. Parliament’s broadcasting legislation also enabled the government to provide CBC with working capital although again, these advances were at times to be repaid, often with interest. As mentioned earlier the 1936 *Act* enabled the Governor in Council to lend CBC up to \$500,000 (\$6.5 million in 1937, in \$2002) in “working capital advances from any unappropriated moneys

²⁵⁶ *Debates of the House of Commons*, 20th Parl., 4th Sess., Volume 6 (1948), at 6039 (28 June 1948), Hon. J.J. McCann, bold font added.

²⁵⁷ CBC, *Annual Report 1937-1938*, at 5: “To summarize, the period ended March 31, 1938, saw the emergence of the CBC as a national utility.” *Ibid.*, at 7: “... As trustee of the national interest in broadcasting”.

²⁵⁸ CBC, *Annual Report 1949-1950*, at 5 (“Foreword”).

²⁵⁹ 1958 *Act*, s. 29(1).

²⁶⁰ *Ibid.*

in the Consolidated Revenue Fund"; these advances were "repayable to the Minister of Finance on demand",²⁶¹ and were to bear interest at rates set by the GIC.²⁶² Neither the 1958 nor the 1968 *Acts* specifically addressed working capital, or advances for working capital.

211. The *Annual Reports* reviewed for this research from 1936/37 to 1956/57 did not mention advances made for working capital. It may be that CBC itself paid for relatively minor capital works: in 1939/40 it said that "[a]CBC *major* capital expenditures have been financed by loans from the Dominion Government, which loans are, ordinarily, repaid out of revenue over a period of ten years."²⁶³ In 1957/58 CBC disclosed that it sold \$9.9 million worth of the \$15.3 million in bonds it then held, to meet both its operating and capital requirements.²⁶⁴ By the early 1960s CBC's *Annual Reports* mentioned working capital as "the difference between the current assets and current liabilities..."²⁶⁵ In 1960/61 the GIC apparently set CBC's working capital at \$9 million through an Order-in-Council.²⁶⁶
212. After writing off CBC's outstanding loans the government began to provide CBC with advances for working capital in 1977/78. (Advances were not expressly mentioned in the 1968 *Broadcasting Act*.) While interest free, the advances were to be repaid when CBC's cash and treasury bills exceeded CBC's need for working capital.²⁶⁷
213. It is somewhat difficult to follow CBC's working capital in this period. In 1977/78, for instance, CBC reported a \$117 million [\$320 million 2002] increase in "working capital deficiency" for that year: Figure 39. This deficiency is absent from the following year's annual report for 1978/79;

²⁶¹ 1936 *Canadian Broadcasting Act*, s. 16.

²⁶² 1936 *Canadian Broadcasting Act*, s. 17(1); see also ss. 17(2) and (3):

(2) Such moneys so advanced shall bear such rate of interest and shall be amortized on such terms and conditions as may be fixed by the Governor in Council.

(3) The interest and amortization charges on the moneys so advanced shall be a first charge on the revenues of the Corporation.

²⁶³ CBC, *Annual Report 1939-1940*, at 21 [italics added].

²⁶⁴ CBC, *Annual Report 1957-1958*, at 25 ("the financial position" [sic]):

A year ago [1956/57] on March 31st, 1957, the Corporation had a working capital of \$15, 238,000 largely represented by Government of Canada Bonds to the value of \$12,363,000. During the year these bonds were disposed of to the extent of \$9,948,000 to meet operating and capital needs of the Corporation thereby reducing the holdings in government bonds to \$2,445,000 at March 31, 1958. Liquidation of the Corporation's working capital to this extent has had the effect of rendering its day to day financing difficult because the nature and size of its commitments require a larger working capital.

²⁶⁵ CBC, *Annual Report 1959-1960*, at 20; CBC, *Annual Report 1960-1961*, at 18.

²⁶⁶ CBC, *Annual Report 1960-1961*, at 18; Order-in-Council P.C. 1961-3/453 (30 March 1961).

²⁶⁷ CBC, *Annual Report 1984-1985*, at 51 ("6. Advances from Government of Canada"): "Advances from the Government of Canada are made for working capital purposes and are free of interest. These advances become repayable when cash and treasury bills exceed the Corporation's requirements for working capital."

Figure 39 CBC's \$117 million working capital deficiency

CBC, Annual Report 1977-1978 ,at 45

Consolidated Statement of Changes in Financial Position for the Year Ended March 31, 1978		
Canadian Broadcasting Corporation		
	(in thousands of dollars)	
	1978	1977
Funds provided		
Parliamentary appropriation for		
Operating expenditures	400,200	343,400
Capital expenditures	64,100	61,300
1978 Commonwealth Summer Games	2,700	—
1976 Summer Olympics	—	11,200
	467,000	415,900
Proceeds from sales of fixed assets	408	101
	467,408	416,001
Funds applied		
Excess of expense over income	454,679	401,340
Deduct: Items not requiring funds		
Depreciation and amortization	29,996	26,675
Interest on loans from Canada	—	14,053
Provision for employee termination benefits	7,501	8,341
	417,182	352,271
Purchase of subsidiaries	1,800	200
Additions to capital assets	62,730	63,311
Transfer of long term debt to current liabilities	102,727	—
Refundable balance on appropriations	58	7,294
	584,497	423,076
Increase in working capital deficiency	117,089	7,075

CBC, Annual Report 1978-1979, p. 43
Statement of Changes in Financial Position, at 43

Statement of Changes in Financial Position for the Year Ended March 31, 1979		
Canadian Broadcasting Corporation		
	(in thousands of dollars)	
	1979	1978
Funds provided		
Operating expenditures in providing		
Broadcasting service	476,900	400,200
1978 Commonwealth Games	5,061	2,480
	481,961	402,680
Capital expenditures in providing		
Broadcasting service	79,500	64,100
1978 Commonwealth Games	239	220
	79,739	64,320
Increases in advances from Canada	10,000	—
Proceeds from sales of fixed assets	180	408
	571,880	467,408
Funds applied		
Excess of expense over income	535,539	454,679
Deduct: Items not requiring funds		
Depreciation and amortization	31,137	29,997
Provision for employee termination benefits	3,606	7,501
Interest on loans	14,053	14,053
	486,743	403,128
Purchase of subsidiaries	—	1,800
Additions to fixed assets	79,452	62,730
Refundable balance on appropriations	757	58
Refunded to Parliament - 1976 Olympic Games	57	—
	567,009	467,716
Increase (Decrease) in working capital	4,871	(308)
Working capital at the beginning of year	2,482	2,790
Working capital at the end of the year	7,353	2,482

Notes to the Financial Statement, at 45, Note 6

6. Advances from Canada
Advances are made for working capital purposes and are free of interest. These advances become repayable to the Receiver General for Canada when amounts on hand (cash and marketable securities) are in excess of the Corporation's needs for working capital. Proprietor's equity account has been restated to exclude \$9.0 million of such advances included in the opening balance.

it instead refers for the first time to “Advances from Canada” that were “made for working capital purposes”.²⁶⁸

214. From 1978/79 on CBC was to repay the advances when income from its commercial activities exceeded its working capital requirements.²⁶⁹ These advances were granted for four years, with the last advance apparently made in 1981/82 for \$10 million (\$20.2 million [\$2002]); that year CBC wrote that it was being provided with a “a separate yearly appropriation for working capital purposes.”²⁷⁰

Year	Amounts advanced		Borrowed funds not yet paid	
	\$ millions current	\$ millions [\$2002]	\$ millions current	\$ millions [\$2002]
1977/78 Liberal	\$9.0	\$24.6	\$197.88	\$588.93
1978/79 Liberal	\$10.0	\$25.0	\$137.31	\$375.17
1979/80 Liberal	\$4.0	\$9.1	\$216.88	\$542.20
1980/81 Liberal	\$10.0	\$20.2	\$220.88	\$502.00
Total	\$33.00	\$78.90	\$772.95	\$2008.30

215. Beginning in 1981/82 Parliament began to provide CBC with “a separate yearly Parliamentary appropriation for working capital purposes”.²⁷¹ The advances remained outstanding on CBC's books until 1994/95, when \$33 million in advances were moved to the Proprietor's Equity: Figure 40 (see *Notes to the Financial Statement*, Note 3).

²⁶⁸ *Notes to the Financial Statement*, at 45.

²⁶⁹ *Ibid.*: “These advances become repayable to the Receiver General of Canada when amounts on hand (cash and marketable securities) are in excess of the Corporation's needs for working capital.” The advances were shown in the statement of Proprietor's Equity.

²⁷⁰ CBC, *Annual Report 1993-1994*, at 114 (“11. Advances from Government of Canada”).

²⁷¹

The 1981/82 *Annual Report* briefly mentions this, but confuses matters slightly by referring to “Parliamentary appropriations”, rather than a separate yearly appropriation:

Working Capital Funds Provided

\$6.0 million for working capital purposes was provided by Parliamentary appropriations.

Figure 40 Outstanding advances from 1981/82 moved to Proprietor’s equity in 1995/96

CBC, Annual Report 1995-1996																																																																																						
<i>Financial Overview, at 55</i>	<i>Balance Sheet, at 59</i>	<i>Notes to the Financial Statement, Note 3 (see note at bottom of table)</i>																																																																																				
<p>Balance Sheet Items</p> <p>The increase in the total level of current assets over the previous year is primarily related to cash funds required to cover severance costs associated with the downsizing program, to be paid out in 1996/97. The other major increase is in prepaid items, and relates to the purchase of rights for the Atlanta Olympics.</p> <p>The increase in current liabilities relates mainly to accounts payable and accrued liabilities for program rights and costs relating to the Corporation’s downsizing and restructuring activities.</p> <p>Long-term liabilities increased mainly due to additional pension liabilities related to the significant reduction in CBC’s workforce.</p> <p>Statement of Proprietor’s Equity</p> <p>Capital expenditures were restrained in 1995/96. An amount of \$45 million was diverted from capital projects to provide some flexibility in handling the federal government’s additional cut to operating funding effective April 1, 1995, as announced on February 27, 1995.</p>	<table border="1"> <thead> <tr> <th colspan="3">Liabilities</th> </tr> <tr> <th colspan="3">Current</th> </tr> </thead> <tbody> <tr> <td>Accounts payable and accrued liabilities</td> <td>191,579</td> <td>176,396</td> </tr> <tr> <td>Accrued vacation pay</td> <td>37,730</td> <td>54,272</td> </tr> <tr> <td>Employee termination benefits</td> <td>153,293</td> <td>36,074</td> </tr> <tr> <td>Accrued interest on capital lease (Note 11)</td> <td>14,193</td> <td>15,577</td> </tr> <tr> <td></td> <td>396,795</td> <td>282,319</td> </tr> <tr> <th colspan="3">Long-term</th> </tr> <tr> <td>Employee termination benefits</td> <td>66,684</td> <td>104,093</td> </tr> <tr> <td>Deferred pension liability (Note 10)</td> <td>155,314</td> <td>69,932</td> </tr> <tr> <td>Obligations under capital leases (Note 11)</td> <td>397,672</td> <td>418,017</td> </tr> <tr> <td></td> <td>619,670</td> <td>592,042</td> </tr> <tr> <th colspan="3">Proprietor’s Equity</th> </tr> <tr> <td>Proprietor’s equity account</td> <td>680,211</td> <td>738,599</td> </tr> <tr> <td></td> <td>1,696,676</td> <td>1,612,960</td> </tr> </tbody> </table> <p><small>The accompanying notes form an integral part of the financial statements.</small></p>	Liabilities			Current			Accounts payable and accrued liabilities	191,579	176,396	Accrued vacation pay	37,730	54,272	Employee termination benefits	153,293	36,074	Accrued interest on capital lease (Note 11)	14,193	15,577		396,795	282,319	Long-term			Employee termination benefits	66,684	104,093	Deferred pension liability (Note 10)	155,314	69,932	Obligations under capital leases (Note 11)	397,672	418,017		619,670	592,042	Proprietor’s Equity			Proprietor’s equity account	680,211	738,599		1,696,676	1,612,960	<p>3. Parliamentary Appropriations</p> <p>a. Parliamentary appropriations approved and the payments received by the Corporation during the year are as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>1996</th> <th>1995</th> </tr> <tr> <th></th> <th colspan="2"><i>(thousands of dollars)</i></th> </tr> </thead> <tbody> <tr> <td colspan="3">Appropriations for:</td> </tr> <tr> <td>Operating Fund</td> <td></td> <td></td> </tr> <tr> <td> Annual Operating Fund</td> <td>918,229</td> <td>951,358</td> </tr> <tr> <td> Transfer from Capital Fund</td> <td>45,000</td> <td>—</td> </tr> <tr> <td></td> <td>963,229</td> <td>951,358</td> </tr> <tr> <td>Funding for downsizing program⁽¹⁾</td> <td>106,025</td> <td>—</td> </tr> <tr> <td>Capital Fund</td> <td>142,415</td> <td>138,494</td> </tr> <tr> <td> Less: transfer to Operating Fund</td> <td>45,000</td> <td>—</td> </tr> <tr> <td></td> <td>97,415</td> <td>138,494</td> </tr> <tr> <td>Working Capital Fund</td> <td>4,000</td> <td>4,000</td> </tr> <tr> <td>Transfer of government advances to equity</td> <td>—</td> <td>33,000</td> </tr> </tbody> </table> <p><small>⁽¹⁾ Of this amount, a total of \$50 million was received in the form of repayable advance which will be recovered from future appropriations, with interest, starting in 1998/99 on an annual basis until 2009/10.</small></p>		1996	1995		<i>(thousands of dollars)</i>		Appropriations for:			Operating Fund			Annual Operating Fund	918,229	951,358	Transfer from Capital Fund	45,000	—		963,229	951,358	Funding for downsizing program ⁽¹⁾	106,025	—	Capital Fund	142,415	138,494	Less: transfer to Operating Fund	45,000	—		97,415	138,494	Working Capital Fund	4,000	4,000	Transfer of government advances to equity	—	33,000
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3. Repayable advances – operating requirements

216. After writing off advances made for working capital purposes from 1967/68 to 1994/95, the government began to advance funding to CBC for operating purposes – specifically, to meet unexpected downsizing costs imposed by funding cuts. CBC received a \$105 million advance in 1995/96 to cover downsizing costs.²⁷² Of this, \$50 million would “be recovered from future appropriations, with interest, starting in 1998/99 on an annual basis until 2009/10.”²⁷³ In 1998/99 CBC reported that it had decided “to repay (with interest) the advance received in 1995-96 for downsizing costs.”²⁷⁴
217. The advance made in 1995/96 appears to have been the last made to CBC by the government (or Parliament).

B. ‘Frozen allotments’ – operating requirements

218. An aspect of CBC's funding left largely unexamined by this research involves “frozen allotments”. CBC first used this term in 1995/96 in connection with downsizing it was undertaking in response to funding cuts. The *Notes to the Financial Statement* for the *Annual Report* of that year clarified that of the \$106.025 million (\$119.263 [\$2002]) received as an appropriation, CBC was actually receiving \$50 million (\$56.24 [\$2002]) “in the form of [a] repayable advance which will be recovered from future appropriations....” (see Figure 41, 3a, note (1)).

²⁷² CBC, *Annual Report 1995-1996*, at 64.

²⁷³ CBC, *Annual Report 1995-1996*, Notes to the Financial Statements, “3. Parliamentary Appropriations”, Note (1), at 64.

²⁷⁴ CBC, *Annual Report 1998-99*, at 43 (“Financial Highlights”).

Figure 41 1997/98 mention of 'frozen allotment'

1995/96 Annual Report			
Statement of Operations and Reconciliation to Government Funding, p. 58		Notes to the Financial Statement, p. 64	
STATEMENT OF OPERATIONS AND RECONCILIATION TO GOVERNMENT FUNDING			
For the year ended March 31, 1996			
	1996	1995	
	(thousands of dollars)		
Revenue			
Parliamentary operating appropriation (Note 3a)	918,229	951,358	
Transfer from capital appropriation (Note 3a)	45,000	—	
Other revenue, net (Note 4)	295,142	291,793	
	1,258,371	1,243,151	
Expense			
Television and radio programming activities	1,141,264	1,212,753	
Distribution of television and radio services	152,308	155,560	
Corporate management	22,085	28,625	
Total expense before downsizing expense and taxes	1,315,657	1,396,938	
Net operating loss before downsizing expense and taxes	(57,286)	(153,787)	
Downsizing program (Note 5)	205,501	37,274	
Parliamentary appropriation for downsizing program (Note 3a)	(106,025)	—	
Net downsizing expense	99,476	37,274	
Total expense before taxes	1,415,133	1,434,212	
Net operating loss before taxes	(156,762)	(191,061)	
Provision for income and large corporations taxes (Note 6)			
Current	21,899	2,656	
Deferred	(18,858)	—	
	3,041	2,656	
Net operating loss for the year	(159,803)	(193,717)	
Reconciliation to government funding basis:			
Deduct: Net items not requiring current operating funds (Note 3b)	153,018	172,086	
Operating fund deficit for the year	(6,785)	(21,631)	
Operating fund surplus, beginning of year	356	21,987	
Operating fund (deficit) surplus, end of year	(6,429)	356	
The accompanying notes form an integral part of the financial statements.			
		3. Parliamentary Appropriations	
		a. Parliamentary appropriations approved and the payments received by the Corporation during the year are as follows:	
	1996	1995	
	(thousands of dollars)		
Appropriations for:			
Operating Fund			
Annual Operating Fund	918,229	951,358	
Transfer from Capital Fund	45,000	—	
	963,229	951,358	
Funding for downsizing program ⁽¹⁾	106,025	—	
Capital Fund	142,415	138,494	
Less: transfer to Operating Fund	45,000	—	
	97,415	138,494	
Working Capital Fund	4,000	4,000	
Transfer of government advances to equity	—	33,000	
⁽¹⁾ Of this amount, a total of \$50 million was received in the form of repayable advance which will be recovered from future appropriations, with interest, starting in 1998/99 on an annual basis until 2009/10.			

219. Two years after Parliament approved the appropriation for the downsizing program, CBC's 1997/98 Annual Report explained in its Notes to the Financial Statement that the \$50 million repayment was not a refundable advance but a "[f]rozen allotment" that would "offset the 1995-1996 repayable advance including imputed interest thereon". The Notes to the Financial Statement in the 1998/99 Annual Report also mentioned a second frozen allotment with respect to \$41.97 million (\$45.18 million [\$2002]; see Figure 42).

Figure 42 Second frozen allotment, 1998/99 Annual Report

1997/98 Annual Report, at 54			1998/99 Annual Report, at 63		
a. Parliamentary Appropriations Approved and Received			a. Parliamentary Appropriations Approved and Received		
	1998	1997		1999	1998
	<i>(thousands of dollars)</i>			<i>(thousands of dollars)</i>	
Approved appropriations for:			Approved appropriations for:		
Operating Funding			Operating Funding		
• Annual funding	769,014	818,329	• Annual Funding	745,531	769,014
• Transfer from capital funding ⁽¹⁾	–	36,120	• Funding for downsizing & other costs	92,401	–
• Funding for RCI (Note 5)	(9,360)	–	• Transfer to capital funding ⁽¹⁾	(36,485)	–
	759,654	854,449	• Frozen allotment to be reprofiled through Capital to the 1999-2000 fiscal year	(41,966)	–
• Frozen allotment to offset the 1995–1996 repayable advance including imputed interest thereon ⁽²⁾	(56,669)	–	• Funding for RCI (Note 4)	–	(9,360)
	702,985	854,449		759,481	759,654
Funding for downsizing program	–	41,975	• Frozen allotment to offset the 1995-1996 repayable advance including imputed interest thereon ⁽²⁾	–	(56,669)
Capital Funding (Note 9)	105,740	140,829	Capital Funding (Note 7)	94,469	105,740
• Less transfer to operating funding ⁽¹⁾	–	36,120	• Additional funding – Supplementary Estimates B	2,000	–
• Less transfer to 1998–1999 (1997–1998) fiscal year ⁽¹⁾	15,600	8,000	• Add transfer from operating funding ⁽¹⁾	36,485	–
	90,140	96,709	• Less transfer to 1998-1999 fiscal year ⁽¹⁾	–	15,600
Working Capital Funding	4,000	4,000		132,954	90,140
			• Capital funding received from the government for RCI	5,000	–
				137,954	90,140
			Working Capital Funding	4,000	4,000

⁽¹⁾ In the event that significant changes in current year requirements occur, amounts are transferred from one vote to another or reprofiled from one fiscal year to the next through Appropriation Acts tabled in the House of Commons.

⁽²⁾ In 1995–1996, the Corporation received a \$50 million repayable advance to be recovered in future years through reduced funding levels.

220. The impact of frozen allotments varied over time. In 2001/02, for instance, previous frozen allotments effectively cancelled out \$60 million in additional, one-time funding granted by Parliament to CBC:²⁷⁵ Figure 43.

²⁷⁵ CBC, Annual Report 2001-2002, at 59.

Figure 43 Frozen allotment cancelling supplementary funding in 2001/02

	2002	2001
	(thousands of dollars)	
Operating Funding		
Annual Funding	855,574	807,356
One-time funding for programming initiatives (Note 3d)	60,000	–
Transfer from (to) capital funding – Supplementary Estimates B ¹	(15,170)	(13,298)
Frozen allotment to be reprofiled in future years	(60,000)	–
	840,404	794,058

221. Similarly, in 2005/06 a frozen allotment that presumably originated from an unspecified previous year was apparently finally used – yet as the same amount was also then ‘reprofiled’ to future years, the first reprofiled amount was effectively cancelled.

Figure 44 2005/06 frozen allotment - cancellation

17. PARLIAMENTARY APPROPRIATIONS

A. Parliamentary Appropriations Approved and Received

Parliamentary appropriations approved and the amounts received by the Corporation during the year are as follows:

	2006	2005
	(THOUSANDS OF DOLLARS)	
OPERATING FUNDING		
Approved annual funding	946,231	895,659
Additional non-recurring funding for programming initiatives (NOTE 17D)	60,000	60,000
Transfer from capital funding – Supplementary Estimates B ¹	-	1,112
Frozen allotment reprofiled to future years	(20,000)	(20,000)
Frozen allotment used	20,000	-
OPERATING FUNDING RECEIVED	1,006,231	936,771
CAPITAL FUNDING		
Approved annual funding	91,510	102,869
Transfer to operating funding – Supplementary Estimates B ¹	-	(1,112)
Frozen allotment reprofiled to future years	(10,000)	(6,000)
Frozen allotment used	6,000	-
CAPITAL FUNDING RECEIVED	87,510	95,757
WORKING CAPITAL FUNDING	4,000	4,000

¹ In the event that significant changes in current year requirements occur, appropriations are transferred from one vote to another or reprofiled from one fiscal year to another through Appropriation Acts approved by Parliament.

222. Frozen allotments are again described in CBC’s 2002/03 report:²⁷⁶ Figure 45.

²⁷⁶ CBC, *Annual Report 2002-2003*, at 99.

Figure 45 Frozen allotments in 2002/03 Annual Report

4. PARLIAMENTARY APPROPRIATIONS

a. Parliamentary Appropriations Approved and Received

Parliamentary appropriations approved and the amounts received by the Corporation during the year are as follows:

	2003	2002
	(thousands of dollars)	
Operating Funding		
Approved annual funding	864,891	855,574
Additional non-recurring funding for programming initiatives (Note 4d)	60,000	60,000
Transfer to capital funding – Supplementary Estimates B ¹	(7,459)	(15,170)
Frozen allotment used (reprofiled in future years)	20,000	(60,000)
Operating Funding Received	937,432	840,404
Capital Funding		
Approved annual funding	97,631	100,311
Transfer from operating funding – Supplementary Estimates B ¹	7,459	15,170
Frozen allotment used (re-profiled in future years)	–	23,000
Capital Funding Received	105,090	138,481
Working Capital Funding	4,000	4,000

1. In the event that significant changes in current year requirements occur, appropriations are transferred from one vote to another or re-profiled from one fiscal year to another through Appropriation Acts tabled in the House of Commons.

223. While CBC’s *Notes to the Financial Statements* in 2002/03 explain that frozen allotments involve appropriations, and the appropriations are tabled in *Acts* laid before Parliament, they do not explain the process by which these frozen allotments were granted, or how allotments that were frozen were subsequently ‘unfrozen’. The 2005 *Commission of Inquiry into the Sponsorship Program and Advertising Activities*, however, described the allotments as being controlled by Treasury Board:

4. The amount of approved spending authority that a department utilizes is controlled by TB. For example, while Parliament may have approved \$2 billion as the departmental authority for PWGSC, TB may withhold a portion of that authority and only provide PWGSC with authority to spend \$1.9 billion. This withheld amount is referred to as a “frozen allotment.”²⁷⁷

224. In 2018/19, meanwhile, the Treasury Board explained that the Federal government (rather than Treasury Board specifically) uses frozen allotments to constrain the use of appropriations:

Parliamentary authority typically expires at the end of the fiscal year. For example, authorities approved through all appropriation acts for the fiscal year 2018–19 will expire on March 31, 2019 for most organizations.

During the fiscal year, the government can take decisions to adjust priorities or the implementation of individual initiatives. These decisions are effected by using frozen

²⁷⁷ Kroll Lindquist Avey, *The Commission of Inquiry into the Sponsorship Program and Advertising Activities: Report*, (18 May 2005), <https://www.cbc.ca/news2/background/groupaction/kroll-report.pdf>, t 40.

allotments to constrain appropriated authorities where necessary. At the end of the fiscal year, these frozen allotments are included in the lapse shown in Public Accounts.

For the fiscal year 2018–19, the total amount frozen in voted authorities is \$3,750,432,336 as of January 16, 2019. Most of these frozen allotments are due to the planned reprofiling of funds (\$1,725,906,040) to future years, and uncommitted authorities in the Treasury Board managed central votes (\$1,790,167,758).²⁷⁸

[bold font added]

225. Once the government – whichever department is actually responsible – decides to limit an organization's use of its appropriations, however, Treasury Board or Treasury Board Secretariat then directs the organization not to spend money on specific initiatives until one or more conditions are met. Allotments are then frozen temporarily or permanently, and permanently frozen allotments are 'reprofiled to future years':

Financial Authorities for Allotments

Temporary Frozen Allotments

A proposal to establish and ultimately seek the release of a temporary frozen allotment is required if your organization has been directed by the Treasury Board or the Secretariat to withhold spending on a specific initiative until the organization has met one or more conditions. Usually either the sponsoring organization or the Secretariat proposes the establishment of these allotments.

....

Permanent Frozen Allotments

A proposal to establish a permanent frozen allotment is required if your organization has been directed by the Treasury Board to permanently withhold spending on a specific initiative that affects the current fiscal year or the next fiscal year, as applicable. **For example, you would seek this authority to reprofile funds to future years (i.e., to seek to move funds in your organization's reference levels in a given fiscal year to a future fiscal year).** The amounts to be included are to be indicated in the "Existing Funding" section of the Cost, Funding Requirements and Source of Funds Table by Estimates Vote Structure.²⁷⁹

[bold font added]

226. As CBC's *Annual Reports* do not describe the process through by which frozen allotments are established, authorized for use or maintained, it is unclear whether these have been temporary or permanent. It is unclear whether the government identified initiatives that CBC was not to undertake and what those initiatives were. It is also unclear whether CBC has submitted

²⁷⁸ Treasury Board of Canada, "Frozen Allotments in Voted Authorities for Supplementary Estimates (B), 2018–19", <https://www.canada.ca/en/treasury-board-secretariat/services/planned-government-spending/supplementary-estimates/supplementary-estimates-b-2018-19/frozen-allotments-voted-authorities-supplementary-estimates-b-2018-19.html>, (accessed: 4 November 2019).

²⁷⁹ Treasury Board Secretariat, "Financial Management Authorities", <https://www.canada.ca/en/treasury-board-secretariat/services/treasury-board-submissions/guidance/commonly-sought-authorities.html> (accessed 1 November 2019).

- proposals to release frozen allotments, and what the outcome was for such proposals if they were made.
227. Apart from the lack of explanation about the allotment-freezing process, two types of reporting inconsistencies in CBC's *Annual Reports* make it difficult to determine the total amounts of frozen and unfrozen allotments.
228. The first inconsistency has to do with accounting classifications in which frozen allotments appear both as deduction and additions. This is best shown in in CBC's 2001/02 *Annual Report* when its *Notes to the Financial Statement* show a frozen allotment "to be reprofiled in future years" worth **-\$60** million, and a second frozen allotment "to be reprofiled in future years" for \$23 million. Categorizing amounts with the same allotment description as both negative and positive suggests that the phrase, "to be reprofiled in future years" had no clear meaning in terms of CBC's presentation, or that CBC had not adopted a consistent practice for describing frozen allotments more than three years after the first frozen allotment was mentioned in 1997/98. Similarly, CBC's 2005/06 *Annual Report* appears to describe the use of a frozen allotment, using the phrase "Frozen allotment used";²⁸⁰ while its 2008/09 *Annual Report* describes the use of a frozen allotment as "Release of frozen allotment reprofiled from a previous year".²⁸¹
229. The second inconsistency involves variations in CBC's descriptions of frozen allotments. Eleven of CBC's *Annual Reports* refer, variously, to frozen allotments that are
- Reprofiled – in 2004/05
 - Reprofiled to a specific future year – in 2000/01
 - Reprofiled to a specific future year and type of appropriation (capital)– in 1998/99 and 1999/00
 - Reprofiled to unspecified future years – in 2001/02 and 2005/06
 - Reprofiled from unspecified previous years – in 2003/04
 - Used – 2002/03; 2003/04; 2005/06 and 2006/07,
 - "used (reprofiled)", or "used (reprofiled from previous years)" – in 2003/04 and 2004/05, and
 - Released – in 2008/09.
230. The absence of clear explanations and consistent presentation of frozen allotments makes it difficult to understand the role they play (and have played) in CBC's funding over time, the role that Treasury Board has played with respect to CBC's public funding in the late 20th and early 21st centuries, and Parliamentary role with respect to the Federal budget. Do frozen allotments represent a type of borrowing whose use is controlled by Treasury Board? If frozen allotments are permanent, is Parliament made aware of the allotments' constraints on CBC's activities, when it authorizes appropriations for the Corporation? Do time frames exist in which frozen

²⁸⁰ CBC, *Annual Report 2005-2006*, at 80.

²⁸¹ CBC, *Annual Report 2008-2009*, at 85.

allotments must be permitted to be used? With no answers to these questions, frozen allotments were omitted from further analysis of CBC's borrowing activity.

C. Loans from the private sector

231. Until Parliament rewrote the *Broadcasting Act* in 1991 CBC was unable to borrow money from the private sector. In the late 1980s, however, CBC entered into an agreement to develop the Canadian Broadcasting Centre in Toronto, "to house the Corporation's Toronto-based operations."²⁸² With GIC approval it agreed to "... execute a ... building lease for the building and underlying lands for an initial period of 35 years"; it also and agreed to "pay rent under all circumstances and, in the event of termination of the lease, at the Corporation's option or otherwise, pay sufficient rent to repay all interim and permanent financing."²⁸³
232. In 1991 Parliament gave CBC the ability to borrow money from parties other than the government, to a maximum of \$220 million unless Parliament specifically authorizes otherwise.²⁸⁴ CBC also obtained a limited borrowing power in 1994/95.²⁸⁵ Since then, CBC has issued both notes and bonds to borrow money.
233. The CBC's accounting approach with respect to the Broadcasting Centre, its bonds and its notes was used. When CBC began to identify interest included as part of its expenses with respect to the Broadcast Centre capital lease, in 1998/99, this interest expense was included in the Forum's dataset. Until 2010/11 CBC identified the interest in the *Notes to the Financial Statement*, however, rather than in its statements of income and expense. Having last included interest as an expense in 1979/80 – the year Parliament wrote off CBC's outstanding debt – CBC re-introduced a line for interest costs in its income and expense statement in 2010/11 ("Finance costs").
234. It was sometimes difficult to follow the CBC's discussion of its borrowing activities in the 21st century. For instance, its Consolidated Balance Sheet for 2009/10 reported \$19.223 million in current liabilities for "Bonds payable (note 12)".²⁸⁶ Note 12 ("Bonds Payable") of that year's *Notes to the Financial Statement* stated, however, that "Interest expense included in current

²⁸² CBC, *Annual Report 1988-1989*, at 38.

²⁸³ CBC, *Annual Report 1988-1989, Notes to the Financial Statement*, at 38 (Note 6b).

²⁸⁴ Broadcasting Act, s. 46.1:

(1) The Corporation may, with the approval of the Minister of Finance, borrow money by any means, including the issuance and sale of bonds, debentures, notes and any other evidence of indebtedness of the Corporation.

(2) At the request of the Corporation, the Minister of Finance may, out of the Consolidated Revenue Fund, lend money to the Corporation on such terms and conditions as that Minister may fix.

(3) The total indebtedness outstanding in respect of borrowings under subsections (1) and (2) shall not exceed

(a) \$220,000,000; or

(b) such greater amount as may be authorized for the purposes of this subsection by Parliament under an appropriation Act.

²⁸⁵ Société Radio Canada, *Rapport annuel 1994-1995*, at 98 ("Condition financière").

²⁸⁶ CBC, *Annual Report 2009-2010*, at 70.

year’s expenses is \$24.3 million” and described the \$19.223 million figure in relation to retired principal amounts. The Consolidated Statement of Cash Flows showed “Interest paid” of \$24.464 million – not \$19.223 million, and not \$24.8 million: Figure 47. (In this case the 24.8 million figure was used as “interest” in the dataset.)

- 235. Notes issued by CBC were first mentioned in CBC’s 2011/12 *Annual Report*:²⁸⁷ \$118.9 million for 2011/12 and for \$254.3 million for 2010/11 (\$129.8 million as of 1 April 2010 and for \$124.5 million as of March 31, 2011). CBC’s descriptions offer little information about the notes’ purpose except that they were issued in relation to “the sale of parcels of land”.

Figure 46 2010/11 Notes

<p>2011/12 <i>Annual Report</i> at 133</p> <p>20. Notes Payable</p> <p>The notes payable, held by the CBC Monetization Trust, a special purpose entity of the Corporation, mature in May 2027 and bears interest at an annual rate of 4.688 per cent. Blended semi-annual payments are made in May and November of each year. The notes are redeemable at the CBC Monetization Trust’s option in whole or in part from time to time before maturity, on not less than 30 days and not more than 60 days prior notice. The redemption price is the greater of the outstanding principal amount of the notes to be redeemed and the net present value of all scheduled semi-annual payments on the notes from the date of redemption to the date of maturity, using the Government of Canada yield plus 0.30 percent on such date, together, in each case, with accrued but unpaid interest to, but excluding, the redemption date. The notes payable are secured by the promissory notes receivable and the net investment in finance lease described in Notes 10 and 11.</p>
<p>2012/13 <i>Annual Report</i> at 109</p> <p>9. Promissory Notes Receivable</p> <p>Through the CBC Monetization Trust, a special purpose entity, the Corporation has two promissory notes receivable relating to the sale of parcels of land. These notes, which mature in May 2027, bear a fixed annual interest rate of 7.15 per cent, with payments made in arrears in equal blended monthly instalments. The notes have a carrying value of \$50.1 million (March 31, 2012 - \$51.8 million) and are pledged as collateral for their total carrying value to the Corporation’s borrowings through notes payable.</p> <p>The Corporation provided an absolute and unconditional guarantee of the full payment and timely payments of receivables by the ultimate debtors until 2027.</p> <p>The Corporation also holds, as a result of the Sirius Canada Inc. merger transaction (see Note 14), a promissory note receivable that is non-interest bearing and is expected to be repaid within the next five years. The carrying amount at March 31, 2013, is \$0.3 million (March 31, 2012 - \$0.3 million).</p>

²⁸⁷ At 76 (Consolidated Statement of Financial Position).

Figure 47 CBC's discussion of interest and repayment of principal of bonds in 2009-2010 Annual Report

CBC, Annual Report 2009-2010	Notes to the Financial Statement, Note 12, at 92	Consolidated Statement of Cash Flows, at 73																																																																																																																																																																																																																																
<p>Consolidated Balance Sheet, at 70</p> <p>CONSOLIDATED BALANCE SHEET</p> <p><i>As at March 31</i></p> <table border="1"> <thead> <tr> <th></th> <th>2010</th> <th>2009</th> </tr> <tr> <th></th> <th colspan="2"><i>(thousands of dollars)</i></th> </tr> </thead> <tbody> <tr> <td>ASSETS</td> <td></td> <td></td> </tr> <tr> <td>Current</td> <td></td> <td></td> </tr> <tr> <td>Cash</td> <td>50,003</td> <td>33,160</td> </tr> <tr> <td>Accounts receivable</td> <td>194,512</td> <td>153,012</td> </tr> <tr> <td>Programming (NOTE 4)</td> <td>178,243</td> <td>202,887</td> </tr> <tr> <td>Merchandising inventory</td> <td>1,703</td> <td>5,747</td> </tr> <tr> <td>Prepaid expenses</td> <td>148,215</td> <td>57,905</td> </tr> <tr> <td>Net investment in sales-type leases</td> <td>-</td> <td>2,068</td> </tr> <tr> <td>Derivative financial instruments (NOTE 26)</td> <td>-</td> <td>4,559</td> </tr> <tr> <td></td> <td>572,676</td> <td>459,338</td> </tr> <tr> <td>Long-term</td> <td></td> <td></td> </tr> <tr> <td>Property and equipment (NOTE 5)</td> <td>925,812</td> <td>929,982</td> </tr> <tr> <td>Intangible assets (NOTE 6)</td> <td>47,725</td> <td>59,735</td> </tr> <tr> <td>Long-term receivables (NOTE 7)</td> <td>11,794</td> <td>76,985</td> </tr> <tr> <td>Net investment in sales-type leases</td> <td>-</td> <td>60,786</td> </tr> <tr> <td>Deferred charges</td> <td>14,763</td> <td>12,514</td> </tr> <tr> <td>Long-term investments (NOTE 8)</td> <td>7,260</td> <td>6,565</td> </tr> <tr> <td></td> <td>1,580,030</td> <td>1,605,905</td> </tr> <tr> <td>LIABILITIES</td> <td></td> <td></td> </tr> <tr> <td>Current</td> <td></td> <td></td> </tr> <tr> <td>Accounts payable and accrued liabilities (NOTE 9)</td> <td>176,497</td> <td>141,041</td> </tr> <tr> <td>Pension plans and employee-related liabilities (NOTE 10)</td> <td>130,899</td> <td>157,219</td> </tr> <tr> <td>Bonds payable (NOTE 12)</td> <td>19,223</td> <td>18,834</td> </tr> <tr> <td>Financial guarantee (NOTE 13)</td> <td>10,419</td> <td>-</td> </tr> <tr> <td>Financial liability related to the monetisation of receivables (NOTE 14)</td> <td>10,174</td> <td>-</td> </tr> <tr> <td>Deferred revenues</td> <td>2,185</td> <td>8,625</td> </tr> <tr> <td>Derivative financial instruments (NOTE 26)</td> <td>297</td> <td>-</td> </tr> <tr> <td></td> <td>349,694</td> <td>325,719</td> </tr> <tr> <td>Long-term</td> <td></td> <td></td> </tr> <tr> <td>Long-term investments (NOTE 8)</td> <td>1,417</td> <td>1,417</td> </tr> <tr> <td>Deferred revenues</td> <td>2,303</td> <td>10,483</td> </tr> <tr> <td>Pension plans and employee-related liabilities (NOTE 10)</td> <td>412,732</td> <td>393,974</td> </tr> <tr> <td>Bonds payable (NOTE 12)</td> <td>309,179</td> <td>318,412</td> </tr> <tr> <td>Financial liability related to the monetisation of receivables (NOTE 14)</td> <td>10,221</td> <td>-</td> </tr> <tr> <td>Deferred capital funding (NOTE 15)</td> <td>632,221</td> <td>635,378</td> </tr> <tr> <td></td> <td>1,368,073</td> <td>1,359,664</td> </tr> </tbody> </table>		2010	2009		<i>(thousands of dollars)</i>		ASSETS			Current			Cash	50,003	33,160	Accounts receivable	194,512	153,012	Programming (NOTE 4)	178,243	202,887	Merchandising inventory	1,703	5,747	Prepaid expenses	148,215	57,905	Net investment in sales-type leases	-	2,068	Derivative financial instruments (NOTE 26)	-	4,559		572,676	459,338	Long-term			Property and equipment (NOTE 5)	925,812	929,982	Intangible assets (NOTE 6)	47,725	59,735	Long-term receivables (NOTE 7)	11,794	76,985	Net investment in sales-type leases	-	60,786	Deferred charges	14,763	12,514	Long-term investments (NOTE 8)	7,260	6,565		1,580,030	1,605,905	LIABILITIES			Current			Accounts payable and accrued liabilities (NOTE 9)	176,497	141,041	Pension plans and employee-related liabilities (NOTE 10)	130,899	157,219	Bonds payable (NOTE 12)	19,223	18,834	Financial guarantee (NOTE 13)	10,419	-	Financial liability related to the monetisation of receivables (NOTE 14)	10,174	-	Deferred revenues	2,185	8,625	Derivative financial instruments (NOTE 26)	297	-		349,694	325,719	Long-term			Long-term investments (NOTE 8)	1,417	1,417	Deferred revenues	2,303	10,483	Pension plans and employee-related liabilities (NOTE 10)	412,732	393,974	Bonds payable (NOTE 12)	309,179	318,412	Financial liability related to the monetisation of receivables (NOTE 14)	10,221	-	Deferred capital funding (NOTE 15)	632,221	635,378		1,368,073	1,359,664	<p>12. BONDS PAYABLE</p> <p>The Corporation, through its relationship with the Broadcast Centre Trust (Note 11), guarantees the bonds payable with its rent payments for the premises occupied by the Corporation in Toronto. The Trust issued \$400 million in secured bonds on January 30, 1997. These bonds bear a fixed interest rate of 7.53 per cent annually and require blended semi-annual payments of \$16.5 million, which will retire the following principal amounts:</p> <table border="1"> <thead> <tr> <th></th> <th><i>(thousands of dollars)</i></th> </tr> </thead> <tbody> <tr> <td>2011 (including accrued interest of \$10.0 million)</td> <td>19,223</td> </tr> <tr> <td>2012</td> <td>9,941</td> </tr> <tr> <td>2013</td> <td>10,704</td> </tr> <tr> <td>2014</td> <td>11,525</td> </tr> <tr> <td>2015</td> <td>12,409</td> </tr> <tr> <td>2016 to 2027</td> <td>264,600</td> </tr> <tr> <td></td> <td>328,402</td> </tr> <tr> <td>Less: current portion</td> <td>(19,223)</td> </tr> <tr> <td></td> <td>309,179</td> </tr> </tbody> </table> <p>Interest expense included in current year's expenses is \$24.3 million (2009 – \$24.8 million).</p>		<i>(thousands of dollars)</i>	2011 (including accrued interest of \$10.0 million)	19,223	2012	9,941	2013	10,704	2014	11,525	2015	12,409	2016 to 2027	264,600		328,402	Less: current portion	(19,223)		309,179	<p>CONSOLIDATED STATEMENT OF CASH FLOWS</p> <p><i>For the year ended March 31</i></p> <table border="1"> <thead> <tr> <th></th> <th>2010</th> </tr> <tr> <th></th> <th><i>(thousands)</i></th> </tr> </thead> <tbody> <tr> <td>CASH FLOWS FROM (USED IN)</td> <td></td> </tr> <tr> <td>OPERATING ACTIVITIES</td> <td></td> </tr> <tr> <td>Net results for the period</td> <td>(58,299)</td> </tr> <tr> <td>Items not involving cash:</td> <td></td> </tr> <tr> <td>Loss (gain) on disposal of equipment</td> <td>(1,355)</td> </tr> <tr> <td>Gain on the sale of receivables</td> <td>(5,240)</td> </tr> <tr> <td>Change from fair value of financial instruments</td> <td>4,856</td> </tr> <tr> <td>Amortisation of property and equipment</td> <td>110,063</td> </tr> <tr> <td>Amortisation of intangible assets</td> <td>17,617</td> </tr> <tr> <td>Impairment of property and equipment</td> <td>-</td> </tr> <tr> <td>Loss (gain) from investments in entities 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Change in long-term receivables	(669)																																																																																																																																																																																																																																	
Change in pension plans and employee-related liabilities (current)	108																																																																																																																																																																																																																																	
Change in pension plans and employee-related liabilities (long-term)	18,758																																																																																																																																																																																																																																	
Change in minority interests	40																																																																																																																																																																																																																																	
Net change in non-cash working capital balances (NOTE 24)	(95,085)																																																																																																																																																																																																																																	
	(124,149)																																																																																																																																																																																																																																	
FINANCING ACTIVITIES																																																																																																																																																																																																																																		
Parliamentary appropriations (NOTE 21):																																																																																																																																																																																																																																		
Capital funding	117,929																																																																																																																																																																																																																																	
Financial liability related to the monetisation of receivables	10,221																																																																																																																																																																																																																																	
Repayment of bonds payable	(8,575)																																																																																																																																																																																																																																	
	119,575																																																																																																																																																																																																																																	
INVESTING ACTIVITIES																																																																																																																																																																																																																																		
Acquisition of property and equipment	(105,178)																																																																																																																																																																																																																																	
Acquisition of intangible assets	(4,620)																																																																																																																																																																																																																																	
Purchase of long-term investments	(255)																																																																																																																																																																																																																																	
Capital recovery from notes receivable	1,193																																																																																																																																																																																																																																	
Capital recovery from net investment in sales-type leases	1,265																																																																																																																																																																																																																																	
Capital recovery sale of Galaxie	10,500																																																																																																																																																																																																																																	
Deferred charges	(17,011)																																																																																																																																																																																																																																	
Proceeds from disposal of equipment	1,911																																																																																																																																																																																																																																	
Proceeds from sale of receivables	133,612																																																																																																																																																																																																																																	
	21,417																																																																																																																																																																																																																																	
Change in cash	16,843																																																																																																																																																																																																																																	
Cash, beginning of year	33,160																																																																																																																																																																																																																																	
Cash, end of year	50,003																																																																																																																																																																																																																																	
Supplementary information:																																																																																																																																																																																																																																		
Interest paid	24,464																																																																																																																																																																																																																																	
Income tax paid (received)	(101)																																																																																																																																																																																																																																	

236. It is estimated that CBC has paid at least \$549.5 million [\$2002] in interest to the private sector for its capital works since 1998/99: Table 27.

Table 27 Interest payments by CBC to the private sector, 1999-2019

Year	Interest payments (\$M 2002)
1999 - Liberal	\$31.43
2000 - Liberal	[no data]
2001 - Liberal	\$29.45
2002 - Liberal	\$28.10
2003 - Liberal	\$26.95
2004 - Liberal	\$26.17
2005 - Liberal min	\$25.23
2006 - Conserv min	\$24.44
2007 - Conserv min	\$23.47
2008 - Conserv min	\$22.47
2009 - Conserv min	\$21.92
2010 - Conserv min	\$21.00
2011 - Conserv min	\$19.65
2012 - Conservative	\$54.98
2013 - Conservative	\$48.72
2014 - Conservative	\$24.66
2015 - Conservative	\$46.64
2016 - Liberal	\$22.22
2017 - Liberal	\$19.87
2018 - Liberal	\$17.10
2019 - Liberal	\$15.03
Total	\$549.49

IV Expenses not directly related to CBC's mandate

237. This section discusses several activities of CBC which while directly or indirectly relevant to CBC's mandate, are not expressly required by that mandate.

A. Relationship with private sector

238. Although at times it was feared that CBC's 'monopolistic' power would harm the private sector,²⁸⁸ CBC has operated and worked in conjunction with the private communications sector since it was created in 1936, primarily though not exclusively to extend audience' access to CBC's services.

²⁸⁸ In 1946 it was argued that lending CBC money to expand its services "will certainly destroy competition by private stations in Canada." House of Commons, *Debates*, at 5664 (Mr. Low) 30 August 1946. The Member went on to say that "[w]e must disarm the C.B.C. now before we allow it to shoot the private stations, their competitors, dead".

1. Payments to affiliate and purchase of private stations

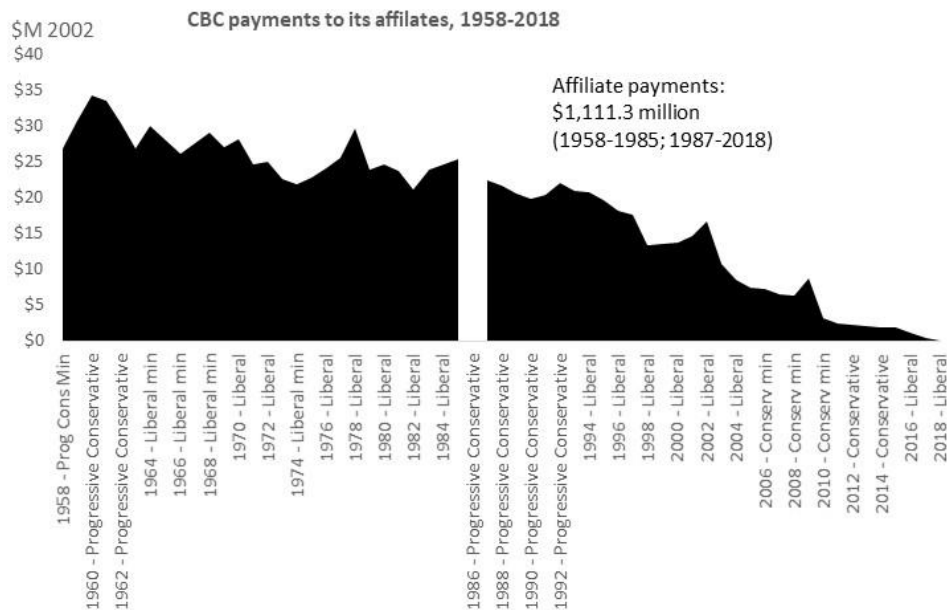
239. Since 1936/37 CBC operated radio and television networks with which private broadcasters agreed to affiliate. These affiliation agreements provided private stations with a less expensive source of programming²⁸⁹ along with opportunities for income from advertising and from their agreement to broadcast CBC’s programming. Second, from time to time CBC purchased radio and television stations from private broadcasters.

a) Affiliated stations

240. CBC worked with private broadcasters from the outset to make CBC’s programming as widely available as possible.²⁹⁰ Private radio and television affiliates agreed to broadcast portions of CBC’s schedule and over time were compensated financially for this relationship. CBC’s first annual report and its reports from 1957/58 to 2017/18 included affiliate-payment information.

241. Apart from the initial year of 1936/37 (when affiliate payments were \$1.227 million [\$2002]) and 1985/86, when CBC did not publish financial information about the affiliates, CBC from 1957/58 to 2017/18 paid its affiliates just over \$1.1 billion [\$2002]: Figure 48.

Figure 48 CBC’s payments to its radio and television affiliates, 1958-2018



²⁸⁹ Recall that the limited recording technology of the 1930s and early 1940s generally required all programming to be live.

²⁹⁰ In 1962 CBC wrote that it ... must be interested in obtaining the widest and greatest possible distribution of the national service. ...

The CBC has always maintained that the public is better served through a combination of one CBC station and one private station than by other means. To quote the *Broadcasting Act*, the CBC-private station combination provides the public with a service which is truly “varied and comprehensive” rather than completely competitive. CBC, *Annual Report 1961-1962*, at 18.

b) Private stations purchased by CBC

242. In addition to sharing programming with private radio and television services, CBC also had the power to acquire existing radio and television services, by purchase, lease and/or expropriation.²⁹¹ To our knowledge CBC did not at any time expropriate private broadcasters' assets; instead it purchased at least two dozen radio, television and discretionary programming services, for more than \$32.2 million [\$2002]: Table 28.

Table 28 CBC purchases of private broadcasting undertakings, 1965-2007

Station	Company	Year	Callsign change	Comments
CFKL	Schefferville	1965		Acquired from Hollinger-Ungava Transport Ltd; became a rebroadcasting transmitter
CFCY-TV	Charlottetown	1969	CBCT-TV	Purchased by CBC (became CBCT)
CKSB	St. Boniface	1972-1973, at 39, 40	CKSB-FM	Purchased in 1973; may have become a retransmitter in 2014
CJCL-TV	Labrador City	1973	CBNLT-TV	Acquired from Iron Ore Co (US-controlled)
CFKL-TV	Schefferville	1973		Acquired from Iron Ore Co (US-controlled)
CBGAT	Matane	1974		
CKLW-TV 9	Windsor	1975	CBET	Purchased for \$6.32 million [\$21.8 million 2002]
CJBR	Rimouski	1975		... for an amount of \$2.0 million [\$6.9 million 2002]. The excess of purchase price over net asset values obtained amounting to \$1,212,153 has been written off to operations and included in depreciation and amortization." (CBC, <i>Annual Report 1977-1978</i> , at 47; see also Canadian Communications Foundation (https://www.broadcasting-history.ca/listing_and_histories/television/cjbrt-dt))
CJBR-FM		1975	CBRX-FM	
CJBR-TV		1977	CJBR-DT	
CJBM		1977		
CHSJ-TV	Saint John,	1994	CBAT-TV	\$10.5 million in value (94-223) [\$12.2 million \$2002]
CKNC-TV 9	Sudbury	2002		
CJFB-TV 5	Swift Current,	2002		
CHNB-TV 4	North Bay	2002		
CKBI-TV 5	Prince Albert,	2002		
CJIC-TV 5	Sault Ste. Marie,	2002		
CKOS-TV 5	Yorkton	2002		
Country Canada		2002		\$1.2 million (2002-336) [\$1.2 million in \$2002]
ARTV		2008		\$1.8 million (2008-126) [\$1.0 million in \$2002]
The Documentary Channel		2007		\$1.0 million [2007-201] [\$0.9 million in \$2002]
CKSH-TV	Sherbrooke	2007		Purchased by CBC from TQS (2008-130) for \$9.945 million [\$8.19 million 2002]
CKTM-TV	Trois-Rivieres	2007		
CKTV-TV	Saguenay	2007		
CFCL-TV	Timmins	2007		
Total known value of transactions				\$32.2 million [\$2002]

²⁹¹ 1968 *Broadcasting Act*, s. 39(1) "... the Corporation has power to ... acquire broadcasting undertakings either by lease or by purchase...."; s. 41: the Corporation "... may purchase, lease or otherwise acquire any real or personal property that the Corporation deems necessary or convenient for carrying out its objects" up to \$250,000.

243. It is sometimes unclear whether CBC and its audiences derived benefits from the affiliate structure equal to the benefits that the affiliates derived. The CBC's *Annual Reports* generally painted its relationship with the affiliates in positive terms, commenting neither on the direct costs of retaining staff to manage CBC's relationship with the affiliates, on the indirect costs of ensuring that CBC's programming would provide affiliates with the advertising income they desired, or on the direct and indirect costs to CBC's being required to disclose its programming strategy every year to its competitors in the private sector.
244. It is also unclear whether CBC's purchase of private broadcasters' stations offered better value than the construction by CBC of its own services. In 1971, for example, CBC in partnership with Baton bought St. Clair River Broadcasting Limited for \$US 5 million; while the station's tangible assets were valued at \$4.23 million, it was operating at a loss of \$853 thousand.²⁹² Similarly, when CBC acquired La Cie de Radiodiffusion de Matane Ltée and Radio Saint-Boniface Limitée in 1972/73, for \$724,998 and \$270,728 respectively, it subsequently wrote off their value, along with "[a]n amount of \$597,622 representing the excess of the purchase price over the net book value of their assets"²⁹³
245. In some cases, however, it is clear that CBC found it better to own and operate its own stations to reach audiences, than to – essentially – lease time on private stations. In 2010, for example, CBC reported saving \$6.3 million in affiliation payments by buying "stations in Jonquière, Sherbrooke and Trois-Rivières. The transmission of Radio-Canada programming in these markets was previously supported through affiliation agreements."²⁹⁴ Similarly, after Cogeco disaffiliated from CBC in 2011, "... Radio-Canada decided to establish and operate its own multimedia regional stations to serve Centre-du-Québec, Estrie and Saguenay-Lac-Saint-Jean, with the goal of enhancing its regional presence and fostering synergy within services (TV radio and Internet)."²⁹⁵

2. Payments for advertising

246. As previously mentioned CBC has earned income from the sale of advertising since it was established and with rare exceptions²⁹⁶ has published these data in its *Annual Reports*. For many years CBC appears to have used its own personnel to sell advertising time or program sponsorships.
247. In the late 1950s CBC began to report that it had engaged outside agencies to sell advertising. It reported the commissions it paid to agencies with respect to advertising sales from 1957/58 to 1988/89. In 1989/90 CBC began to report "net advertising" income, and no longer included

²⁹² CBC, *Annual Report 1970-1971*, at 31, Notes to the Financial Statement, ("1. Investment in subsidiary company").

²⁹³ CBC, *Annual Report 1972-1973*, Notes to the Financial Statement at 40.

²⁹⁴ CBC, *Annual Report 2009-2010*, at 65.

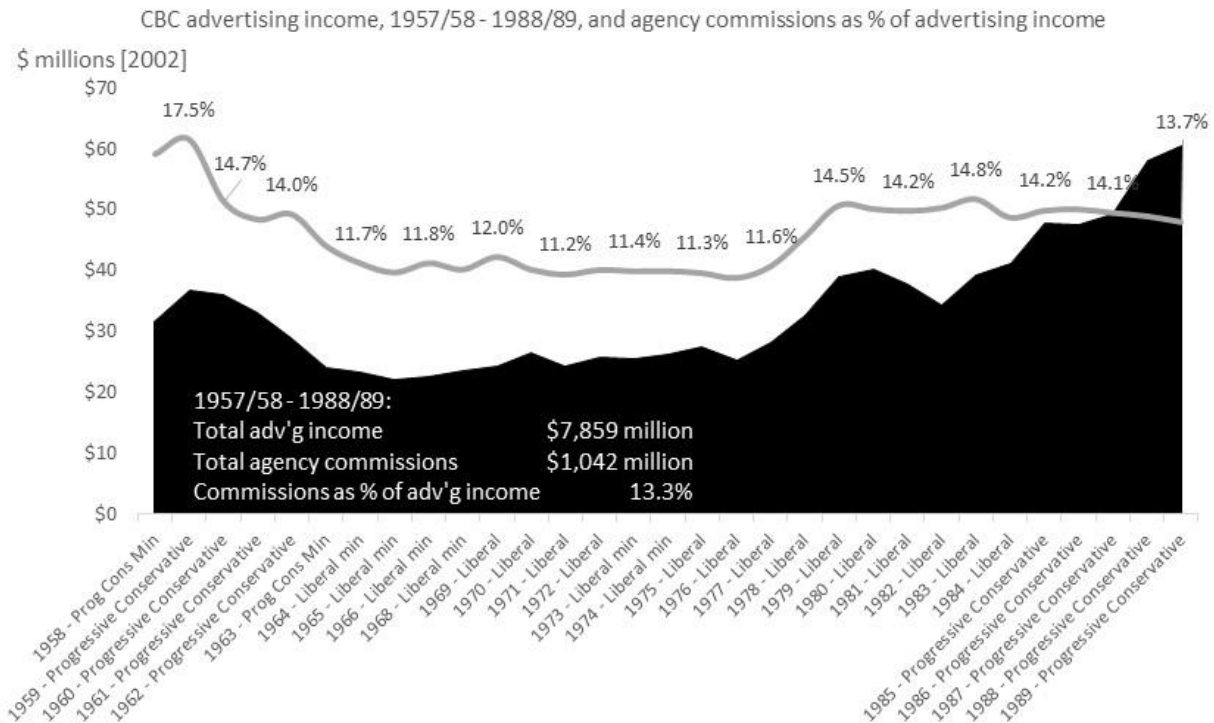
²⁹⁵ CBC, *Annual Report 2010-2011*, at 47.

²⁹⁶ From 1997/98 to 2007/08, however, CBC combined its advertising income with income from its program sales.

expenses for agency commissions, in its income and expense statements; CBC did not comment on the change in its discussion of the financial results or in its *Notes to the Financial Statements*.

248. It is estimated that from 1958 to 1989 CBC allocated a little more than \$1.04 billion [\$2002] to advertising agencies, or 13.3% of its total advertising income: Figure 49.

Figure 49 CBC advertising income and agency commissions, 1957/58 to 1988/89



3. Payments to Telesat Canada

249. Another important expense borne by CBC consisted of its transmission and distribution system. The financial reviews in the CBC’s *Annual Reports* provided little information about the costs of this system, but it is clear that in at least one case CBC bore significant costs to support a new medium of communication – satellites.

250. In 1969 Parliament created Telesat Canada as a Crown Corporation; in 1972 it launched the world’s first satellites for domestic use (earlier geosynchronous satellites offered transcontinental service.)²⁹⁷

251. CBC leased satellite space from Telesat “to extend its radio service to hitherto unreachable communities and to provide network television service, live and in color, to every community equipped to receive it.”²⁹⁸ CBC’s contracts with Telesat also “permitted the elimination of some

²⁹⁷ [https://en.wikipedia.org/wiki/Anik_\(satellite\)#Anik_A](https://en.wikipedia.org/wiki/Anik_(satellite)#Anik_A).

²⁹⁸ CBC, *Annual Report 1972-1973*, at 54.

inter-provincial terrestrial communication lines and made possible the immediate provision of live service to 26 northern rebroadcasting stations.”²⁹⁹

252. CBC was for some time one of Telesat's largest customers, as well as its only broadcast customer. The first satellite launched was Anik 1, with 12 C-band transponders. CBC leased the largest number of transponders – three. Seven others were leased to telephone companies.³⁰⁰
253. CBC's *Annual Reports* did not provide specific information about the costs of CBC's contracts with Telesat. It is striking, however, that from 1973 to 1974 CBC's network distribution expenses rose 46% in current terms (from \$19.5 million to \$28.4 million), or by 31.4% (\$34 million) in \$2002 terms: Figure 50. While CBC clearly benefitted from being able to distribute its programming services across the country, Telesat also benefitted from having what was then Canada's largest broadcaster and a Crown Corporation as its largest customer.

Figure 50 CBC's network distribution expenses, before and after using satellites

Millions	Current	Annual % change	[\$2002]	Annual % change
1969/70	\$ 16.70		\$ 82.24	
1970/71	\$ 17.82	6.7%	\$ 85.26	3.7%
1971/72	\$ 18.04	1.3%	\$ 82.39	-3.4%
1972/73	\$ 19.48	7.9%	\$ 82.52	0.2%
1973/74	\$ 28.41	45.9%	\$ 108.44	31.4%
1974/75	\$ 27.35	-3.7%	\$ 94.31	-13.0%
1975/76	\$ 30.10	10.0%	\$ 96.77	2.6%
1976/77	\$ 33.34	10.8%	\$ 99.23	2.5%
1977/78	\$ 36.72	10.1%	\$ 100.32	1.1%

254. In 2018/19 the cash used in CBC's financing activities decreased by “\$9.7 million, as our finance lease obligation for satellite transponders ended in February 2018.”³⁰¹

B. Leader in technology

255. Finally, CBC in many ways has helped private broadcasters and others by engaging with, testing and implementing new technology, saving the private sector that time and expense. By 1942 CBC was providing advertisers with “the necessary wire line facilities” for those wanting to “use a limited number of private stations”, benefitting advertisers whose business was focussed on local communities.³⁰²

256. By 1984 CBC was studying

- Digital encoding of TV and audio signals within the studio complex.

²⁹⁹ CBC, *Annual Report 1973-1974*, at 54.

³⁰⁰ [https://en.wikipedia.org/wiki/Anik_\(satellite\)](https://en.wikipedia.org/wiki/Anik_(satellite)): the Trans Canada Telephone System, CNCP and Bell each leased two, and long-distance provider Canada Overseas Telecommunications had one.

³⁰¹ CBC, *Annual Report 2018-2019*, at 40.

³⁰² CBC, *Annual Report 1941-1942*, at 17.

- Techniques to compress digital TV and audio signals for communication purposes.
- Standards for digital VTRs [video tape recorders].
- Enhanced and high-definition TV systems for production, transmission and satellite distribution.
- Use of Multiplexed Analogue Components system.
- Stereophonic AM and TV systems.
- Fibre optic technology
- Teletext developments, and
- Computer graphics for TV production³⁰³

257. CBC even engaged with Internet research, nearly a decade before the Internet began to develop, through the 'Telidon' project:

If CBC.ca has a Paleolithic predecessor, when crude networking tools first became available, it's a 1980s networking experiment called Project IRIS: "[Information Relayed Instantly from the Source.](#)"

A joint project of CBC and the federal Department of Communications, IRIS sent data to Canadian homes through their television sets using a teletext technology called Telidon.

CBC Archives video: "[Telidon: Knowledge at your fingertips!](#)"

It took advantage of an unused part of the television signal called the vertical blanking interval (VBI) – the black bar sometimes seen at the bottom of a malfunctioning TV set. A small portion of this interval is used to carry closed captioning text. Telidon used it to send news, information, sports and weather data to test homes in Toronto, Montreal and Calgary.

https://www.cbc.ca/10th/columns/prehistory_gorbould.html

258. Similarly when digital technology was being considered for broadcasting and transmission, CBC provided engineering expertise, tests and organization.³⁰⁴ CBC's resources – its professional staff, their experience and its capital works – benefitted many broadcasters beyond itself.

C. RCI

259. In addition to building its national broadcasting infrastructure CBC also played a vital role in developing Canada's capacity for international communications, by building and operating Radio Canada International (RCI). When RCI was proposed during the second World War, members of

³⁰³ CBC, *Annual Report 1983-1984*, at 41.

³⁰⁴ CBC, *Annual Report 1993-1994*, at 64:

Digital Radio – The experimental three-station network in Montreal and the Toronto station were completed in March 1994. The work was performed by CBC Engineering on behalf of Digital Radio Research Inc. The official launches in Montreal and Toronto were followed by the Second International Symposium on Digital Audio Broadcasting. CBC co-chaired the Symposium and chaired the Program Committee. More than 400 delegates from 26 countries attended.

Digital Compression – Evaluations were performed on various transmission systems for audio and video compression in preparation for selection of a system. Together with the Canadian Satellite Users Association and Advanced Broadcast Systems of Canada, CBC is working with Canadian industry to plan for the implementation of Digital Video compression.

- Canada's House of Commons were concerned that Great Britain's radio stations would be destroyed. They decided to build short-wave facilities for international broadcasting in Canada, to communicate with Canadian soldiers, allies and enemies; to promote Canada and to advertise to potential customers.³⁰⁵
260. The Federal government directed CBC to build the short-wave transmitter for the international service³⁰⁶ in 1942. The 1936 *Act* was silent about international broadcasting and only permitted Parliament to lend CBC capital funds for "capital works ... in Canada"; this may explain why Parliament granted CBC just over \$1 million [\$11.3 million in \$2002] to CBC to buy the land and build the short-wave transmitters for RCI, using monies from general revenue,³⁰⁷ rather than requiring CBC to borrow money as it did for its domestic broadcasting service.
261. In 1944/45 CBC reported that it had completed RCI. RCI's operating cost that year amounted to \$189 thousand [\$2.06 million 2002] and CBC wrote that this was "financed by the Government". It added, however, that "under the circumstances these expenditures are not shown"³⁰⁸ in CBC's financial statements for that year. It is unclear to which 'circumstances' CBC was referring.
262. Once RCI's transmitters were built CBC operated RCI on behalf of the government.³⁰⁹ While CBC said that funding for RCI was "provided by a separate vote" (until April 1968), it did not identify those votes in its financial statements; CBC's statements showed instead that amounts were due

³⁰⁵ Canada, *House of Commons Debates*, 20th Parliament: 2nd Sess., at 5633 (30 August 1946): Hon. James McCann (Minister of National Revenue and National War Services):

...

There were two purposes for which the international short-wave system was set up. First was the matter of urgency. It was emphasized that we should have a short wave means of communicating with our troops who were overseas. The job was finished in time to be of great use not only in bringing news to our armed services who were in different parts of the European continent, but in spreading propaganda to the people who were our allies over there, and even propaganda to our enemies. In addition to that it has the commercial feature that it will keep Canada before the different nations of the world. ... and advertise Canada to our potential customers as well as the products and the other things that we had for sale.

Mr. Ross (St. Paul's):

... a great many of us were disturbed in the early days of the war by the fact that the stations broadcasting in Great Britain would be bombed out.

By 1948 the Minister responsible for CBC advised the House of Commons that "We are in direct connection with the Department of External Affairs and the Department of Trade and Commerce in the matter of broadcasting anything which they may want to have broadcast": Hon. J. McCann (Minister of National Revenue), June 29, 1948, *House of Commons Debates* at 6052

³⁰⁶ Order in Council P.C. 8168 (September 1942); see CBC, *Annual Report 1942-1943*, at 25.

³⁰⁷ \$1,038,984: CBC, *Annual Report 1944-1945*, at 32.

Canada, *House of Commons Debates*, 20th Parliament: 2nd Sess., at 5635 (30 August 1946, Mr. Coldwell): It is a government-owned short-wave station recommended by a parliamentary committee, the recommendation being adopted by the House of Commons and put into operation so as to give Canada a voice in the affairs of the world. The C.B.C. operates only as agent of the government, does not own the station, and does not charge the people of Canada out of revenues received for any service rendered in connection with the short-wave station.

³⁰⁸ CBC, *Annual Report 1944-1945*, at 33.

³⁰⁹ CBC, *Annual Report 1944-1945*, at 33: "... the Corporation was responsible for the operation of [the International] service] for which separate accounting was maintained. ..."

“from the Government of Canada” for “Expenditures incurred on behalf of the International Broadcasting service”.³¹⁰

263. For just over twenty years CBC was authorized to levy a charge for running RCI. An Order in Council³¹¹ in 1946 authorized CBC to charge 5% of the cost of RCI's operating costs as a fee for its supervisory services, an amount described by the responsible Minister as “a reasonable fee percentage of the amount of money spent on the system”.³¹² This fee was included in the statements of expense published by CBC in its own *Annual Reports* until 1963/64; the statements of expense from 1964/65 on no longer include the charge.
264. While CBC included a separate statement for RCI's expenditures in its *Annual Report* by 1947/48³¹³ its first few annual statements were somewhat difficult to understand.³¹⁴ In 1958/59, for example, the statement does not expressly show that RCI was operating at a loss even though the figures shown suggested that was the case: total revenue of \$326 thousand, less total expense of \$2.1 million, representing a loss of \$1.8 million – Figure 51.

³¹⁰ CBC, *Annual Report 1959-1960*, Balance Sheet (Assets).

³¹¹ CBC, *Annual Report 1945-1946*, at 37:

The capital cost of the International Short-wave Service increased by \$177,185.16 to \$1,216,169.97 and is shown on the balance sheet as an asset and a liability, in accordance with Order in Council PC 156/8855 dated 17th November 1943. Cost of operating this service amounted to \$606,699.52 and is shown under income for the first time. An amount of \$577,809.07 is shown under expenditures and the difference between the two amounts, \$28,890.45, represents a five per cent supervision charge allowed the Corporation on the cost of operations as authorized by Order in Council PC 124/326 dated February 1st, 1946.

The capital and operating costs are financed entirely by the Dominion Government.

....

³¹² Canada, *House of Commons Debates*, 20th Parliament: 4th Sess., at 6046 (30 August 1946, Hon. J. J. McCann, Minister of National Revenue).

³¹³ CBC, *Annual Report 1947-1948*, at 56; CBC included RCI as an asset and liability on its balance sheet as required by Order in Council P.C. 156/8855 (17 November 1943).

³¹⁴ Canada, *House of Commons Debates*, 20th Parliament: 4th Sess., at 6048 (20 June 1948, Mr. Ross): “Personally I have not been able to satisfy myself, in reading any of the [CBC's] reports, as to where one ends and the other may begin.”

Figure 51 RCI operating statement for 1958/59

STATEMENT OF INTERNATIONAL SERVICE EXPENDITURES		
(Recoverable out of Parliamentary Appropriations)		
FOR THE YEAR ENDED MARCH 31, 1959		
Operating Expenditures:	1959	1958
Salaries	\$ 900,968	\$ 844,053
Performers' Fees	115,282	117,537
Superannuation and Unemployment Insurance	46,606	42,067
News Service	38,702	37,499
Postage	18,511	27,687
Printing of Publications	28,282	42,724
Printing and Stationery	30,225	32,739
Rental of Accommodation	2,189	3,814
Telegrams, Telephone, Teletype	18,883	12,434
Travel, Removal, Duty Entertainment	36,586	24,449
Transmission Lines	40,199	18,191
Power, Water Rates, etc.	43,654	41,268
Freight, Express and Cartage	22,561	25,471
Montreal-Sackville Line	38,401	36,457
Fuel	1,542	5,079
Recording Blanks and Tapes	54,498	53,366
Advertising and Publicity	15,342	12,267
Records and Transcriptions	20,767	35,480
Maintenance — Technical	9,826	11,304
— Building	7,603	17,293
— General	103,228	102,806
Grants in lieu of Taxes	46,628	46,816
General Operating Overhead	14,182	10,842
Integrated Services	369,765	339,950
Supervision Charges	101,221	97,799
	\$2,125,651	\$2,039,392
Deficit: Revenue	326,806	319,161
Net Operating Expenditures	\$1,798,845	\$1,720,231
Capital Expenditures	16,405	86,437
	\$1,815,250	\$1,806,668

265. Changes to CBC’s financial statements for RCI did not improve their comprehensibility. In 1965 CBC replaced the line for RCI ‘supervision charges’ (used in the 18 previous reports) with a line describing “General overhead: Administration and general services”. As the amount shown – \$786,183³¹⁵ – is six times greater than the \$110,144 listed as ‘supervision charges’ in 1963/64, it is difficult to conclude that both line items represented the same concept. Similarly, the ‘general overhead’ for RCI in 1963/64 was \$428,989, when the figure for “Supervision charges” in the previous year was 74% lower – \$110,144.
266. CBC’s 1967/68 financial statement for RCI was also difficult to follow. The statement reports a total expense in 1968 of \$4,250,351, and total revenues of \$470,000 – implying a net result of - \$3,733,351 – but the bottom line (literally), is \$3,780,351: Figure 52.

³¹⁵ CBC, *Annual Report*

Figure 52 CBC's 1967/68 statement for RCI

STATEMENT OF INTERNATIONAL BROADCASTING SERVICE EXPENDITURES RECOVERABLE OUT OF PARLIAMENTARY APPROPRIATIONS for the year ended March 31, 1968		
Expenditures	1968	1967
Programming and distribution :		
Production and transmission - general	\$ 1,601,867	\$ 1,335,329
Television production	174,527	73,400
English Language	203,730	187,288
French Language	151,695	136,134
German Language	75,895	71,927
Other European Languages	421,585	377,382
Latin American Languages	<u>129,041</u>	<u>119,872</u>
	<u>\$ 2,758,340</u>	<u>\$ 2,301,332</u>
Centennial Programming	<u>439,511</u>	<u>132,048</u>
General overhead :		
Administration and general services	1,052,500	874,684
Less : revenue	<u>470,000</u>	<u>467,856</u>
	<u>582,500</u>	<u>406,828</u>
Net Expenditures	<u>\$ 3,780,351</u>	<u>\$ 2,840,208</u>

(CBC, *Annual Report 1967-1968*, p. 79)

267. CBC received somewhat more explicit authority to operate RCI in March 1968: Order in Council 1968-525 directed CBC to provide an international service. The next month Parliament explicitly authorized CBC to operate an international service. The 1968 *Broadcasting Act* enabled CBC to act on behalf of the Crown “in respect of any broadcasting operations that it may be directed by the Governor in Council to carry out, including the provision of an international service.”³¹⁶
268. From 1968 to 1990 RCI was apparently “financed from the Parliamentary appropriation provided for the Corporation”.³¹⁷ In late 1990, however, budget cuts led CBC to announce that it would terminate RCI’s operations. CBC and the Minister of External Affairs subsequently made an agreement to keep RCI on air, recovering RCI’s costs from “government assistance”.³¹⁸
269. In June 1991 CBC was for the first time specifically required by Parliament to provide an international service, in the 1991 *Broadcasting Act*.³¹⁹ While Parliament did not provide CBC with funding for that purpose, CBC agreed to operate RCI with funding recovered from the

³¹⁶ S. 39(2).

³¹⁷ CBC, *Annual Report 1968-1969*, at 92, *Notes to the Financial Statement*, note 1 (“International Service”).

³¹⁸ CBC, *Annual Report 1991-1992*, *Notes to the Financial Statement*, at 32 (“9. Specialty Services”).

³¹⁹ S. 46(2): The Corporation shall, within the conditions of any licence or licences issued to it by the Commission and subject to any applicable regulations of the Commission, provide an international service in accordance with such directions as the Governor in Council may issue.

Minister of External Affairs (later Foreign Affairs).³²⁰ In 1995/96 CBC still agreed with the Minister of Foreign Affairs to operate RCI, but for “substantially less funding”;³²¹ CBC said it would “subsidize the operations of RCI.”³²² In 1996/97, “the government renewed its commitment to Radio Canada International and guaranteed one year of funding for the service beginning April 1, 1997. ...³²³ By 1998/99 RCI was operated through a “Contribution agreement with Government of Canada”,³²⁴ implying again that RCI was not fully funded (as the Government was merely contributing to its operations).

270. RCI was integrated into CBC's operations for the second time (following the 1968 integration), on 1 April 2003.³²⁵ CBC wrote that it had just “received authorisation from the Government of Canada to include funding for Radio Canada International in the approved parliamentary appropriation for operating expenditures”.³²⁶ CBC added that “[t]his decision will allow for better synergy of operations, especially within Radio de [sic] Radio-Canada”.
271. Information about RCI's finances was included in the dataset when available. Expense data were available for 52 years; income data were available for 31 years. CBC provided information about the supervisory charge it was permitted to levy for 18 of the 52 years for which RCI expenses were reported; when available, the supervisory charge was deducted from RCI's expenses so as to calculate the net income from or cost of RCI to CBC.
272. It is estimated that RCI's income exceeded its expenses in at least five of the 31 years for which income and expense data are available, and that expenditures exceeded income in two years:

Years when income exceeded expenses: 1944/45, 1945/46, 1997/98, 1998/99, 2002/03	Total by which income exceeded expenses: \$5.8 million [\$2002]
Years when expenses exceeded income: 1943/44, 1947/48	Total by which expense exceeded income: \$188.01 million [\$2002]
Difference	\$182.2 million [\$2002] loss (net of income)

273. CBC reported RCI expenses without income from 1968/69 to 1990/91, totalling \$558 million [\$2002]. Based on the available income and/or expense data for RCI from 1944/45 to 2002/03, shown in Figure 53, the cost to CBC of operating RCI is estimated to be in the order of \$740 million [\$2002].

³²⁰ CBC, *Annual Report 1992-1993*, Vol. 2, Notes to the Financial Statement, at 17 (“4. Specialty Services”); CBC, *Annual Report 1994-1995*, Notes to the Financial Statement, at 106 (“4. Specialty Services”).

³²¹ CBC, *Annual Report 1995-1996*, Notes to the Financial Statement, at 65 (“4. Other Revenue, Net”).

³²² CBC, *Annual Report 1996-1997*, Notes to the Financial Statement, at 55 (“4. Other Revenue, Net”).

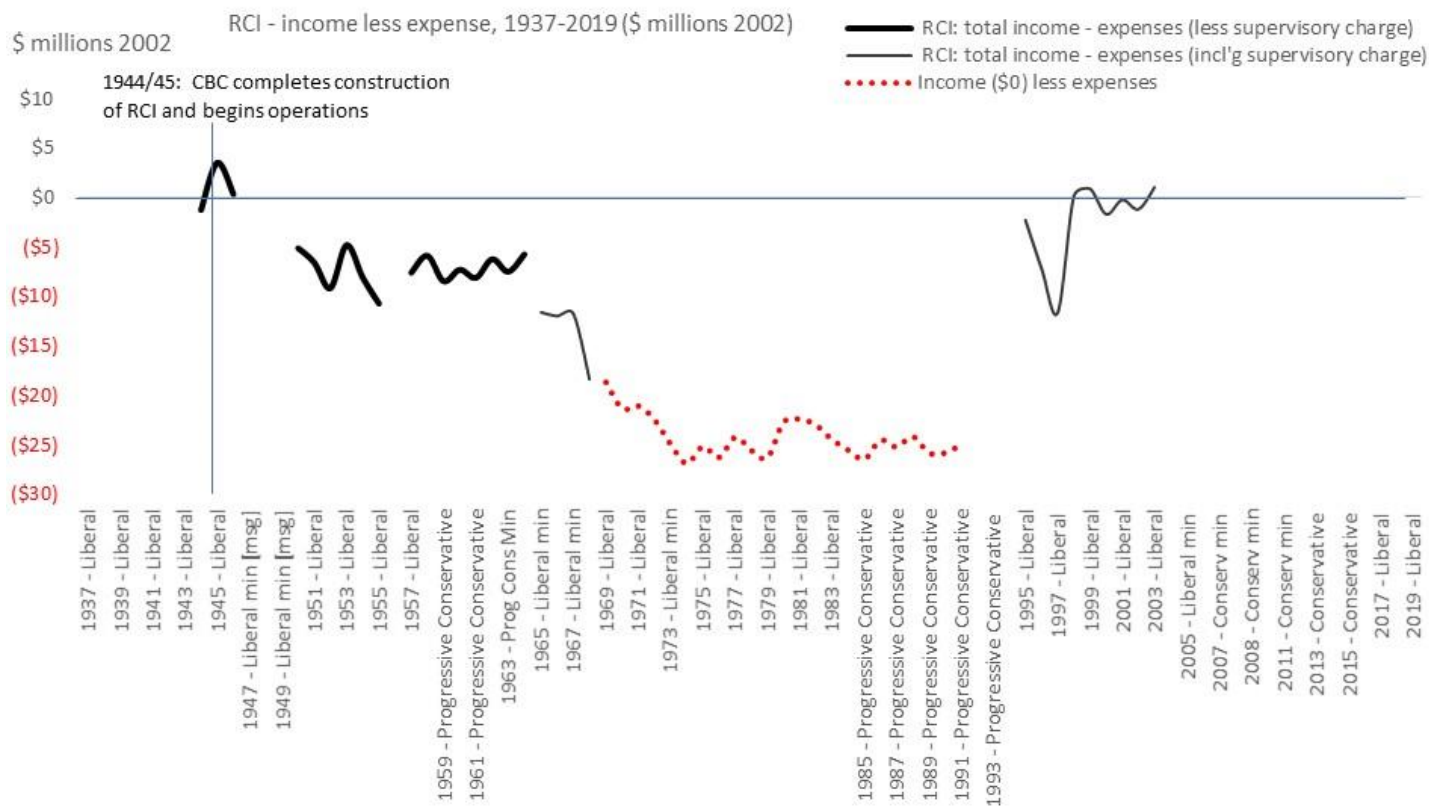
³²³ CBC, *Annual Report 1996-1997*, Management Discussion and Analysis, at 41.

³²⁴ CBC, *Annual Report 1998-1999*, Notes to the Financial Statement, at 64 (“4. Specialty Services and Radio Canada International”).

³²⁵ CBC, *Annual Report 2003-2004*, at 52 (Note 4).

³²⁶ CBC, *Annual Report 2003-2004*, at 36.

Figure 53 RCI income and expenses, 1944-2003



V Summary of results and conclusions

274. This section concludes the Forum's research on Parliament's financial support for CBC's operations. It begins by summarizing the results of the research; the Forum's conclusions follow.

A. Summary of results about the funding of CBC

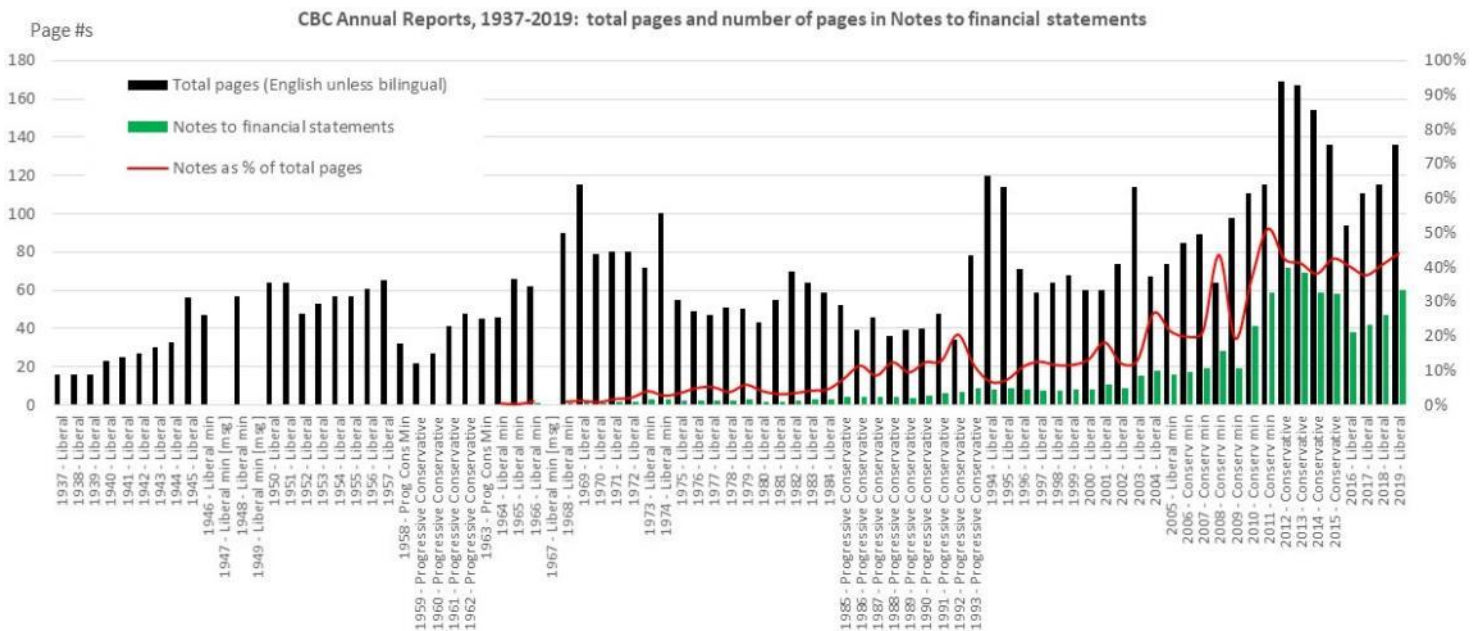
275. The primary purpose of this paper was to determine CBC's operating funding from the public purse.

1. Challenges in finding historical information about CBC's funding

276. CBC has published 18 (22%) of its 83 *Annual Reports* online; 62 of the remaining 65 *Annual Reports* are held at the University of Ottawa and Carleton University, except for the 1946/47, 1948/49 and 1966/67 reports. Neither the Library of Parliament, the National Archives of Canada nor Statistics Canada has a complete set of CBC's *Annual Reports*, and while the National Archives had two of the three missing volumes, they were unavailable for scanning (required to check and double check research). Pages from 62 reports were scanned; financial data from each report, primarily from its financial statements, were then entered in a dataset by year and in order of the data's appearance in the reports.

277. CBC first included separate notes describing its financial statements in 1963/64, 27 years after it was established. The number of financial statements included in the *Reports* tripled over time, from two to six (in 1973/74); the *2018/19 Annual Report* has five statements. The *Notes’* length within the *Annual Reports* has also grown over time and in 2018/19 amounted to 60 pages, or 44% of the *Annual Report’s* total pages: Figure 54.

Figure 54 CBC’s annual reports – total length and pages in the *Notes to the Financial Statement*



278. Individual *Annual Reports* provide little historical information about the CBC’s finances. The *Reports’* financial statements first began to provide information about the previous year in 1956, 19 years after CBC was established. While a number of reports provide several years’ of comparative information, they often do not include actual numbers (being charts or graphs) and rarely provide more than 5 years of historical data at a time. The *2018/19 Annual Report* provides quarterly financial information about 7 concepts, for the current and previous two years:

- “Revenue”
- “Government funding”
- “Expenses”
- “Results before other gains and losses”
- “Other gains and losses”
- “Net results under FRS for the period” and
- “Budget results for the period”.³²⁷

³²⁷ CBC, *Annual Report 2018-2019*, at 48.

279. Today's *Annual Reports* provide little quantitative information on the amount of radio and television programming provided by CBC, including total hours of programming produced and/or broadcast by CBC, total hours of independent production commissioned, acquired and/or broadcast by CBC, or total hours of original programming broadcast by CBC. The 2018/19 *Annual Report*, for example, has six references to the word, "hours": mentioning "labour hours" in facilities and services rentals,³²⁸ CBC GEM's offer of "over 4,000 hours of acclaimed Canadian programming"³²⁹ and "over 200 hours of advertising-free quality kids programming",³³⁰ the digitization of "tens of thousands of hours of material",³³¹ "[e]xpanding digital news coverage in communities 18 hours a day",³³² and limits on directors' compensation "for each day of work (24 hours) even if they attend more than one meeting during that period",³³³

280. Apart from changes in style (moving page numbers from top to bottom to side and to alternating pages; presenting financial tables in font smaller than regular text and page numbers), and accounting presentation (reductions in CBC's appropriations were from time to time shown in the same year both within parentheses and without) the Forum noticed that

- none of the CBC's *Annual Reports* includes a complete historical overview of its finances; no report provides more than ten years of historical financial information is 7 years;³³⁴ the 2018/19 *Annual Report* includes financial information describing 2017/18 and 2018/19
- the financial presentation in CBC's *Annual Reports* changed nearly every year
- CBC used 40 different phrases to describe 9 basic financial statements, including 17 different titles to describe its statement of income and expense (source: Table 30)
- used at least 40 different expressions to describe 'net results for the year' and in some cases did not actually identify its year-end results, and
- changed the presentation of all or parts of its commercial income from gross to net and back again at least five times over its 83 years of *Annual Reports*, and combined advertising income with program sales income from 1997/98 to 2007/08, and
- from time to time reported information relevant to CBC's financial position well after the fact (it first reported bonds issued in January 1995 to finance the construction of the Toronto Broadcast Centre, in its 2004/05 report), and
- 22 (27.5%) of the 80 annual CBC reports available for this research did not report affiliate payments made to the private sector to make CBC programming available in areas unserved by CBC.

³²⁸ *Ibid.*, at 119.

³²⁹ *Ibid.*, at 5.

³³⁰ *Ibid.*, at 6.

³³¹ *Ibid.*, at 17.

³³² *Ibid.*

³³³ *Ibid.*, at 62.

³³⁴ CBC's 1981/82 *Annual Report* includes a chart at 68 depicting "total expense and percentage changes" over 9 years, but it does not include any numbers.

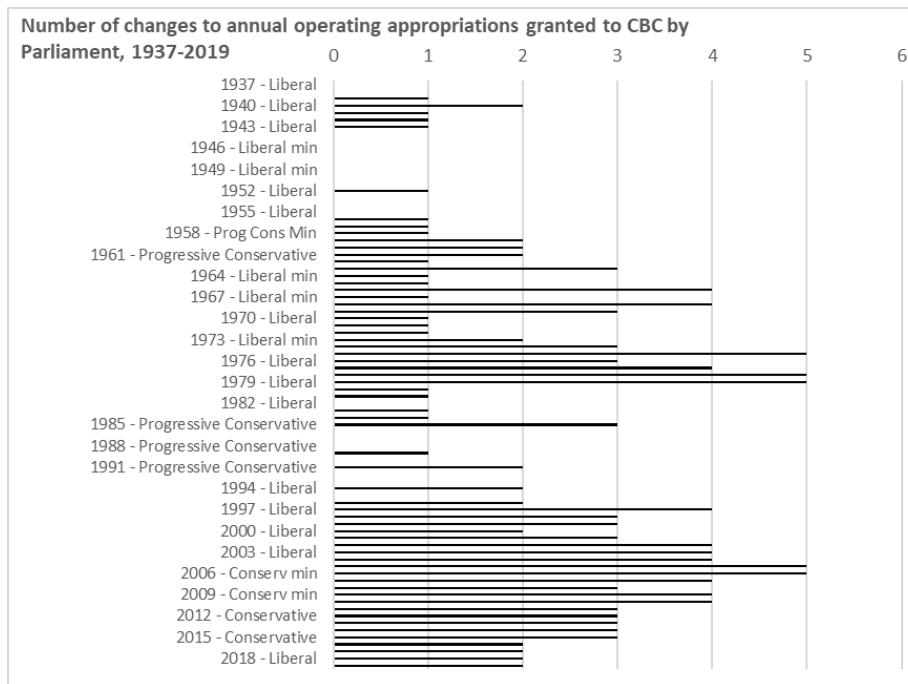
2. Public funding of CBC

281. The focus of this report was on the funding of CBC's operations (that is, it did not focus on capital works used to provide or expand CBC's production capacity and/or the distribution of its services).
282. From 1937 to 2019 CBC's total operating income amounted to at least³³⁵ \$77.6 billion [\$2002], of which
- 70.1% (\$54.5 billion [\$2002]) consisted of public funding in the form of licence fees (1937-53), fixed multi-year funding (1952-1956), tax revenue paid on radio and/or television sets and parts (1953-59), and/or operating appropriations voted by Parliament (1953-2019)
 - 29.9% (\$23.2 [\$2002]) from its commercial activities throughout this period, including the sale of advertising time, programming and assets, subscriptions to CBC programming services, and investments such as savings bonds, bonds and derivatives.
283. In the 76 years for which year-to-year percentage changes can be calculated, public funding received by CBC for its operations has increased in real terms in 45 years (59% of years), and has decreased in real terms in 31 years (41%).
284. Public funding granted for CBC's operations has been decreasing overall for 34 years:
- public funding received by CBC has decreased since 1984/85 by 35.9% in real terms (in constant, 2002 dollars, from \$1,283 million in 1984/85, to \$818 million in 2018/19)
 - funding from commercial activities has decreased by 40.1% since 2013/14 (\$246 million [\$2002])
 - CBC's total funding for its operations has decreased by 28.1% since 1984/85 (\$463 million [\$2002])
- [Source: Figure 13]
285. Public funding now makes up a slightly smaller share of CBC's total funding for its operations than it did sixty years ago; public funding received by CBC for its operations made up
- 57.6% of its total operating income in 1959/60
 - 80.9% of its total operating income in 1978/79
 - 56% of its total operating income in 2013/14, and
 - 69.1% in 2018/19.
- [Source: Figure 14]
286. Public funding for CBC's operations grew from the 1930s to the mid-1980s. Since the mid-1980s it has decreased by 54%, from 14 cents [\$2002] per person per day in 1984/85, to 6 cents per person per day in 2019. (See discussion at Figure 27.)

³³⁵ As we were unable to find CBC's *Annual Reports* for 1946/47, 1948/49 and 1966/67 the results are slightly underestimated.

- 287. CBC has generally not received the public funds for operations that were appropriated for it by Parliamentary vote. Of the 79 years for which data were available for both the funding granted and the funding received, CBC received the amount granted in 29 (37%) years, and different amounts in 50 (63%) years. Differences in amounts granted and amounts received were due to reductions in or supplements to Parliament funding. The number of separate changes made to operating appropriations granted to CBC grew over time (*see discussion at Figure 21*).
- 288. CBC has not usually received the funding granted to it by Parliament. Based on the text in its *Annual Reports* it is estimated that CBC received the funding it was granted by Parliament in just under a third (31.6% or 21) of 79 years: Figure 55. Overall at least 134 additions to or reductions in Parliament’s funding for CBC’s operating, capital and working capital purposes were made, totalling more than \$2.8 billion [\$2002] (source: Figure 21 and Figure 22)

Figure 55 Changes to the annual operating appropriations granted to CBC by Parliament, 1937-2019



- 289. More than half (84 or 63%) of the changes made to Parliament’s appropriations for CBC involved funding for CBC’s operations. CBC’s *Annual Reports* mentioned 44 instances of supplementary funding for its operations, primarily for programming (2002-2013), downsizing (1991-1999) and special events (visits from the Royal Family or Pope; sporting events such as the Olympics). On one occasion a Governor General warrant was used during an election period to maintain CBC’s funding (*source: Table 11*).
- 290. CBC’s operating appropriations may be supplemented and reduced in the same year (*sources: Figure 23; Table 12*)
- 291. Public funding for CBC’s operations has been reduced – including by transfers to capital – on at least 45 occasions. The reductions include 15 times when CBC returned money to Parliament,

five times when its Parliamentary 'allotment' was frozen and two occasions when Treasury Board directed CBC not to spend the full amount of its appropriation (*source: Table 14*).

292. CBC's operating funding is also sometimes reduced or supplemented by transfers to or from the appropriations granted by Parliament for its capital works; It is estimated there were at least:

- 17 transfers from operating to capital, totalling \$238.7 million [\$2002]
- 7 transfers from capital to operating, totalling 144.3 million [\$2002]

(Source: Table 6)

293. Of 45 reductions to CBC's Parliamentary appropriations for its operations from 1960 to 2019 a quarter (12, or 27%) amounted to less than 1% of the commercial income earned by CBC in the preceding year, more than a third (19, or 44%) represented more than 1% and less than 5% of CBC's commercial income in the preceding year, and 14 (31%) represented 5% or more of CBC's commercial income in the preceding year (*source: Table 15*).

3. Context of public funding for CBC's operations

294. While reductions in public funding for CBC's operations were sometimes preceded by national economic challenges, such as recessions, from 1997 to 2018 Canada's GDP grew by 62% while public funding for CBC's operations grew by 8%. In the last decade (since 2009), Canada's GDP has grown by 21.4% while public funding for CBC's operations has decreased by 11%. (See discussion at Figure 26.)

295. There was no clear link between changes in GDP and changes in Parliament's funding of CBC's operations. From 1960 to 1979 public funding for CBC's operations changed in line with changes in GDP in 15 (83%) of 18 years; from 1980 to 2018 public funding for CBC's operations changed in line with changes in GDP in 16 (42%) of 38 years. From 1937 to 2019 Parliament reduced funding for CBC's operations during 4 economic recessions, and increased the funding during the remaining 7 recessions. (*Source: discussion beginning at page 61*)

296. Total and public funding for CBC's operations have decreased relative to the growth of the private broadcasting sector (being over-the-air radio and television and discretionary television programming services). When the current *Broadcasting Act* was enacted in 1991, the private radio and television sector's total income was 85% higher than CBC; in 2018 the private sector's total revenue was more than three times larger (332% higher) than CBC's total income. (*See Figure 30*).

4. Other sources of income for CBC

297. While CBC has always earned commercial income from advertising (originally program sponsorship), in 2018/19 it reported 13 sources of income: TV advertising, Subscriber fees, Production revenue, Digital advertising, Retransmission rights, Program sponsorship, Other services, Foreign exchange gain (loss), Leasing income, Program license [sic] sales, Net gain (loss) from the change in fair value of financial instruments, Financing and investment income, and Other gains and losses.

298. CBC's other sources of income have at times funded its operations; in 1957/58 it sold three-quarters of the bonds it then held - \$65 million of \$82 million in 2002 terms – to meet its operating and capital requirements. In eight years (1986/87, 1993/94, 1994/95, 1999/00, 2000/01, 2001/02, 2002/03, 2007/08) CBC suspended its payments to the pension fund of its employees; in 2006/07 it allocated \$77 million (\$69 million in 2002 terms) of the fund's surplus to its operations, and similarly allocated a portion of the surplus to its priorities in 2007/08.
299. CBC has also sold its assets – its receivables in 2008/09; its mobile production assets in 2014/15, its holdings in other programming services and Maison Radio Canada in 2016/17 – to support its financial needs.

5. CBC income less CBC expenses: 'net results'

300. In the 80 *Annual Reports* that were located CBC used 40 different expressions to describe its 'net results for the year, though it used "net results for the year" consistently from 2000/01 on.
301. As CBC did not provide a clear definition of its calculation of net results in each *Annual Report*, and as it was unclear whether the 40 different terms used by CBC used the same measure to calculate CBC's end-of-year financial position, two estimates were created of the end-of-year or net results for CBC's operations. CBC appeared in a number of its reports to calculate net results by including depreciation in its expenses; net results were therefore estimated by deducting expenses including depreciation (when identified) from total income (being commercial income and public funding for operations). A net result estimate was also calculated using the CRTC's pre-tax profit (loss) margin calculated by deducting expenses less interest, depreciation, and adjustments from income that includes working capital; as CBC did not report adjustments for most of its financial history, adjustments were excluded from this estimate.
302. All three measures – CBC's reported net results, estimated net results and the CRTC-based estimate of net results – showed that CBC's total income was insufficient to meet its operating expenses in 1945/46.
303. Estimates³³⁶ of CBC's annual net results show losses in 35 of the 79 years (44%) for which data were available. Net results calculated by deducting total expense including depreciation from income show losses in 67 of the 80 years for which data were available (84%). Net results calculated using the CRTC pre-tax profit figure show losses in 26 of the 80 years for which data were available (33%).
304. CBC's total income has been insufficient to meet its operating expenses in more than half the years since 2000, regardless of the measure used. (Sources: Table 20; Table 24; Figure 35) The "net results for the year" reported in CBC's *Annual Reports* since 2000/01 show seven consecutive years of losses since 2012/13, with total losses overall since 2001 of \$286.8 million [\$2002]. (Source: Table 22)

³³⁶ Estimated, as CBC's annual reports did not employ the phrase, "net results for the year" consistently until 2000/01.

6. *Costs that have reduced funding available for programming*

305. While CBC has always been required to provide and to extend broadcasting services across Canada, it has not always been granted public funding for this purpose and only received its first capital appropriation from Parliament in 1958/59. Until then CBC paid for some of its capital projects using its public and commercial income, and paid for other projects using borrowed money.
306. It is estimated that CBC borrowed \$970.7 million from Canada from 1937/38 to 1972/73 to build Canada's national broadcasting system.
- From 1937/38 to 1964/65 CBC borrowed \$266 million [\$2002] from Canada towards which it paid \$116 million in interest and repayments of principal
 - From 1965/66 to 1973/74 Parliament included \$433 million [\$2002] in CBC's operating appropriations towards interest and repayments of principal with respect to \$655 million [\$2002] of loans granted to CBC; after deferring further payments in 1974 Parliament wrote off any debt outstanding from CBC in 1980.
- (Sources: Table 25, Table 26, Figure 38)
307. CBC also made its programming available in areas it did not serve through affiliate relationships it established with private radio and television broadcasters, and by buying private broadcasters' stations from time to time. It is estimated that CBC paid at least
- \$1,112.6 million [\$2002] to private broadcast for their affiliate services, and
 - \$32.2 million [\$2002] to private broadcasters for radio or TV assets.
308. While CBC also earned advertising income from 1936/37 on, for many years CBC supplemented the work of its own sales force with private agencies to which it paid commissions. It is estimated that CBC paid at least \$1,065.27 million to private agencies to help sell its advertising.
309. It is estimated that altogether CBC has paid \$3.6 million, or 6.7% of the total funding received by CBC for its operations, to borrow money to build Canada's national broadcasting system, to extend its service through affiliates and station purchases, to agencies to sell advertising, and to operate RCI:

Table 29 Costs imposed on CBC by government policies

Costs imposed on CBC by government policy/policies	Amount [\$2002 millions]
Interest and repayments of principal on loans from Canada	\$116.20
Interest on loans from private sector	\$549.49
Private stations – affiliate relationship	\$1,112.60
Private stations - purchases	\$32.20
Commissions paid for advertising	\$740.16
Cost (less income) of RCI	\$1,097.47
Total, costs not directly related to CBC's mandate	\$3,648.12
Public funding for CBC's operations	\$54,463.00
Costs not directly related to CBC's mandate as % of public funding for CBC's operations	6.7%

B. Conclusions about the funding of CBC

310. Several decades of unstable funding from Parliament raise concerns about CBC's independence, Parliament's sovereignty and the relevance of CBC to Canada, Canadians and Canadian culture. Many of the 46 reports³³⁷ that address national public broadcasting (see Appendix 1) set out such issues, and the results of this paper's analysis lead to somewhat similar conclusions. The conclusions below address those concerns, beginning with perhaps the most obvious conclusion of all: that times have changed since CBC was established 83 years ago.

1. Is CBC a public service broadcaster?

311. The significant decrease in Parliamentary funding for CBC's operations raises a fundamental issue of whether its financial circumstances enable it to operate as a national public broadcaster.

312. "National public broadcaster" is not defined by the 1991 *Broadcasting Act* or by any other statute of Canada. Parliament's broadcasting statutes do not even refer to the role CBC is expected to provide during times of crisis (service during severe weather emergencies, for instance), war and national emergencies (such as World Wars I and II, the 1970 October crisis and the Persian Gulf War in 1991), or national celebrations (such as national annual and centennial celebrations).

313. "National public broadcaster" is not defined by the 1991 *Broadcasting Act* or by any other statute of Canada, however. Parliament's broadcasting statutes do not even refer to the role CBC is expected to provide during times of crisis (service during severe weather emergencies, for instance), war and national emergencies (such as World Wars I and II, the 1970 October crisis and the Persian Gulf War in 1991), or national celebrations (such as national annual and centennial celebrations).

314. In 2001, however, the World Radio and Television Council of the United Nations Educational, Scientific and Cultural Organization (UNESCO) summarized "the basic concepts relating to public service":³³⁸

Neither commercial nor State-controlled, public broadcasting's only raison d'être is public service. It is the public's broadcasting organization: it speaks to everyone as a citizen. Public broadcasters encourage access to and participation in public life. They develop knowledge, broaden horizons and enable people to better understand themselves by better understanding the world and others.

Public broadcasting is defined as a meeting place where all citizens are welcome and considered equals. It is an information and education tool, accessible to all and meant for all, whatever their social or economic status. Its mandate is not restricted to information and cultural development – public broadcasting must also appeal to the imagination, and entertain. But it does with a concern for quality that distinguishes itself from commercial broadcasting.

Because it is not subject to the dictates of profitability, public broadcasting must be daring and innovative, and take risks. And when it succeeds in developing outstanding genres or ideas, it can impose its high standards and set the tone for other broadcasters. For some, such as British author Anthony Smith, writing

³³⁷ Soon to be 47, when the Broadcasting and Telecommunications Legislative Review panel issues its final report towards the end of January 2020.

³³⁸ UNESCO, World Radio and Television Council, Sector of Communication and Information, *Public Broadcasting Why? How?* (May 2001) <https://unesdoc.unesco.org/ark:/48223/pf0000124058>. In a Foreword signed by the CRTC's first Chairperson, Pierre Juneau, who was also CBC's President in the 1980s, the document states at v that it was published "in cooperation with the Canadian Broadcasting Corporation".

- Not commercial
- Not controlled by the state
- Public service, serving all
- Daring
- Innovative
- Risk-taking
- High standards, and
- Providing information, education and entertainment of high quality.

about the British Broadcasting Corporation – seen by many as the cradle of public broadcasting it is so important that it has “probably been the greatest of the instruments of social democracy of the century”.³³⁹

315. It is difficult to determine from CBC’s own *Annual Reports* how it is providing “a wide range of programming that informs, enlightens and entertains”,³⁴⁰ that is “distinctively Canadian”,³⁴¹ that serves the special needs of Canada’s regions³⁴² and that reflects Canada’s “multicultural and multiracial nature”.³⁴³ The gaps with respect to CBC’s role are not due to lack of data – CBC’s most recent *Annual Report* acknowledges the importance of data and analysis of data:

ACCESSING AND USING DATA

Data analytics is a necessary core competency in a digital age. Digital information about Canadians’ consumption of content is vital to improving their experience online and developing content that matches their preferences. The goal is to drive interest and user engagement with customized content. Misused, however, it can violate their privacy and undermine their trust.

Today, media organizations must use a variety of digital platforms such as Facebook, YouTube, Google and Netflix to distribute their content and reach their audiences. These digital platforms are an effective way to connect with Canadians, but result in the loss of access to information about how that content is used. These data offer valuable insights into content users’ preferences and behaviours, and help media companies enhance the consumer experience.

(CBC, *Annual Report 2018-2019*, at 14).

316. The problem is that while CBC’s *Annual Report* emphasizes the importance of data and says “[m]easuring and assessing CBC/Radio-Canada’s performance is ... important”, it does not actually provide any data describing

- The hours of informative, enlightening or entertaining programming that it broadcasts
- The hours of programming offered that are ‘distinctively’ Canadian
- The hours of programming that originate from each region, or
- The degree to which those on air reflect Canada’s multicultural and multiracial nature, or even

³³⁹ *Ibid.*, at 6 (citation omitted).

³⁴⁰ S. 3(1)(l).

³⁴¹ S. 3(1)(m)(i).

³⁴² S. 3(1)(m)(II),

³⁴³ S. 3(1)(m)(viii).

- The different audiences – by age, by gender, by region, by linguistic group – to CBC’s programming.

317. Nor does CBC set out the numbers of original hours of programming that it broadcasts each year, or month, or week – even though it gathers and reports this information for its television services every month to the CRTC. Section 10 of the *Television Broadcasting Regulations, 1987* requires CBC to track and keep in a machine-readable format, the following information about each program it broadcasts, every day:

Program origin	Canada (other than Quebec) United States Other Quebec
Exhibition	Original exhibition of a program that has been broadcast or distributed by another licensed broadcasting undertaking Original first-run program (original exhibition of a program that has not been broadcast or distributed by another licensed broadcasting undertaking) Repeat exhibition of a program Live broadcast
Production source	TV station (licensee) Related production company Other TV station or programming service (include call sign or name) Television network (include network identifier) Canadian independent producer Co-venture (include Commission “S.R.” number) Canadian programs from any government and productions of the National Film Board (include the source) Programs from any source that are not accredited as Canadian programs (include the pertinent dubbing credit and Commission “D” or “C” number if applicable) Treaty co-production
Target audience	Preschool children (0-5 years) Children (6-12 years) Teenagers (13-17 years) Adults (18 years and over)
Categories	Information: (1) News (2) (a) Analysis and interpretation (b) Long-form documentary (3) Reporting and actualities (4) Religion (5) (a) Formal education and preschool (b) Informal education/Recreation and leisure Sports: (6) (a) Professional sports (b) Amateur sports Music and entertainment: (7) Drama and comedy (a) Ongoing dramatic series

	<p>(b) Ongoing comedy series (sitcoms)</p> <p>(c) Specials, mini-series or made-for-TV feature films</p> <p>(d) Theatrical feature films aired on TV</p> <p>(e) Animated television programs and films</p> <p>(f) Programs of comedy sketches, improvisation, unscripted works, stand-up comedy</p> <p>(g) Other drama</p> <p>(8) (a) Music and dance other than music video programs or clips</p> <p>(b) Music video clips</p> <p>(c) Music video programs</p> <p>(9) Variety</p> <p>(10) Game shows</p> <p>(11) (a) General entertainment and human interest</p> <p>(b) Reality television</p> <p>Other:</p> <p>(12) Interstitials</p> <p>(13) Public service announcements</p> <p>(14) Infomercials, promotional and corporate videos</p>
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318. CBC’s 2018/19 *Annual Report* instead reports on these results:

- “Canadians’ perceptions of their public broadcaster and how well they believe our services fulfill both the Corporation’s mandate and the vision of *Strategy 2020*”³⁴⁴
- Corporate-wide objectives consisting of
- 2 survey questions about CBC’s importance and the degree to which its information programming has diverse opinions and is objective
- CBC’s digital reach in millions
- Monthly digital interactions with CBC in millions
- Millions of rentable square feet of CBC’s real estate footprint
- Percent of CBC employees who are proud to be associated with CBC
- Level of diversity among new employees
- Achievement of CBC’s cost reduction targets³⁴⁵
- Reinvestment impact indicators consisting of:
- “additional monthly digital interactions” with CBC and additional monthly interactions with local CBC³⁴⁶

Media Lines’ performance:

- Expansion of Radio-Canada’s digital footprint³⁴⁷
- All-day, morning, and prime-time audience share, by medium³⁴⁸
- Average minute audience³⁴⁹

³⁴⁴ CBC, *Annual Report 2018-2019*, at 18.

³⁴⁵ *Ibid.*, at 19.

³⁴⁶ *Ibid.*, at 21.

³⁴⁷ *Ibid.*, at 22.

³⁴⁸ *Ibid.*, at 24, 28.

³⁴⁹ *Ibid.*

- Monthly average unique visitors to 'digital offerings'³⁵⁰
 - "Conventional, discretionary, online" revenue,³⁵¹ and
 - Number of downloads of CBC podcasts.³⁵²
319. (CBC's 2019 *Annual Report* does also show the levels of Canadian content it achieved over the broadcast day and in prime time but for just two years³⁵³ making it difficult to evaluate changes over time.)
320. To put CBC's drift from public or civic service to commercialism in context it may be useful to begin with the point made by the 1929 Royal Commission on Broadcasting:³⁵⁴ while acknowledging that a national broadcasting service should provide time to "firms desiring to put on programs employing indirect advertising", it was "strongly against any form of broadcasting employing direct advertising."³⁵⁵
321. After CBC's first year of operation it noted that it operated "on the proceeds of licence revenue, supplemented by profits on commercial programs."³⁵⁶ By 1938 it had set limits on advertising content and advertisements, receiving the approbation of the public as a whole."³⁵⁷
322. In mid-1941 CBC launched a second national network, "thereby making it possible for advertisers who were precluded from purchasing time on the regular national network to reach listeners in the main markets across Canada."³⁵⁸ By 1948 CBC was offering more commercial programs.³⁵⁹
323. By 1959 CBC was making "energetic efforts in the commercial field",³⁶⁰ achieving commercial revenue that was the "highest on record".³⁶¹
324. In 1969 CBC noted that its commercial activities had "[o]ver the years ... become an essential part of CBC operations". It added that it had "not neglected its responsibility to provide a diversified service as outlined under its mandate." It said that its "basic policy is that efforts to

³⁵⁰ *Ibid.*

³⁵¹ *Ibid.*

³⁵² *Ibid.*, at 27.

³⁵³ *Ibid.*, at 30, for CBC's English-language and French-language conventional television networks.

³⁵⁴ Even if merely a well-known tactic for governments to buy time.

³⁵⁵ Royal Commission on Broadcasting, *Report*, (Ottawa, 1929), "Programs", "*Programs employing Indirect Advertising*".

³⁵⁶ CBC, *Annual Report 1936-1937*, at 15.

³⁵⁷ CBC, *Annual Report 1937-1938*, at 13. Among other things CBC limited "advertising content of any program to 10 per cent of the program period" and prohibited "spot" advertising from 7:30 pm to 11 pm on weekdays.

³⁵⁸ CBC, *Annual Report 1941-1942*, at 16.

³⁵⁹ CBC, *Annual Report 1947-1948*, at 5:

In spite of rising prices everywhere, the cost of the national radio system to the listener has remained the same. The resulting financial pressure has been met in part by the Government absorbing the cost of collecting licence fees and also by revenue from an increased number of commercial programs.

³⁶⁰ CBC, *Annual Report 1958-1959*, at 5.

³⁶¹ CBC, *Annual Report 1958-1959*, at 12.

increase commercial revenues must not dominate program decisions. Public service must remain the primary objective of the Corporation."³⁶²

325. In 2019 CBC's Executive Vice-President of English Services exuberantly proclaimed her commitment to supporting advertisers:

"I've worked with a lot of you folks here from the advertising industry, and I do understand your needs, and I do know your challenges, and I'm committed to supporting you," she pledged. She noted that CBC podcasts are downloaded 20 million times a month, "and there are ads in those podcasts for you!"

Ms. Williams also said of CBC News, **"News is live, PVR-proof and a completely brand-safe environment for you and your clients."**

She also spoke of a "spectacular news offering on Snapchat [where] ... 68 per cent of that audience is under the age of 24. We know you're trying to reach a younger demo. We have it for you."

...

Later, **during a segment promoting CBC's new Listen CBC, which will feature 175 streams of music as well as more than 20 audio series when it rolls out this fall, the Toronto-based host of CBC Radio's Metro Morning, Matt Galloway, promised the service would be "advertising-friendly."**

A number of CBC shows launching next fall promise what the industry calls "content integration," or in-program promotional opportunities, including Battle of the Blades, the hockey-player and figure-skater competition show which the network axed five years ago amid budget cuts, and Family Feud Canada, a nightly domestic version of the long-running game show to be hosted by comedian Gerry Dee.

....

In an interview with The Globe and Mail, Ms. Williams said the show would serve as more than mere entertainment. "Canadians love to know about each other. And they don't, always, really know how we live in one part of this country and another. And through some fun and some comedy, we will allow Canadians to say: 'Gee, that's how they think about things there; that's how they answer the question there; they're a lot like me; wow, they're different than me.' That's why it will work."

During a mock game of Feud that concluded the presentation, Gerry Dee said that 100 Canadians had been asked what the best things were about the show coming to CBC. The top two (mock) answers?

"Product Integration" and "Sponsorship."³⁶³

[bold font added]

326. What is striking is not that CBC is professionally committed to serving the needs of advertisers, whose money it desperately needs, but that it is so wholeheartedly embracing those needs that

³⁶² CBC, *Annual Report 1968-1969*, at 69.

³⁶³ Simon Houpt, "CBC pitches advertisers in push to save commercial revenues, pre-empt election funding fight" *Globe and Mail*, 29 May 2019, <https://www.theglobeandmail.com/arts/television/article-cbc-pitches-advertisers-in-push-to-save-commercial-revenues-pre-empt/>.

it cannot easily be distinguished from its privately-owned, commercial peers – except for its even greater dependence on ‘government’ funding. Canada’s national public broadcaster is a long way from its early conceptualization of its mandate:

<i>Annual Report</i> 1936-1937, at 9	Description of CBC’s purpose “The program policy of the Corporation was to emphasize characteristic Canadian material in its own programs to relay over its network the best programs obtainable from other sources. ...”
1937-1938, at 7	“With the extension of broadcasting time and the conclusion of new arrangements with the BBC and the United States broadcasting chains, a new program policy was launched. The conception was that of seeking the best features , both commercial and sustaining, available in Great Britain and the United States and of concentrating Canadian resources on the production of characteristic features suitable for exchange.”
1938-1939, at 5	“It is the prime object of the Canadian Broadcasting Corporation to present the best programs possible to as many Canadian listeners as is economically feasible.”
1940-1941, at 1	“The principal tasks of the Corporation during this period were to keep Canadians fully and accurately informed as to the progress of the war in all its phases, at home and abroad, and to do what it could to link the war effort more closely to the life of the individual Canadian in order to inspire his confidence, to strengthen his daily effort, and to stimulate his growing desire to play the fullest possible part in his country’s struggle.”
1942-1943, at 1	“During the year under review, the Corporation directed its main efforts towards the winning of the war and the peace to follow by broadcasting programs which would inform, inspire, educate and encourage the people of Canada in the great task at hand. Nor was the fact lost sight of that people needed some programs to bring gaiety and relaxation into their homes to relieve the tension of life in a war-torn world.”
1944-1945, at 6	“In its main job of planning and building daily broadcasting schedules, the program division is guided by the principle that as far as possible, all types of listeners should be able at some time to hear the kind of program that appeals to them. ”
1963-1964, at 7	“To implement its Parliamentary Mandate, which is supported largely by public financing, CBC provides wide choices in program fare, serving both general and selective audiences on an appreciable and continuing basis. The private sector, with commercial revenue its sole source of income, is more heavily oriented towards light entertainment in terms of program volume. Because of these differing program philosophies and practices the public has a choice of types of programs during much of the broadcast day in those areas served by stations of both sectors.”

327. It is no longer clear that CBC’s radio and television programming is readily distinguishable from that of the private sector. The question for Canadians and Parliament is simple: should it be?
328. The information available from CBC’s most recent *Annual Reports* leads to the conclusion that CBC is far more focussed on the business of attracting listeners, viewers and online users, than it is on providing programming that appeals to a wide range of interests, and that informs, enlightens and entertains.
329. If it is worth having a national public broadcaster, is it worth ensuring that it serves the public interest?

2. *Is CBC's programming of the high quality expected from a national public broadcaster?*

330. Even if CBC's programming serves Canadians' needs and interests, it is unclear and obviously a subjective question as to whether it meets the high standards to be expected of a publicly funded corporation, and as required by the *Broadcasting Act*.³⁶⁴ Few reasonable people would demand perfection from CBC: any institution that broadcasts tens of thousands of hours of radio and television programming each year, in two official, several Indigenous and several other languages, is at some point likely to broadcast programming slipping below the highest standards.
331. The issue for CBC in light of several decades of declining public funding, though, is that commercial values appear to predominate. The list of performance measures shown above focus more on audience levels and digital interactions, than on program production or broadcast program hours. The absence of information about programming is troubling, as it provides Parliament with no way of determining how CBC's programming is distinguishable from that of any other broadcaster available in Canada.
332. Nordicity also points out that scheduling based on commercial decisions creates incentives that lead to the undersupply of some times of programming – a problem that public service broadcasting can correct:

Historically, the broadcasting industry has responded to the public good nature of its product by “giving it away for free” to consumers (i.e. free-to-air broadcasting) and, instead, selling advertising airtime to businesses. These advertising businesses, however, have sought to maximize the exposure of their ads. This created incentives for broadcasters to create or commission general audience programming that appealed to the majority of viewers.¹³ As a result, many genres of programming that appealed to a minority of viewers (i.e. “minority-audience programming”), such as documentaries, indigenous programming, high-quality drama, amateur sports or children's programming, were under-supplied.

The advent of subscription and pay television should, in theory, address the under-supply of minority-audience programming in the over-the-air broadcasting segment. However, these alternative models are not perfect solutions. If subscription television services have to set their fees too high, they will invariably exclude a segment of society that wishes to consume minority programming. If they set their fees too low, they may not capture enough of the audiences' monetary valuation of niche programming. As a result, expensive high-quality programming may not be made – thus persisting the under-supply.³⁶⁵

333. That said, the Corporation's decision in 2019 to produce and broadcast a Canadianized version of a 43-year old American game show – *Family Feud* – raises concerns about the degree to which CBC's attempts to supplement declining public funding force it to become more, rather

³⁶⁴ In s. 3(1)(g): “the programming originated by broadcasting undertakings should be of high standard”.

³⁶⁵ Nordicity, *Analysis of Government Support for Public Broadcasting*, (Prepared for CBC|Radio-Canada: 11 April 2016), <https://site-cbc.radio-canada.ca/documents/vision/strategy/latest-studies/nordicity-public-broadcaster-comparison-2016.pdf>, at 5, footnotes omitted.

than less, commercial in orientation. Some of these concerns were addressed by Simon Houpt in the *Globe and Mail* last December.³⁶⁶ Along with Mr. Houpt’s points one reader’s comment caught our attention, because apart from the perennial questions of whether public broadcasting may or may not carry popular programming or whether programs imitating popular, decades-old American shows are innovative or imitative, the comment pointed to serious production quality problems – disorganization, misinformation, heavy-handed security, and unprofessionalism:

I went to a live taping of this and it was a disorganized mess! I only got the email that we had tickets a couple of days before the taping (had applied far in advance and assumed we didn't get them as we never heard back). We received tons of weirdly vague emails from the organizers saying that the time and location of the taping would follow, and the only specific repeated instruction was to bring water bottles as none would be provided. When we arrived, there was airport-style security, we couldn't bring coats or phones in with us, and they confiscated the water bottles we brought saying the rules changed that morning! We were then trapped in the studio for hours without being allowed water or bathroom breaks and the taping was super slow - the host kept making mistakes and having to reshoot portions, the producers didn't know the rules so they needed to undo scores and go back to previous questions, and the host really acted like a high maintenance pop star (wouldn't start unless there was enough applause, kept requiring breaks, etc.). Overall I'm very curious to see the final version of our episode because seeing it live was a disaster!³⁶⁷

- 334. A new and troubling concern is that, along with the gradual drift of CBC from public, to commercial service, CBC’s production values may now also be declining – was this what Parliament anticipated when it began to reduce CBC’s funding several decades ago? CBC’s *Annual Reports* do not provide Parliament with the information needed to determine – say – expenditures per hour on original programming, or the numbers of complaints about programming quality (rather than, say, breaches of journalistic standards) that CBC receives.
- 335. If it is worth having a national public broadcaster, is it worth funding that institution to perform its mandate well?

3. Is Parliament in control?

- 336. As discussed in the introduction to this research Parliament’s current broadcasting statute imposes a number of reporting duties on the CBC, in sections 52 to 71.
- 337. CBC submits its proposed annual budget to the Minister of Canadian Heritage, and subsequently amends its proposals in line with the budget that is actually granted by Parliament to the Corporation. It also submits reports to the Auditor General, Treasury Board, and the CRTC:

Corporate reports	Also files reports with	Appears before
Annual Report	Office of the Auditor General	Parliamentary committees
Quarterly financial reports	Treasury Board of Canada Secretariat	CRTC

³⁶⁶ Simon Houpt, “Can Family Feud save the CBC? Survey says ...” (13 December 2019), <https://www.theglobeandmail.com/arts/television/article-can-family-feud-save-the-cbc/>.

³⁶⁷ Posted on Globe and Mail’s website, 14 December 2019.

Corporate reports

Corporate Plan and Corporate Plan Summary
 CBC Pension Annual Report
 Public Accounts of Canada
 Accountability Plan
 The Strategy 2020 Performance Report
 The Mandate and Vision Perception Survey
 Environmental performance reports
 Reports on the implementation of the *Access to Information Act* and *Privacy Act*, and on any disclosure of wrongdoings (under the *Public Servants Disclosure Protection Act*)

Also files reports with

Employment and Social Development Canada
 Immigration, Refugees and Citizenship Canada
 Canadian Heritage (s. 41)
 CRTC (intermittent licence renewals; annual reports; Official Language Minority Communities reports)

Appears before

338. By way of comparison, CBC’s 2017/18 *Annual Report* was four pages longer than the report filed by the Canada Mortgage and Housing Corporation – whose budget is five times larger, and just a few pages shorter than the report filed by Canada Post Corporation – whose budget was seven times larger than that of CBC:

2017/18 annual report	Total annual revenue \$M	Total pages in annual report	Pages of notes to financial statements	As % of total report
Canada Post Corporation (2016/17)	\$8,226	135	38	28.1%
Canada Mortgage and Housing Corporation	\$6,152	111	48	42.4
Business Development Bank of Canada	\$464	136	57	47.8%
CBC	\$1,207	115	45	39.0%

339. Yet even if the reporting requirements are clearly intended to and arguably do promote accountability, it is unclear whether Parliament today retains the same level of authority for Canada’s national public broadcaster that it did in 1936, 1958, 1968 or even 1991.

340. CBC’s own view of the authority that controls its appropriations has clearly, though gradually, shifted over the past 20 years. In 1997 it identified its main source of revenue as “Parliamentary appropriations”.

1996/97 *Annual Report* at 48:
STATEMENT OF OPERATIONS
 For the year ended March 31, 1997

REVENUE

Parliamentary appropriations (Note 3a)	854,449
Other revenue, net (Note 4)	283,516
	1,137,965

1997
 (tbl)

342. By 1998 CBC wrote that Parliament’s appropriations were part of “Government funding”, along with ‘frozen allotments’ (set by Treasury Board”).

1997/98 Annual Report at 54:

GOVERNMENT FUNDING	
Parliamentary appropriation for operating expenditures (Note 4)	759,654
Frozen allotment to offset the 1995–1996 repayable advance (Note 4)	(56,669)
Net funding for operating expenditures	702,985
Parliamentary appropriation for downsizing program (Note 4)	–
Funding for Radio Canada International (Note 5)	15,360
Amortization of deferred capital funding (Note 9)	135,120

CBC, *Annual Report 2011-2012, Notes to the Financial Statement*, at 137:

344. In 2012 CBC again described Parliamentary appropriations as part of “Government funding”.

ANNUAL REPORT 2011 – 2012 CBC/RADIO-CANADA. MORE CANADIAN. MORE REGIONAL. MORE DIGITAL.

25. Government Funding

Parliamentary appropriations approved and the amounts received by the Corporation during the year are as follows:

346. In 2014 CBC noted that “government appropriations” were part of its business model.

CBC, *2013/14 Annual Report* at 28:



1.5 Business Model

We have several sources of funds, including government appropriations and self-generated revenues. CBC/Radio-Canada is a Crown Corporation with 59% of its budget funded by government appropriations approved by Parliament on an annual basis.

348. By 2018 CBC not only attributed its appropriations to “government”, its pictograph identified Parliament’s Centre Block where the House of Commons sits, as the government:

2017/18 Annual Report at 3:



GOVERNMENT FUNDING

2017-2018: \$ 1,208 M

2016-2017: \$ 1,099 M

TOTAL INCREASE

\$ +109M (+9.9%)

Total government appropriations for operating activities increased by a further \$75.0 million this year. This brings the total reinvestment in the public broadcaster to \$150.0 million annually as announced by the government in March 2016. In addition, salary-inflation funding received this year of \$34.1 million contributed to the total increase in government appropriations recognized.

349. Other comments in CBC’s *Annual Reports* made from time to time reinforce concerns about a *de facto* shift over CBC’s funding from Parliament to the government, particularly with respect to ultimate authority over the terms of that funding.

350. In 1973 Treasury Board asked CBC not to use \$2 million of the funds granted by Parliament, and CBC agreed.

351. In 1976 CBC noted that it had retained “the unexpended balance of operating appropriations of current and prior years” amounting to \$3.5 million (\$11.3 million [\$2002]), with Treasury Board’s agreement.³⁶⁸

1972/73 Annual Report, at 35:

The funds required for the net cost of operations, amounting to \$201,851,000, including repayment of principal instalment on Canada loans, but excluding depreciation and amortization were provided for in the details of the vote approved by Parliament which comprised a Parliamentary payment of \$207,000,000 and the use of prior years’ non-lapsing vote carry over to the extent of \$4,600,000. The Corporation drew down only \$205,000,000 of the \$207,000,000 voted in accordance with a request made by Treasury Board on September 14, 1972. The carry over of \$4,600,000 was not required and the parliamentary payment of \$205,000,000 received, was under-expended by \$3,149,000.

352. Treasury Board is apparently also responsible for decisions about the frozen allotments applied to CBC’s public funding since the late 1990s.

353. Treasury Board was also involved in the use of revenues from CBC’s sale of property. The 1968 *Broadcasting Act* required CBC to obtain GIC approval for sales of land and/or buildings (real property) worth more than \$250,000.³⁶⁹ It also required CBC in section 45(2) to deposit “[a]ll moneys received by the Corporation through the conduct of its operations or otherwise” to CBC’s bank accounts, and to administer these moneys “exclusively in the exercise and performance of its powers, duties and functions.”³⁷⁰

Figure 56 1982 sale of land – disposition of proceeds

4. Mortgage receivable and due to Canada
 On February 15, 1982, the Corporation finalized a sale of land in the City of North York, Ontario, as approved by Order in Council P.C. 1980-2690, for an amount of \$10.5 million, and in conformity with an agreement reached between the Corporation and Treasury Board, all proceeds from the sale, including interest on the mortgaged principal, are to be remitted to the Receiver General for Canada.
 The terms of sale included an agreement that the Corporation receive cash of \$5 million and grant to the purchaser a mortgage in the amount of \$5.5 million, becoming due in total on February 15, 1985. Interest of 10% on the principal sum is to accrue, and become payable, each quarter year, the first payment being due on May 15, 1982.

CBC, *Annual Report 1981-1982*, at 65.

354. In 1982, following GIC approval of the sale³⁷¹ CBC sold a property it owned in North York for \$10.5 million: Figure 56.³⁷²

355. Rather than depositing the sale price to CBC’s accounts as the *Act* required, however, all proceeds (\$5 million in cash and the interest from a \$5 million mortgage issued by CBC to the buyer) were “to be remitted to the Receiver General for Canada”,³⁷³

in accordance with an agreement between CBC and Treasury Board.

³⁶⁸ CBC, *Annual Report 1975-1976, Notes to the Financial Statement*, at 40, Note 6.

³⁶⁹ 1968 *Broadcasting Act*, s. 41.

³⁷⁰ S. 45(2): “... shall be deposited”

³⁷¹ P.C. Order in Council 1982-2690.

³⁷² CBC, *Annual Report 1981-1982*, at 65.

³⁷³ *Ibid.*

356. In 2009 “financial pressures” led CBC to ask Treasury Board’s permission to sell some of its assets.³⁷⁴ (CBC’s current 2018/19 *Annual Report* sets ‘reduction of CBC’s real estate footprint by 50%’ as a specific performance objective.³⁷⁵)
357. Finally, appropriations granted by Parliament for CBC’s operating and capital appropriations may be moved back and forth without Parliament’s prior consent when “significant changes”³⁷⁶ so warrant, of which there have apparently been at least 23 since 1991. It is unclear who is authorizing these changes, when they occur or whether CBC’s consent is or is not required.
358. Even if Parliament has delegated to government departments the responsibility to freeze or thaw CBC’s use of its appropriations through ‘frozen and/or reprofiled allotments’, does this delegation remain appropriate from the perspective of Parliamentary accountability and the independence of CBC from government? Parliament is apparently informed about changes to the appropriations they debated and authorized for CBC³⁷⁷ – when? To what extent are CBC’s discussions with departments such as Treasury Board transparent, at least to Parliament?
359. The current approach to funding CBC raises many questions for members of Parliament, and for Canadians. These questions have been asked before. In 1988 the Standing Committee on Communications and Culture proposed “an improved relationship between the Canadian Broadcasting Corporation and Parliament to reinforce accountability, giving it more substance.”³⁷⁸
360. Reviewing CBC’s *Annual Reports* in 2020 leads to the unwelcome conclusion that Parliament has effectively lost its sovereignty insofar as budget-setting for Canada’s national public broadcaster. The work required of CBC in the 21st century is far more complex than that required of it in 1937 – if nothing else, the facts that CBC still employs more than six thousand

³⁷⁴ CBC, *Annual Report 2008-2009, Notes to the Financial Statement*, at 95, Note 27:

In March 2009, the Corporation’s Board of Directors approved a financial recovery plan to deal with the financial pressures the Corporation is facing. In June 2009, the Corporation submitted two Treasury Board submissions requesting the authority to sell receivables and net investment in sales-type leases to fund employee termination benefits and support programming areas until the benefits of the financial recovery plan are materialised.

At the date of approval of these Consolidated Financial Statements, **the Corporation is awaiting Treasury Board and Order in Council approval to proceed with the sale of these receivables and the net investment in sales-type leases.** Should such approval not be received, CBC|Radio-Canada will introduce other measures to manage its cash flow requirements, which may affect strategic plans and operations.

³⁷⁵ CBC, *Annual Report 2018-2019*, at

³⁷⁶ CBC, *Annual Report 2001-2002*, at 59: “In the event that significant changes in current year requirements occur, appropriations are transferred from one vote to another or reprofiled from one fiscal year to the next through Appropriations Acts tabled in the House of Commons.”

³⁷⁷ See also CBC, *Annual Report 1975-1976*, at 40 (Note 5, footnote 1): “¹. Reductions in payments as per letters from Secretary of the Treasury Board dated February 14, 1975 and June 13, 1975” (\$9.25 M in 1976).

³⁷⁸ Standing Committee on Communications and Culture, *A Broadcasting Policy for Canada*, (Ottawa, June 1988), at 243.

people and has long-term liabilities of more than \$700 million dollars³⁷⁹ necessitate a careful review of the CBC's performance and its financial requirements. Who – ultimately – is responsible for setting CBC's budget?

4. *Is CBC sufficiently independent of government?*

361. As mentioned at the outset of this research, CBC's independence from government is stipulated by Parliament's current *Broadcasting Act*:

S. 35(2) **This Part shall be interpreted and applied so as to protect and enhance the freedom of expression and the journalistic, creative and programming independence enjoyed by the Corporation** in the pursuit of its objects and in the exercise of its powers

s. 46(5) **The Corporation shall, in the pursuit of its objects and in the exercise of its powers, enjoy freedom of expression and journalistic, creative and programming independence.**

52 (1) **Nothing in sections 53 to 70 shall be interpreted or applied so as to limit the freedom of expression or the journalistic, creative or programming independence enjoyed by the Corporation** in the pursuit of its objects and in the exercise of its powers.

52 (2) Without limiting the generality of subsection (1), and notwithstanding sections 53 to 70 or any regulation made under any of those sections, **the Corporation is not required to**

(a) **submit to the Treasury Board or to the Minister or the Minister of Finance any information the provision of which could reasonably be expected to compromise or constrain the journalistic, creative or programming independence of the Corporation;**
or

(b) **include in any corporate plan or summary thereof submitted to the Minister pursuant to section 54 or 55 any information the provision of which could reasonably be expected to limit the ability of the Corporation to exercise its journalistic, creative or programming independence.**

[bold font added]

362. CBC had warned Parliament before the 1991 *Broadcasting Act* was passed that un reliable funding was problematic, and asked for predictable funding set for five years:

The lack of a reliable long-term financial framework for CBC remains a serious weakness in public broadcasting policy and in the arm's length relationship between CBC and government. The Board shares the often-expressed opinion that CBC funding should be on a five-year basis, and considers that the review of national broadcasting policy and legislation provides an opportunity to deal with this longstanding issue.³⁸⁰

³⁷⁹ CBC, *Annual Report 2018-2019*, at 72 (Consolidated Statement of Financial Position): pension plans (\$245.6 million), bonds payable (\$186.7 million), notes payable (\$71.6 million); see *Notes to the Financial Statement* at 135 for the \$215 million in long-term programming contractual commitments.

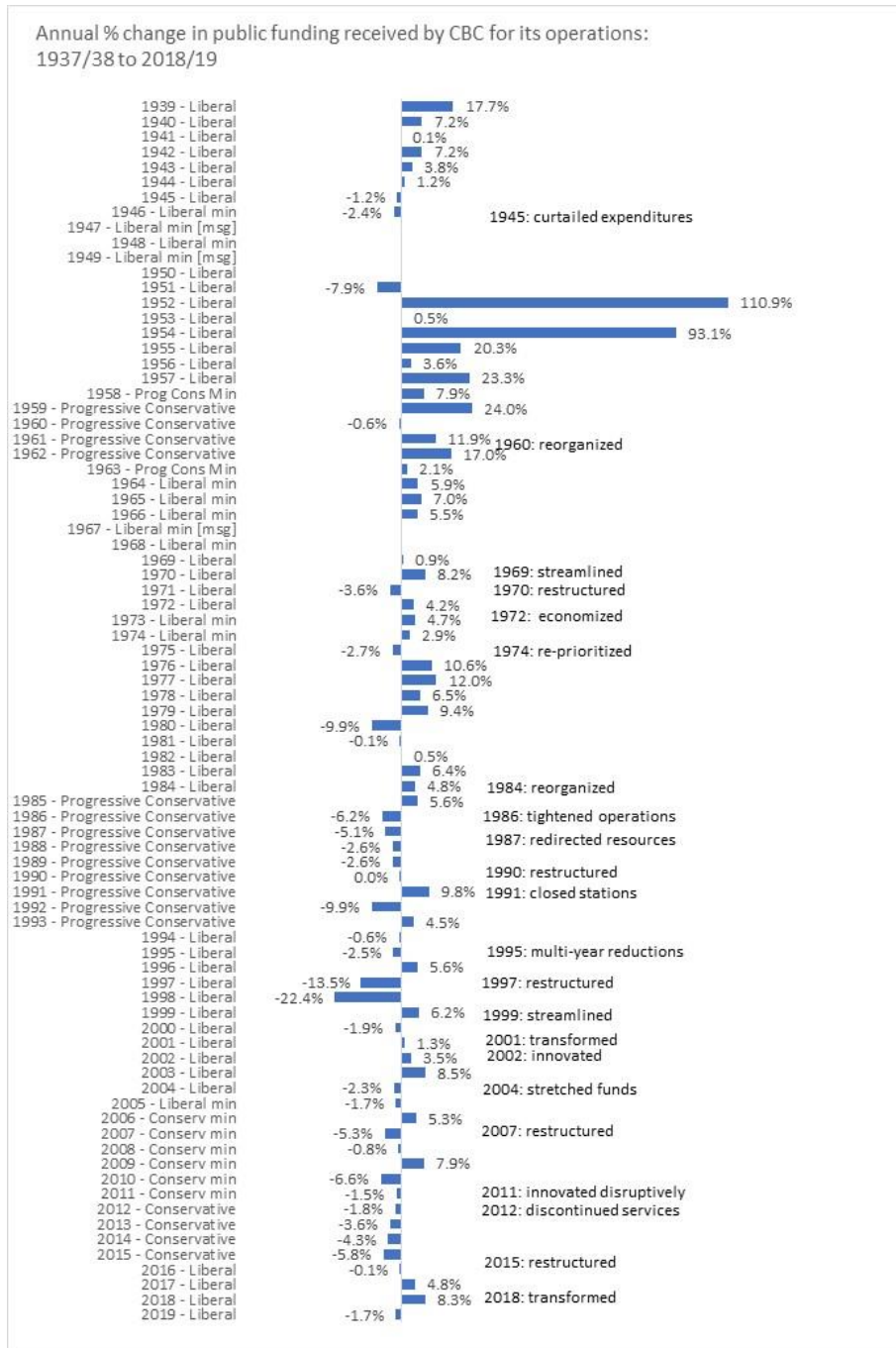
³⁸⁰ CBC, *Annual Report 1987-1988*, at 6.

363. Multi-year funding matters as it affects the existence and perception of independence. For a public broadcaster like CBC to be, and to be perceived as, independent of government, that independence provides audiences with confidence about its impartiality. The more closely a broadcaster is tied financially to government, the more concerns may be raised about the relationship between the broadcaster and the government and the actual or perceived partiality of the broadcaster towards the government.
- CBC, Annual Report 2009-2010, at 48, bold font added:
GOVERNMENT FUNDING
 CBC | Radio-Canada was subject in 2009–2010 to a Government Strategic Review evaluating programs and spending to identify the lowest-priority activities representing five per cent of our Government appropriation. The Government's March 2010 Budget stated "...reallocations were not necessary as programs delivered by [CBC | Radio-Canada] are aligned with the priorities of Canadians." This outcome removed some of the financial pressure facing the Corporation in 2010–2011, and **we appreciate the Government's recognition of our services.**
364. A second important reason, related to the first, involves Canada's choice of democracy as its form of government. The independence of a national public broadcaster helps to ensure that its decisions to or not to report news are made for sound journalistic reasons, rather than to serve the current government's interests. An independent public broadcaster only merits public funding if it is fit for its purpose – if it supports, rather than distorts, the population's exercise of their democratic franchise.
365. A third important reason for the independence of a national public broadcaster is to provide those it serves with a sense of social identity, in the sense of reflecting Canadian values rather than the values of another nation-state. An independent public broadcaster only merits public funding if it reflects the life and lives of the population it serves, and is trusted to do so.
366. Fourth, perceptions about the CBC's independence of or dependence on Parliament may limit its ability to attract and retain the specialized personnel it needs to produce the high-quality programming that Canadians want and deserve. It scarcely seems rational to demand that CBC act in a more 'business-like' fashion, while – in the years after its major capital expansion had begun, 1960 on – simultaneously reducing its funding nearly as often (28 years) as increasing it (30 years). If programming quality declines, is this because it lacks qualified personnel, or because qualified personnel lack the resources to meet their professional standards?
367. The results of this paper's research establish that the public funding received by CBC for its operations is unpredictable, that fluctuations in its funding are unrelated to the overall performance of the economy (and, indirectly, to the resources available to Parliament), and that Parliament has often permitted Canada's largest cultural institution to operate with insufficient resources to meet the requirements established by Parliament for CBC. The research found that government policy to lend rather than grant CBC funding to build Canada's national public broadcasting system led to the point in 1976 where CBC's total debt to Canada amounted to 88% of the public funding it received for its operations – a debt that the government only wrote off six years later. Since CBC was established the public funding received by CBC for its

operations has increased in 45 years out of 76 (59%) and has decreased in the other 31 years (41%). Public funding for its operations has been declining for more than three decades.

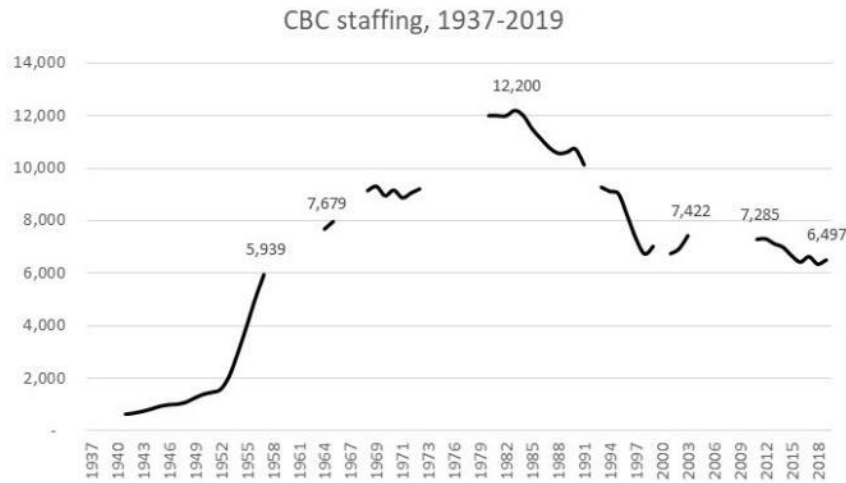
368. Throughout CBC regularly and promptly responded to its funding reductions, restructuring, streamlining and economizing many times over the years: Figure 57 (Appendix 9).

Figure 57 CBC's response to changes in its public funding, 1939-2019



369. CBC has also closed stations, sold its land, transmitters, buildings and receivables, and watched the deterioration of its buildings and archival audio-visual holdings.³⁸¹ Full-time staffing at CBC decreased 46% from 1983 to 2019: Figure 38.

Figure 58 CBC staffing, 1937-2019



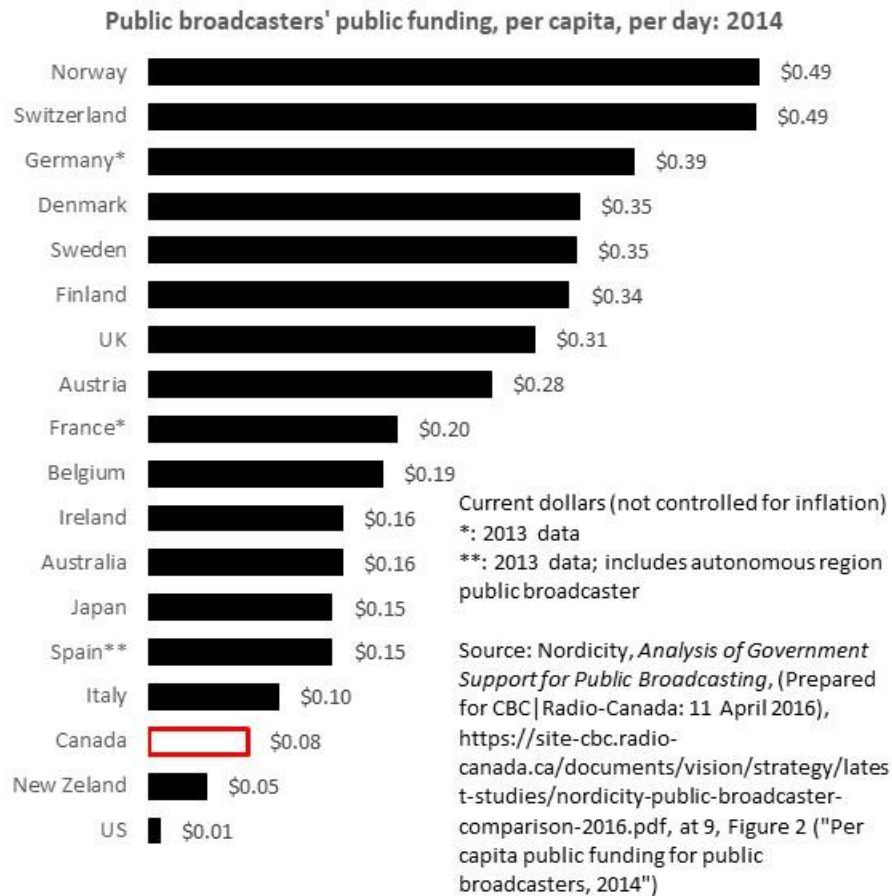
370. In fact, research undertaken by Nordicity on behalf of CBC found that in 2014 Canada ranked 16th out of 18 Western nations in terms of annual public funding for public broadcasters:

At \$29 per capita (all amounts in Canadian dollars, unless indicated otherwise), Canada’s level of public funding was third lowest among the 18 comparison countries; only New Zealand (\$17 per capita) and the US (\$3 per capita) posted lower levels of public funding (Figure 2). Canada’s level of public funding was 64% less than the average of \$86 across the 18 comparison countries.

371. Nordicity’s data – converted to expenditures per capita, per day – are shown in Figure 59.

³⁸¹ CBC, *Annual Report 1998-1999*, at 54.

Figure 59 Public funding for public broadcasters in 2014: international comparison



- 372. The general decrease in CBC's operational funding since the mid-180s and the deficits it has incurred in more than half the years since 1990 are grounds for concern that CBC's independence has been compromised. Behind-closed-door decisions by government departments to permit or restrict CBC's access to its public funding, and by governments to supplement or reduce its funding, tend to increase CBC's dependence on such funding and to increase its reliance on the continued good will of each current government.
- 373. The basic problem for CBC – and Parliament – is that it is impossible for CBC or national public broadcasters in general to prove their independence. What evidence could show that CBC's programming decisions have nothing to do with its dependence on government funding? Surveys of Canadians' attitudes towards CBC's independence, after all, measure perception of independence, rather than actual independence.
- 374. Suppose CBC undertook – at significant cost – regular, objective quantitative analyses of every hour of its programming, and that these analyses showed that CBC decisions about the programming it broadcast were entirely independent of government funding decisions. Doubt could be raised because such analyses would be incomplete: they would not provide any data about CBC's decisions NOT to broadcast specific programming, although those decisions may be

- as important as decisions about what to broadcast when it comes to programming independence.³⁸²
375. Moreover, even if quantitative analyses of decisions to broadcast and not to broadcast established that CBC is, in fact, operating independently of the government and Parliament, would this convince all or even most people of CBC's independence in light of CBC's ongoing dependence on and gratitude towards government and Parliament for even small sums of public funding?
376. Independence therefore has both objective and subjective dimensions: CBC's programming decisions must be independent of its dependence on public funding, and must be seen to be independent of that funding.
377. At present, the actual process through which CBC's funding is finally determined is at best obscure. It reports to at least four Ministers of the government (Heritage, Finance, Treasury Board, Official Languages) and apparently negotiates with two of them over its operating and capital appropriations. The parameters of these discussions are unknown. As for Parliament, it appears to debate and vote on appropriations for the Corporation, but rarely considers or requests information about programming outcomes.
378. Accountability is therefore obscure. CBC's Board of Directors does not publish the information it receives from CBC's staff. Parliament authorizes appropriations for CBC, but receives little or no information about the use of operating funds to produce, buy and broadcast programming. The Auditor General of Canada reports on the accuracy of CBC's accounts, its compliance with the *Financial Administration Act*,³⁸³ part 3 of the *Broadcasting Act* and CBC's by-laws, but has no authority over CBC's funding and does not appear to review information about CBC's programming. The CRTC receives information from CBC about the TV programming it broadcasts, but does not publish its reviews (if any) of that information or of CBC's radio programming, but has no authority over CBC's funding.
379. If it is worth funding a national public broadcaster to provide Canadians with programming that reflects their lives, needs and interests, who should be held to account for the funding of that programming, and of CBC's operations in general?

³⁸² The influence could be thought of as 'decision-making chill' – when a publisher's employees self-censor based on their understanding of what the publisher's managers and/or owners want, rather than on specific statements from those managers and owners.

³⁸³ Under Part X of the Financial Administration Act, CBC is required to:
Maintain financial and management control and information systems and management practices that provide reasonable assurance that its assets are safeguarded and controlled.
Ensure that its financial, human, and physical resources are managed economically and efficiently.
Ensure that its operations are carried out effectively.

5. Do CBC's Annual Reports enable its legislative mandate to be evaluated?

380. As mentioned at the outset of this research CBC exists to fulfill a specific role in Canada's broadcasting system. Currently, however, it is difficult to evaluate CBC's performance of this role because of problems with its *Annual Reports*:

- Few (22%) are available online
- None provides a complete financial history of CBC, definitions of terms such as "net results" or more than one prior year of information in its financial statements
- A quarter (24%) reported only the current year's financial position, and
- A quarter (27%) did not report CBC's payments to affiliates.

381. It is true that reports in the last twenty years provide more, and often clearer information, and since at least 2010, CBC has stated its commitment to greater transparency:

ENHANCING CORPORATE TRANSPARENCY

A key aspect of one of the Corporation's three corporate priorities, Pushing Forward, is to enhance corporate transparency. In this spirit, the following sections provide an overview of the Corporation's risk management process, key risks, internal controls, and more comprehensive financial reporting standards for the coming year.³⁸⁴

382. (The *Annual Report 2009-2010* is one of the reports that does not show CBC's total staff, unfortunately.)

383. Yet CBC no longer reports statistics that are core to its objectives – the production and broadcast of Canadian radio and television programming.³⁸⁵

384. CBC's *Annual Reports* have not always ignored its programming. Here is part of its 1965 report – setting out total hours of programming, their cost, the number of homes served by CBC, and hours on air.³⁸⁶

³⁸⁴ CBC, *Annual Report 2009-2010*, at 51.

³⁸⁵ See e.g. CBC, *Annual Report 1981-1982*, at 69 for information about average cost per hour of programming.

³⁸⁶ CBC, *Annual Report 1964-1965*, at 29.

Figure 60 Programming hours and program costs per hour for CBC radio and TV, 1962-1965

Radio Service	1962	1963	1964	1965
Program costs	\$ 13,992,000	\$ 14,359,000	\$ 14,307,000	\$ 15,738,000
Programming hours	51,699	52,653	53,217	61,914
Network distribution	\$ 2,493,000	\$ 2,430,000	\$ 2,233,000	\$ 2,367,000
Miles of networks	17,131	17,791	18,217	20,580
Stations on networks	223	207	228	247
Station transmission	\$ 1,449,000	\$ 1,446,000	\$ 1,493,000	\$ 1,728,000
Station hours on air	134,605	147,721	153,047	176,123
Net operating requirement	\$ 18,641,000	\$ 18,715,000	\$ 19,545,000	\$ 21,424,000
Radio homes	4,440,000	4,520,000	4,600,000	4,690,000
Television Service				
Program costs	\$ 54,369,000	\$ 55,646,000	\$ 60,081,000	\$ 63,881,000
Programming hours	19,461	21,171	22,451	24,317
Network distribution	\$ 7,569,000	\$ 7,716,000	\$ 8,196,000	\$ 8,360,000
Miles of networks	7,569	7,886	8,326	8,865
Stations on networks	102	140	143	185
Station transmission	\$ 2,444,000	\$ 2,584,000	\$ 2,914,000	\$ 3,276,000
Station hours on air	46,447	51,150	54,940	62,008
Net operating requirement	\$ 51,611,000	\$ 53,940,000	\$ 58,832,000	\$ 64,445,000
Television homes	3,950,000	4,160,000	4,320,000	4,470,000
Combined Services				
Income from public funds	\$ 70,252,000	\$ 72,655,000	\$ 78,377,000	\$ 85,869,000
Gross advertising and miscellaneous revenue	\$ 33,320,000	\$ 31,403,000	\$ 33,010,000	\$ 33,449,000
Total expense	\$103,572,000	\$104,058,000	\$111,387,000	\$119,318,000
EXPLANATORY NOTES:				
1. Programming hours include the hours of network programs and the total hours of non-network programs originated by individual stations.	lines and microwave connecting all the stations on the English and French networks.	3. The stations on networks include both CBC and privately owned basic and auxiliary stations. The decrease in radio stations shown for 1963 was related to the	combining of the Trans-Canada and Dominion networks.	4. The station hours on air represent the broadcasting time of the Corporation's stations, excluding in the case of radio, emergency broadcasting transmission from midnight to sign-on daily.
2. Miles of networks comprise the wire				

385. (It should be noted, though, that the report does not state how many programming hours were original (first-play) and how many were repeats.)
386. CBC's 2018/19 *Annual Report* includes six references to the word, "hours", of which three refer to programming, though somewhat broadly – "over 4,000 hours", "over 200 hours" and "tens of thousands of hours":
- 5: "The launch of CBC Gem was a major highlight this year, offering over 4,000 **hours** of acclaimed Canadian programming and a selection of best-in-class content from around the world."
- 6: "All this on top of some of the great cinema coming out of CBC Films. And we can't forget kids: CBC Gem is currently home to over 200 **hours** of advertising-free quality kids programming. We plan to double this number over the coming year, including original scripted series and a curated collection of Canadian and international shows to entertain young Canadians."

17: “We have eleven archivists working on eight Indigenous languages, and tens of thousands of **hours** of material have been digitized and catalogued since the launch of the project in 2017.”

62: “Directors are entitled to receive only one meeting fee for each day of work (24 hours) even if they attend more than one meeting during that period.”

119: “These service arrangements generally include the use of the Corporation’s facilities, equipment as well as labour **hours**.”

387. As mentioned earlier, none of the objective performance indicators, measurements and results in CBC’s current *Annual Report* describes the programming that CBC actually broadcast in 2018/19 – as previously discussed, they provide information useful for commercial purposes – selling ads:

Figure 61 CBC's performance indicators, 2018/19

CBC 2018-2019 RESULTS					
INDICATORS	MEASUREMENTS	RESULTS 2017-2018	TARGETS 2018-2019	RESULTS 2018-2019	PERFORMANCE AGAINST TARGET
Radio					
CBC Radio One and CBC Music 5-PPM Market Share	All-day audience share in the 5-PPM Markets ²⁰	12.8%	11.3%	13.5%	●
CBC Radio One National Reach	Monthly Average National Reach ²¹	7.7 M	7.7 M	7.7 M	●
CBC Music National Reach	Monthly Average National Reach ²⁰	4.5 M	4.5 M	4.6 M	●
Television					
CBC Television	Prime-time audience share ²⁰	7.6%	5.6%	5.0%	○
CBC News Network	All-day audience share ²⁰	1.4%	1.2%	1.4%	●
Regional					
Television Local 6 PM News	Average minute audience ²⁰	269 K	230 K	319 K	●
CBC Radio One 5-PPM Market share	Morning show audience share in the 5-PPM Markets ¹⁹	15.1%	14.7%	17.1%	●
CBC Radio One National Reach	Morning show audience, Monthly Average National Reach ²⁰	3.5 M	3.5 M	3.6 M	●
Digital					
CBC Digital Offering	Monthly average unique visitors ²²	16.1 M	15.6 M	17.4 M	●
Revenue²³					
Conventional, discretionary, online		\$295 M	\$213 M	\$212 M	●

● Target met or exceeded ● Target partially met ○ Target not met
 Our performance metrics are evolving as the media industry continues to undergo a digital transformation. Canadians consume media content on multiple devices (e.g., smartphones, tablets, smart TVs) from an ever-growing array of content providers. As media consumption habits change, audience measurement suppliers and the Corporation are refining methodologies and introducing new measurement technologies to ensure the accuracy and completeness of data gathered. Since some of these data are used to measure our strategic and operational performance, we may be required to make adjustments to targets and historical results to enhance comparability of the data.

387 CBC, *Annual Report 2018-2019*, at 28.

388. Rather than relevant facts and figures, CBC's *Annual Report* today offers bold slogans and colourful logos:

Figure 62 *Annual Report 2018-2019*, p. 31

LOOKING AHEAD - OUR NEW STRATEGIC PLAN 2019-2022

Your Stories, Taken to Heart



Putting Audiences First

Your Stories, Taken to Heart is our new three-year strategy. It builds on the success of our existing services and aims to increase and deepen audience engagement. Most importantly, it's all about you, our audience!



The more we can get to know you, the better we can serve you.

And, you deserve our best. Our best means taking your stories to heart. Doing so with creativity and integrity. And striving for inclusiveness and relevance every day in the stories we tell and share.

Our promise is to put you, our audiences, first; to prioritize our role as Canada's most trusted media brand; to earn your trust and work hard to keep it every day; and to build lifelong relationships with as many Canadians as we can. We're inspired to grow our lifelong engagement with you.

We are also going to address the financial challenges that everyone in our industry is facing. We will find new, innovative ways to increase the revenue we earn so that we counter the decline in revenue and ensure the stability of jobs and services in the future.

Mission

CBC/Radio-Canada celebrates Canadian culture and supports democratic life through a wide range of content that informs, enlightens and entertains.

A Champion of Canadian Culture

Given the growing dominance of global digital companies that threaten to drown out the country's stories, as well as its news and information, we are committed to ensuring that Canadian culture thrives in the future:

- **We will be a champion for Canadian voices and stories** in a world where the proliferation of foreign content could all too easily drown these out.
- **We will be a beacon for truth and trust** against "fake news" and algorithms that put democracy and the respect for different perspectives at risk.
- **We will offer solutions** to the rising dominance of digital global players. We will implement a plan to help make Canadian culture a strong, global business.
- **We will continue to call for policy changes** so that digital companies — both foreign and domestic — that are profiting from Canadians' love of content, contribute to the creation of Canadian culture, as traditional broadcasting companies already do.

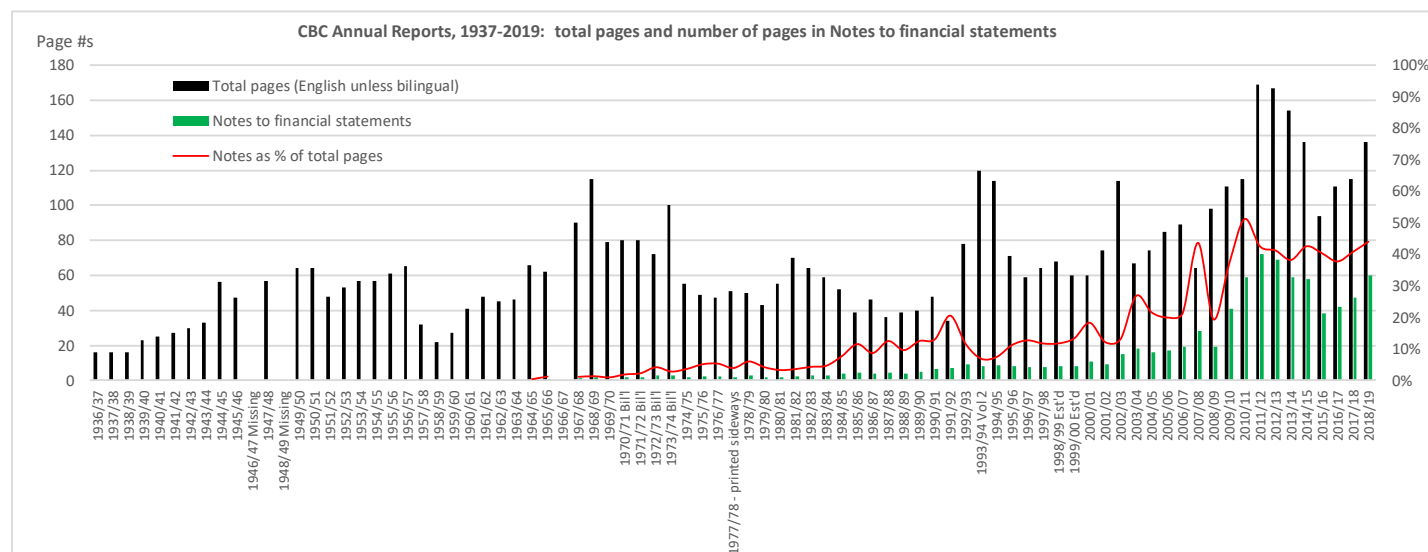
389. This is not to say that CBC's *Annual Reports* are shorter than before, or that it provides less information. Today's reports offer a plethora of financial data: Figure 63.

Figure 63 CBC's 2018/19 Annual Report, p. 71

Consolidated Financial Statements 2018-2019		ANNUAL REPORT 2018-2019
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390. The *Notes to the Financial Statements* now make up almost half of the entire report: Figure 64.

Figure 64 CBC Annual Reports: page length and length of Notes to financial statements



391. The problem with CBC's *Annual Reports* is that while much of the information they provide is wholly relevant to its finances, it is almost entirely irrelevant to its programming mandate.

392. Knowing more about programming – how many original hours of programming are being produced and broadcast annually – matters because of the number of services that CBC now offers, at least 28 in 2015:

Television		Radio		Online
Conventional	Discretionary	Conventional	Discretionary	
CBC TV	CBC News Network documentary	CBC radio one CBC radio 2	CBC radio 3 CBC music sonica	CBC.ca Cbcnews.ca Cbcsports.ca Cbcmusic.ca Cbcbooks.ca Curio.ca
Ici Radio-Canada Télé	ICI RDI ICI artv ICI explora	ICI Radio-Canada Première ICI Musique	ICI Musique Chansons ICI Musique Franco country	ICI tou.tv ICI Musique.ca ICI Radio-Canada.ca
CBC North		CBC North		
CBC News Express/RDI Express		Radio Canada International		

Source: CBC, *Annual Report 2014-2015*, at 24-27.

393. If CBC is producing more hours of original Canadian programming, it should say so. But if it is simply rebroadcasting the same programming, over different services, Canadians will be given the false impression of plenty when the reality is that original Canadian content is decreasing.

394. The Forum's concerns about the many, many changes in CBC's *Annual Reports* are based in part on the frustration of trying to develop a reasonably coherent history of CBC's funding in the face of those changes. Even today, in the 21st century, few historical data are presented in CBC's *Annual Reports*: Figure 65.

Figure 65 CBC Annual Reports and number of years of information provided in most financial statements

Current year only	Current and previous year	4 or more years:
First 19 years: 1936-37 through to 1954/55	1955-56 Through to 2018-19	Current and several previous years 1965-66 “significant statistics” – table with current and 4 previous years of certain data Five-year financial reviews (current and 4 previous years) 2000-01, at 60– results differ from previous <i>Annual Reports</i> 2001-02, at 67 2003-04, at 39 (“Financial results highlights from the past five years”) 2005-06, at 61 (“Financial highlights from the past five years”)

395. The Forum’s concerns are also based on the uneasy sense gained from reading paragraphs such as this in CBC’s 2018/19 *Annual Report* (at 46) that the Corporation bends over backwards to show that its Parliamentary appropriations are not decreasing, when they are:

Parliamentary appropriations for operating expenditures decreased by \$12.4 million (↓1.1%) in 2018-2019. Our overall base appropriation levels have remained unchanged and reflect the government’s reinvestment of \$150 million announced in Budget 2016. This year, operating funding received of \$1,097.8 million was lower by 1.1% mainly because last year’s operating appropriations included an additional amount as two years’ of salary inflation funding was received.

396. The Forum’s concern is also based on the fact that CBC’s general failure to provide clear, valid and reliable historical data is already leading to errors and hence, misunderstanding. For example, the “Financial Results Highlights from the Past Five Years” in CBC’s 2003-04 *Annual Report* shows Parliamentary appropriations from 2000 to 2004, including \$877 million in Parliamentary appropriations in 2003:

For the year ended March 31	2004	2003	2002	2001	2000
	(millions of dollars)				
Government funding					
Parliamentary appropriations	873	877	780	794	764
Non-recurring funding for programming initiatives	60	60	60	-	-
Revenue					
Advertising and program sales	282	284	319	349	329
Miscellaneous	95	73	82	65	79
Specialty Services	132	123	118	108	97
Allocation of funds					
Television and Radio services costs	1,330	1,198	1,151	1,043	1,052
Specialty Services expenses	116	117	104	100	93

397. CBC’s 2002/03 *Annual Report*, however, reports that its Parliamentary appropriation for operating expenditures were not \$877, but \$937.4 million (p. 93). The notes to that year’s financial statements (Note 4a, p. 99) detail the source of the \$937 million figure:

	2003	2002
	(thousands of dollars)	
Operating Funding		
Approved annual funding	864,891	855,574
Additional non-recurring funding for programming initiatives (Note 4d)	60,000	60,000
Transfer to capital funding – Supplementary Estimates B ¹	(7,459)	(15,170)
Frozen allotment used (reprofiled in future years)	20,000	(60,000)
Operating Funding Received	937,432	840,404

398. Similarly, in 2002/03 CBC reported that it received \$937.4 million for its operating expenditures – with another \$15.5 million reserved for RCI, and \$118 million in amortized capital funding:

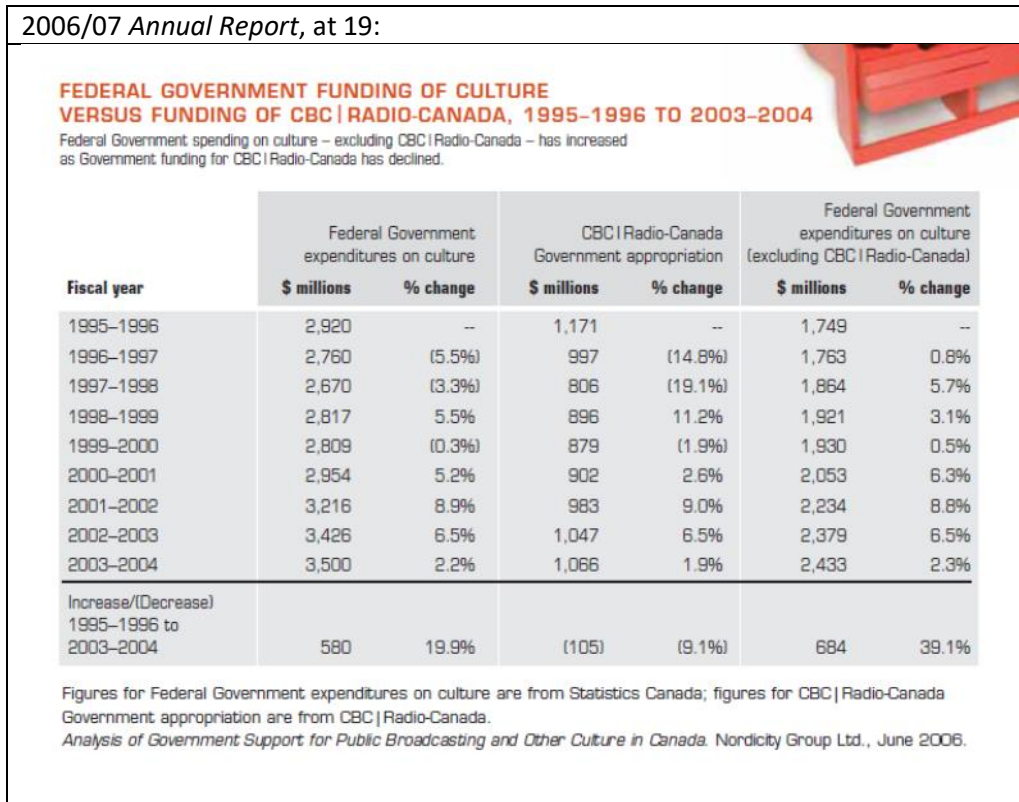
Consolidated Statement of Operations and Equity

For the year ended March 31

	2003	2002
	(thousands of dollars)	
REVENUE		
Advertising and program sales	284,410	319,257
Specialty Services (Note 6)	123,271	117,722
Miscellaneous	73,154	82,383
	480,835	519,362
EXPENSE		
Television and Radio service costs	1,197,501	1,150,557
Specialty Services (Note 6)	117,277	104,076
Transmission, distribution and collection	59,176	61,850
Radio Canada International	14,470	16,626
Payments to private stations	11,140	16,760
Corporate Management	15,461	15,402
Amortisation of capital assets	117,695	130,806
	1,532,720	1,496,077
Operating loss before Government funding and taxes	(1,051,885)	(976,715)
Government funding		
Parliamentary appropriation for operating expenditures (Note 4)	937,432	840,404
Funding reserved for Radio Canada International (Note 5)	15,501	15,418
Amortisation of deferred capital funding (Note 11)	118,049	130,953
	1,070,982	986,775
Net results before taxes	19,097	10,060
Recovery of income and large corporations taxes (Note 7)	(1,002)	(1,332)
Net results for the year	20,099	11,392
Equity, beginning of year	124,052	108,660
Working Capital Funding (Note 4)	4,000	4,000
Equity, end of year	148,151	124,052

The accompanying notes form an integral part of the financial statements.

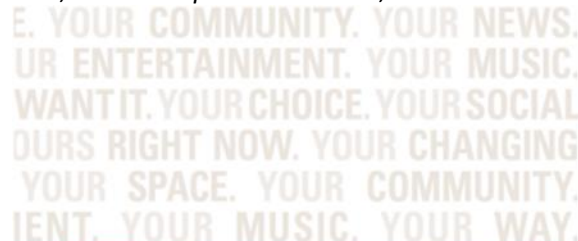
399. Four years later CBC’s 2006/07 *Annual Report* included a chart showing CBC’s “government appropriation” for 2003/04 as \$1,047 million:



400. Gaining a clear understanding of what Canada’s national public broadcaster is doing and how it is being funded should not be so difficult.

401. Nor should it be a puzzle.

CBC, Annual Report 2010-2011, at 67.



402. The loss of empirical information about programming and CBC’s long-standing decision to set out its own financial history have the serious and debilitating effect of eroding trust. Trust in

this context involves not only confidence in CBC's accurate reporting of its financial position to the people of Canada, but confidence that CBC is meeting its mandate and its general duty to ensure that it uses public funding responsibly. Worse, if it is true that pass down certain habits, practices and standards of excellence, Canadians should be legitimately concerned that CBC is passing down the habit of hiding any information that could be used to determine how much original Canadian programming it is producing and broadcasting in Canada.

403. If it is worth having a national public programming service, is it worth collecting and reporting data to permit the service's evaluation?

VI Suggestions for further empirical study regarding CBC

404. For those interested in CBC or public broadcasting in Canada, many questions remain unanswered due to lack of data. Some suggestions for filling in the gaps of knowledge about CBC and its role in Canada are set out below.
1. Compare changes in CBC's annual public funding with election cycles: do changes precede, occur at the same time or follow elections?
 2. Compare the five-year corporate plans with funding actually granted to CBC; what impact did changes to funding have on those plans?
 3. Compare CBC operating appropriations and programming expenditures with hours of original radio and TV programming broadcast by CBC (CBC's television logs, though not its radio logs, which detail the programming that CBC broadcasts each month are available at: <https://open.canada.ca/data/en/dataset/800106c1-0b08-401e-8be2-ac45d62e662e?wbdisable=true>; the CRTC posts some information about the program logs here: <https://crtc.gc.ca/eng/5000/tv14.htm>)
 4. Compare CBC's total and program funding with
 - a. Hours of original programming broadcast each year
 - b. Hours of original news broadcast each year
 - c. Hours of original 'local' programming broadcast each year

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Appendix 1 Studies involving or about CBC

- 1938 Select Standing Committee to review the policies of CBC
- 1939 L.W. Brockington, Chairman, Board of Governors, CBC, *Canadian Broadcasting: An Account of Stewardship*, Statement to the Radio Committee of the House of Commons (2-3 March 1939; extracted from the Minutes of Proceedings and Evidence, Nos. 2 and 3) [CU Call DDV CA1 BC 39C11]
- 1946 Report of the 1946 Parliamentary Committee
- 1951 Royal Commission on National Development in the Arts, Letters and Sciences, Special Committee on Radio Broadcasting, <https://www.collectionscanada.gc.ca/massey/h5-400-e.html>
- 1957 Royal Commission on Broadcasting, *Report* (Ottawa, 15 March 1957), http://publications.gc.ca/collections/collection_2016/bcp-pco/Z1-1955-37-1-eng.pdf [Fowler Report]
- 1960 Glassco: Royal Commission on Government Organization (addresses CBC in one of its chapters)
- 1961 House of Commons Special Committee on Broadcasting, *Report*, (Ottawa, 28 June 1961)
Proceedings: 24th Parl., 3rd sess. (Chairman: Mr. Louis Fortin), http://parl.canadiana.ca/view/oop.com_HOC_2403_12_1/5?r=0&s=1
- 1964 Secretary of State J.W. Pickersgill invites a three-person Committee "chosen from the Corporation, the Board of Broadcasting Governors and the Canadian Association of Broadcasters ... to ... exchange ... personal views on the system generally and especially its administrative facets. ... At year end [either March 1964 or December 1963] the Committee was preparing its final report." CBC, *Annual Report 1963-1964*, at 7.
- 1965 *Report of the Advisory Committee on Broadcasting* [Fowler 2]
- Royal Commission on Bilingualism and Biculturalism – preliminary report
- 1966 White Paper on Broadcasting – formed the basis of the 1968 *Broadcasting Act*
- 1969 Royal Commission on Bilingualism and Biculturalism, *Final Report* (six books, available online in two volumes: http://publications.gc.ca/collections/collection_2014/bcp-pco/Z1-1963-1-5-1-1-eng.pdf; http://publications.gc.ca/collections/collection_2014/bcp-pco/Z1-1963-1-5-1-2-eng.pdf)
- 1970 Special Senate Committee on Mass Media, Report [Davey committee]
- 1973 Government of Canada, *Proposals for a Communications Policy for Canada*, Green Paper (Information Canada: March 1973)
- 1979 Report of the Consultative Committee on the Implications of Telecommunications for Canadian Sovereignty [Clyne committee]
- 1980-1982 Applebaum-Hebert: Federal Cultural Policy Review Committee
- 1983 Department of Communications, "Towards a New National Broadcasting Policy"
- 1983 Department of Communications, "Building for the Future: Towards a Distinctive CBC"
- 1984 Department of Communications, *From Gutenberg to Telidon*, (Ottawa, 1984)
- 1985 Neilsen report: Federal Task Force on Program Review published its recommendations on culture and communications
- 1986 Task Force on the Non-Theatrical Film Industry, *Report*, (Ottawa, 1986) [Jensen-Macerola]
- 1986 Task Force on Broadcasting Policy, *Report*, (Ottawa, 1986) [Caplan-Sauvageau]
- Federal-Provincial Committee on the Future of French-Language Television issued its report
- 1987 House of Commons Standing Committee on Communications and Culture: Sixth Report
- 1987 Department of Communications, *Communications for the Twenty-First Century: Media and Messages in the Information Age* (Ottawa, 1987)
- 1992 Industry Canada. *Communications for the Twenty-First Century: Media and Messages in the Information Age*. Ottawa, 1992.
- 1992 Communications Canada, *A spectrum policy framework for Canada* (Ottawa, 1992)
- 1992 Standing Committee on Communications and Culture, *The Ties that Bind*, (Ottawa, 1992)
- 1993 Federal working group to "review CBC's funding situation"
- 1994 Parliamentary Standing Committee on Canadian Heritage: "role of the [CBC] .. potential sources of new revenues"
- 1995 Standing Committee on Canadian Heritage, *The Future of the Canadian Broadcasting Corporation in the Multi-Channel Universe*

- 1996 Mandate Review Committee of CBC, NFB and Telefilm Canada, *Making Our Voices Heard*, Report (Ottawa, 1996) [Juneau Committee]
- 1999 Standing Committee on Canadian Heritage, *A Sense of Place, A Sense of Being: The evolving role of the Federal government in support of culture in Canada*, Ninth Report (Ottawa, June 1999), <http://www.ourcommons.ca/DocumentViewer/en/36-1/CHER/report-9/>
- 2001 Federal government announces the *Tomorrow Starts Today* cultural policy, to foster arts and culture, maximize Canadians' access to arts and culture, and develop partnerships
- 2002 Department of Canadian Heritage, *Canadian Content for the 21st Century*, Discussion Paper (Ottawa, March 2002), <http://publications.gc.ca/collections/Collection/CH44-29-2002E.pdf>
- 2003 Canadian Heritage, *Northern Native Broadcast Access Program (NNBAP) & Northern Distribution Program (NDP) Evaluation: Final Report* (25 June 2003), <http://publications.gc.ca/collections/Collection/CH44-90-2003E.pdf>
- 2003 Department of Canadian Heritage, *Canadian Content in the 21st Century in Film and Television Productions: A Matter of Cultural Identity*, (Ottawa, 2003) [Macerola Report]
- 2003 Lincoln report: *Our Cultural Sovereignty: The Second Century of Canadian Broadcasting*, Report of the House of Commons Standing Committee on Canadian Heritage, (Ottawa, 11 June 2003) <http://publications.gc.ca/collections/Collection/CH44-48-2005E.pdf>
- 2006 Standing Senate Committee on Transport and Communications, *Final Report on the Canadian News Media* (2 volumes)
- 2007 Standing Committee on Canadian Heritage, *The Funding Crisis of the Canadian Television Fund: Report*, (Ottawa, March 2007), 39th Parl., 1st Sess., <http://www.ourcommons.ca/DocumentViewer/en/39-1/CHPC/report-17/>
- 2007 L. Dunbar & C. Leblanc, *REVIEW OF THE REGULATORY FRAMEWORK FOR BROADCASTING SERVICES IN CANADA* (Ottawa, 31 August 2007), http://publications.gc.ca/collections/collection_2008/crtc/BC92-62-2007E.pdf
- 2008 Standing Committee on Canadian Heritage, *CB/Radio-Canada: Defining Distinctiveness in the Changing Media Landscape: Report*, (Ottawa, February 2008) 39th Parl., 2nd Sess., <http://www.ourcommons.ca/DocumentViewer/en/39-2/CHPC/report-6/>
- 2015 Standing Senate Committee on Transport and Communications, *Time for change: CBC/Radio-Canada in the twenty-first century*, Report, (Ottawa, 2015), <http://publications.gc.ca/site/eng/9.802332/publication.html>
- 2018 Canadian Heritage, *Creative Canada – A Vision for Canada's Creative Industries*, (Ottawa, 28 September 2017), <https://www.canada.ca/en/canadian-heritage/campaigns/creative-canada/framework.html>

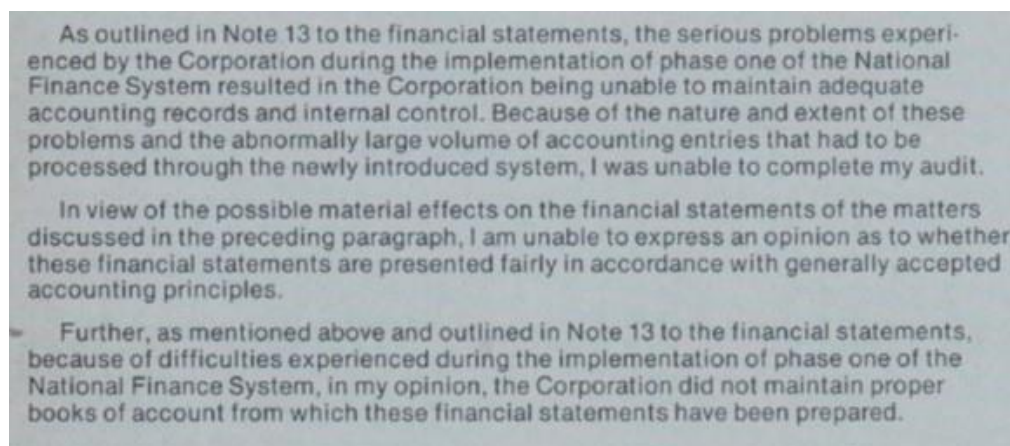
Appendix 2 Errors, changes in presentation, restatements and gaps

1. Once CBC's *Annual Reports* were located and relevant pages were scanned, CBC's financial data were entered in an excel dataset. This process was complicated by the errors, changes in presentation, restatements and gaps in CBC's reports, described below.

Errors

2. A preliminary challenge had to do with the accuracy of CBC's reports, though it was assumed that these were carefully written, reviewed by more than one person and, as a result, were likely quite accurate. Apart from an issue identified by CBC and the Auditor General in 1985/86 and several other minor problems, this assumption appears to be generally correct.
3. The issue identified by the Auditor General in 1985/86 involved CBC's "development and implementation of a new computer-based National Finance System including a general ledger, a budgetary control and an accounts payable system."³⁸⁸ Computerization took longer than expected, and the Auditor General declined that year to provide an opinion on CBC's accounts: Figure 66.

Figure 66 Auditor General opinion from 1985/86



(CBC, *Annual Report 1985-1986*, at 30)

4. The computerization issue was resolved by the following year, and the Auditor General confirmed that CBC's accounts for 1985/86 and 1986/87 were presented fairly and in accordance with generally accepted accounting principles.³⁸⁹

³⁸⁸ CBC, *Annual Report 1985-1986*, at 27 ("Financial Overview").

³⁸⁹ CBC, *Annual Report 1986-1987*, at 38.

Figure 67 Misidentified amount in 1951/52

EXPENDITURES	
<i>Sound Broadcasting</i>	
Programs	5,774,141.15
Engineering	2,193,015.09
Station Networks (Wire Lines)	1,270,321.54
Administration	628,645.41
Press and Information	321,023.32
Commercial	243,915.00
Interest on Loans	243,353.25
	10,674,415.36
Surplus	4,139,182.65
Deduct: Allowance for Depreciation and Obsolescence	
25% on Buildings	54,638.28
10% on Equipment	392,764.73
	447,403.01
Sound Broadcasting Operating Surplus	3,691,779.64
<i>Television Broadcasting (Preliminary Expenses)</i>	
Programs	128,703.66
Engineering	108,308.17
Administration	6,448.23
Miscellaneous	2,429.70
Deficit	245,889.76
Add: Allowance for Depreciation and Obsolescence —	
25% on Buildings	35,339.04
10% on Equipment	84,996.28
	120,335.32
Television Broadcasting Deficit	369,225.08
Net Operating Surplus	\$3,322,554.56

5. An apparent error was noticed in the 1951/52 statement of Income and Expenditures, identifying the amount of \$369,225.08 as a “Television Broadcasting Deficit”; this amount was actually the subtotal of television broadcasting expenditures for that year (Figure 67), and we identified it as such in the dataset.

6. In 1964/65 CBC’s description of expenditures with respect to RCI did not clearly reflect the information in the

Statement of International Service Expenditures for that year. According to the description RCI incurred gross expenditures of \$2.523 million in 1964/65; adding the expenditures in RCI’s statement shows total expenditures of \$2.499 million in 1964/65: Figure 68. Meanwhile, the net expenditure figures in the text and financial statement match (\$2.071 million). We used the \$2.499 million figure as RCI’s total expenses in the dataset for that year.

Figure 68 1964/65 mismatch between CBC’s text description and financial statement re RCI

CBC, Annual Report 1964-1965, at 21	<i>ibid.</i> at 27	Re-calculation:
INTERNATIONAL SERVICE The Corporation operates the International Service on behalf of the Government of Canada, and all maintenance and operational costs are borne by the Government. In accordance with the provisions of Order-in-Council P.C. 156/8855 dated November 17, 1943, the Corporation carries on its books and shows on its Balance Sheet as a separate item the total cost of the Crown’s property together with a like sum as a liability to the Government of Canada. Gross expenditures of the International Service during the year, totalling \$2,523,000, show an increase of \$210,000 or 9.1% from the previous year’s gross expenditures of \$2,313,000. From this is deducted revenue of \$451,000 paid by the Corporation to the International Service for occupancy of the Radio-Canada Building in Montreal and for use of the shortwave transmitter facilities by the Northern Radio Service. The net expenditures of \$2,072,000 represent an increase of \$188,000 or 10% over the previous year’s net operating expenditures which amounted to \$1,884,000.	Expenditures 1965 Programming and distribution: Production and transmission — general \$ 980,005 Television production 66,996 West European service 244,554 East European service 326,648 Latin American service 94,559 1,712,762 General overhead: Administration and general services 786,183 Less: revenue 427,000 359,183 Net expenditures 2,071,945	 Prod'n & trans'n \$980,005 Television prod'n \$66,996 W European service \$244,554 E European service \$326,648 L American service \$94,559 <hr/> Subtotal \$ 1,712,762 <hr/> Admin & gen services \$786,183 <hr/> Total \$ 2,498,945 <hr/> Less rev from CBC \$427,000 <hr/> Net expenditures \$ 2,071,945

- The *Financial Review* in the 1974/75 *Annual Report* identifies \$7.4 million in a “prior years [sic] vote carry-over”, while the *Notes to the Financial Statement* for the same year refer to “the unexpended balance of operating appropriations of current and prior years [amounting] to \$4,980,158”. It is unclear whether the two figures describe the same concept (previous year’s or years’ unexpended balance[s]), or whether one of the figures is an error. We used the lower of these two numbers (so as to underestimate any error).

Figure 69 1974/75 *Annual Report’s* references to carry-overs

<p>CBC, <i>Annual Report 1974-1975</i>, at 36</p>	<p>The funds required for the net cost of operations, excluding depreciation and amortization and net revenue with respect to the 1976 Summer Olympics, were provided for in the details of the votes approved by Parliament which comprised a Parliamentary payment of \$234,982,000 for broadcasting services, an allocation of \$3,000,000 from a Treasury Board supplementary vote and the use of prior years vote carry-over to the extent of \$7,403,000. The balance of these funds, amounting to \$3,081,000, has been refunded to Canada.</p>
<p><i>Ibid.</i>, at 44</p>	<p>At March 31, 1975, the unexpended balance of operating appropriations of current and prior years amounted to \$4,980,158, which in accordance with an agreement with Treasury Board has been retained by the Corporation and included in the Proprietor’s Equity account.</p>

- The 1977/78 *Annual Report* shows \$137.312 million in loans from Canada for 1977/78; the 1978/79 report shows \$197.88 million for that year: see Figure 70. In this case we assumed the \$137 million figure was an error, and used the data from the 1978/79 report.

Figure 70 Disparity in loan amounts for 1978/79

CBC, <i>Annual Report 1978-1977</i> , at 41			CBC, <i>Annual Report 1978-1979</i> , at		
Liabilities	(in thousands of dollars)		Liabilities	(in thousands of dollars)	
	1978	1977		1979	1978
Current liabilities			Current liabilities		
Accounts payable and accrued liabilities	79,981	62,072	Accounts payable and accrued liabilities	83,010	79,981
Refundable balance with respect to Parliamentary votes (Note 4)	58	7,294	Refundable balance of Parliamentary appropriations (Note 5)	757	58
Current portion of loans due to Canada (Note 3)	60,568	—		83,767	80,039
Interest on loans from Canada (Note 3)	56,213	—	Provision for employee termination benefits	48,161	44,555
	196,820	69,366	Advances from Canada (Note 6)	19,000	9,000
Provision for employee termination benefits (Note 6)	44,555	37,055	Loans from Canada (Note 7)		
Loans from Canada to finance the acquisition of fixed assets (Note 3)	137,312	197,880	— principal	197,880	197,880
Interest on loans from Canada (Note 3)	—	42,159	— accrued interest	70,266	56,213
				268,146	254,093

Figure 71 Inconsistent account notations in 1997/98

a. Parliamentary Appropriations
Approved and Received

	1998	1997
	<i>(thousands of dollars)</i>	
Approved appropriations for:		
Operating Funding		
• Annual funding	769,014	818,329
• Transfer from capital funding ⁽¹⁾	-	36,120
• Funding for RCI (Note 5)	(9,360)	-
	759,654	854,449
• Frozen allotment to offset the 1995-1996 repayable advance including imputed interest thereon ⁽²⁾	(56,669)	-
	702,985	854,449
Funding for downsizing program	-	41,975
Capital Funding (Note 9)	105,740	140,829
• Less transfer to operating funding ⁽¹⁾	-	36,120
• Less transfer to 1998-1999 (1997-1998 fiscal year ⁽¹⁾)	15,600	8,000
	90,140	96,709
Working Capital Funding	4,000	4,000

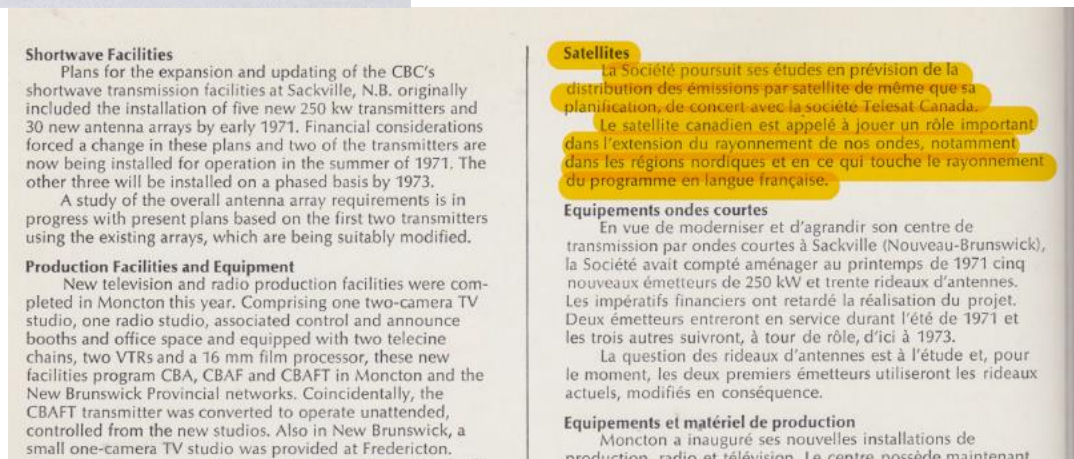
⁽¹⁾ In the event that significant changes in current year requirements occur, amounts are transferred from one vote to another or reprofiled from one fiscal year to the next through Appropriation Acts tabled in the House of Commons.

⁽²⁾ In 1995-1996, the Corporation received a \$50 million repayable advance to be recovered in future years through reduced funding levels.

9. The 1997/98 *Annual Report* used accounting notations inconsistently. Note 4a of the *Notes to the Financial Statement* indicates reductions of \$9.36 million and \$56.669 million reduction in CBC’s operating funding with parentheses (“(9,360)”, “(56,669)”), but indicates a \$15.6 million reduction in its capital funding without parentheses: “15,600”.³⁹⁰ These inconsistencies made it difficult to understand the CBC’s finances for those years and with respect to the matters they described, particularly with respect to frozen allotments.³⁹¹

10. We also happened to notice a gap in the text of the 1970/71 English-language and French-language texts, published that year side by side. The French-language text includes a brief discussion of satellites that is absent from the English-language text (on the same, the preceding or the following pages) – see Figure 72.

Figure 72 Missing text in 1970/71 *Annual Report*



(The French-language text, in English:

³⁹⁰ We believe the \$15.6 million figure was a deduction because the resulting subtotal of Capital funding - \$90.14 million – would otherwise be \$121.34 million.

³⁹¹ It was unclear, for example, when CBC’s ‘allotments’ were frozen and when they were used: did an allotment in parentheses mean that funding was frozen, or that the funding had been used?

The Corporation is continuing its studies and planning with respect to the distribution of programs by satellite, in conjunction with Telesat Canada. The Canadian satellite will play an important role in the extension of our services, notably in the northern regions and with respect to the broadcast of French-language programming.)³⁹²

11. As well, from time to time CBC described some of its programming services incorrectly. Radio Canada International (RCI) was described as a 'specialty' television service in the 1991/92 and 1992/93 *Annual Reports*.³⁹³ RCI was never a specialty television service: until it went off-air RCI broadcast programming from CBC to international audiences using short-wave transmitters; shortwave broadcasting services directed to international audiences were exempted from CRTC licensing in 1991.³⁹⁴ The Canadian Parliamentary Channel (CPaC)³⁹⁵ was also described as specialty or (using today's regulatory language) discretionary programming services: it was not licensed to CBC as a discretionary (or specialty) programming service.

Changes in presentation

12. The biggest challenge in collecting data about CBC's finances is that its presentation of this information changes so frequently, and typically without explanation.
13. Some changes are annoying but minor, having nothing to do with the information in the reports.³⁹⁶ Others may or may not be consequential, such as switching the appearance of income and expense in income-and-expense statements, or changing titles. CBC's statements of income and expense presented income before expenses from 1936/37 to 1957/58, presented expenses before income from 1958/59 to 1987/88 and again presented income before expenses from 1988/89 on. CBC's *Reports* changed the title every one of nine different sets of

³⁹² CBC, *Annual Report 1970-1971*, at 46.

³⁹³ At pages 32 and 17, respectively.

³⁹⁴ *ORDER EXEMPTING CERTAIN SHORTWAVE BROADCASTING UNDERTAKINGS*, Public Notice CBC 1991-105, (Ottawa, 8 October 1991). The CRTC issued a licence for CKCX Sackville, however, because one of its transmitters broadcast CBC's Northern Quebec service to audiences in Canada: *Licence renewal for CKCX*, Decision CBC 94-325 (Ottawa, 15 June 1994).

³⁹⁵ CPaC was exempted from CRTC licensing in 1992; see Public Notice CRTC 1992-6, (Ottawa, 17 January 1992), <https://crtc.gc.ca/eng/archive/1992/pb92-6.htm>.

³⁹⁶ Pagination and font size varied from one report to the next: some reports are paginated at the top of the page, others at the bottom and still others on the side of the page; some reports use large font, some use small; and in some cases, pages are not numbered at all (the 2003-2004 report, for instance, did not number each page, but every second page).

Other minor formatting changes include the location of financial statements – shifting from the end of the Annual Reports, to the beginning, the middle and to the back again. CBC in the 1960s also adopted the annoying practice of using lower-case title headings; reports from the 1980s on reverted to title-case headings.

Four reports (1970/71, 1971/72, 1972/73 and 1973/74) were printed with the English and French text side by side; the 1977/78 report was printed sideways (that is, where the other reports were printed with the long side of the paper placed vertically and the short size placed horizontally, that report was printed with the short size placed vertically and the longer side placed horizontally).

statements,³⁹⁷ including 17 different titles for its statements of income and expense, for example – see Table 30.

Table 30 Changes in titles of CBC's financial statements

Type of statement		Number
1 Balance sheet		
1	Balance Sheet	60
2	Consolidated Balance Sheet	12
3	Consolidated Statement of financial position	8
2 Income and expense		
1	Income and Expenditure	19
2	Statement of income and expense	1
3	Statement of operations	12
4	Consolidated Statement of Operations	6
5	Consolidated statement of operations and equity	1
6	Consolidated statement of operations and retained earnings [deficit]	1
7	Consolidated Statement of Income (Loss)	6
8	Consolidated Statement of Income	1
9	Consolidated statement of operations and comprehensive income (loss)	1
10	Consolidated statement of comprehensive income (loss)	11
11	Consolidated statement of income (loss)	1
12	Statement of Income and Expense	7
13	Statement of Income and Expense and Operating Parliamentary Appropriations	2
14	Statement of Operations	4
15	Statement of Operations and Proprietor's Equity	4
16	Statement of Operations and Equity	4
17	Statement of Income and Expense and Reconciliation to Government Funding Basis	10
3 Program production		
1	Schedule of National Broadcasting Service Program and Distribution Costs	4
2	Schedule of the National Broadcasting Service	5
4 Source of funds		
1	Statement of source of funds	2
2	statement of source of funds to discharge net cost of operations	3
3	Consolidated Summary of Funds Provided to Discharge Net Cost of Operations	1
4	Statement of Source and Application of Funds	2
5 Equity		
1	statement of proprietor's equity	1
3	Statement of Proprietor's Equity Account	35
4	Consolidated Statement of Proprietor's Equity Account	2
6 Changes in equity		
1	Consolidated statement of changes in equity	11
2	Consolidated statement of change in equity	1
7 Cash flow		
1	Statement of Cash Flow	17

³⁹⁷ The statements being: the balance sheet, income and expenditure statement, program production schedule, source of fund statement, statement of equity, statement of changes in equity, cash flow statement, surplus statement and statement of financial position.

Type of statement		Number
2	Consolidated Statement of Cash Flows	13
3	Consolidated Statement of Cash Flow	3
8 Surplus		
1	Statement of surplus	9
2	Consolidated Statement of Surplus	1
9 Financial position		
1	Statement of Changes in Financial Position	5
2	Consolidated Statement of Changes in Financial Position	6

14. Differences also emerged more recently in the presentation of future commitments. The 2008/09, 2009/10 and 2010/11 *Annual Reports* described “program-related and other” commitments extending into the future, showing financial amounts aggregated
- over 3 years in the 2008/09 report (\$292 million current, from 2015 to 2017)³⁹⁸
 - over 5 years in the 2009/10 report (\$213.5 million current, from 2016 to 2020)³⁹⁹ and
 - over 4 years in the 2010/11 *Annual Report* (\$172.846 million current, from 2017 to 2020).⁴⁰⁰
15. In 2011/12, CBC's *Annual Report* changed the aggregation of its future contractual commitments from individual future years, into groups of years: “Less than one year”, “Later than one year but not later than five years” and “More than five years”.⁴⁰¹
16. The CBC changed the presentation of its commercial income as well. In 1936/37 CBC reported its total (gross) commercial income and the expenses used to earn that income (enabling net commercial income to be calculated). It reported net commercial income in 1937/38, then reported gross commercial income from 1938/39 to 1940/41 and stopped identifying whether the commercial income was net or gross until the late 1950s. In 1957/58 the CBC said that it had previously stated commercial income on net basis, but would now report this income on a gross basis.⁴⁰² In 1978/79 CBC's income and expense statements stopped identifying whether advertising income was gross or net, but continued to report commissions to agencies, implying the advertising income was gross. In 1989/90, 1995/96 and 1996/97 CBC again reported its commercial income on a net basis.⁴⁰³ In 1998/99 it reported its discretionary service on a gross

³⁹⁸ CBC, *Annual Report 2008-2009*, at 82.

³⁹⁹ CBC, *Annual Report 2009-2010*, at 93.

⁴⁰⁰ CBC, *Annual Report 2010-2011*, at 92.

⁴⁰¹ CBC, *Annual Report 2011-2012*, at 140.

⁴⁰² CBC, *Annual Report 1957-1958*, at 25:

Commercial revenue is shown in the Corporation's Income and Expense Statement this year on the gross rather than on the net basis used in the past since, in the opinion of the Board of Governors and the Auditor General of Canada, the gross basis more properly reflects the manner in which the income is derived and its attendant expenses – agency and network commissions, payments to private stations and direct production costs recovered – are incurred. ...

⁴⁰³ CBC, *Annual Report 1989-1990*, at 32; CBC, *Rapport annuel 1995-1996*, at 65; CBC, *Annual Report 1996-1997*, at 55. It is unclear whether CBC reported its commercial income on a gross or net basis in 1997/98.

basis,⁴⁰⁴ and did not state the presentation basis of its advertising income. CBC also combined income from the sale of programming with its sale of advertising from 1997/98 to 2007/08.

17. Towards the end of the 20th century CBC's *Reports* gradually began to attribute its appropriations to 'government', rather than Parliament. Where the Statement of Operations in the 1996/97 *Annual Report* showed "Parliamentary appropriations" as a source of revenue, the 1997/98 Statement of Operations and Proprietor's Equity referred instead to "Government funding". Where the *Notes to the Financial Statement* in the 2010/11 *Annual Report* discussed "Parliamentary appropriations";⁴⁰⁵ the *Notes to the Financial Statement* in the 2011/12 *Annual Report* instead addressed "Government Funding".⁴⁰⁶ Figure 73. Lacking accounting training, we do not know whether changes in title, changes to the order of appearance of income and expense or changes in the source of funding in CBC's *Annual Reports* also denote changes in substance.

⁴⁰⁴ CBC, *Annual Report 1998-1999, Notes to the Financial Statement* at 64 (Note 4), and Statement of Operations and Proprietor's Equity at 58.

⁴⁰⁵ At 95, Note 23.

⁴⁰⁶ Previous *Annual Reports* of the Corporation also referred to "government funding" – see e.g. CBC, *Annual Report 2000-2001* at 42 "On a Government funding basis – the basis on which CBC/Radio-Canada's performance is measured – the Corporation's current year surplus is \$2.4 million, \$26.7 million when one includes the surplus carried over from the previous year"; the 2011/12 report was the first to attribute all Parliamentary appropriations to "government".

Figure 73 CBC's source of funding: from Parliament, to 'government'

<p>1996/97 Annual Report, p. 48</p> <p>STATEMENT OF OPERATIONS For the year ended March 31, 1997</p> <table border="1"> <thead> <tr> <th></th> <th>1997</th> <th>1996</th> </tr> <tr> <th></th> <th colspan="2">(thousands of dollars)</th> </tr> </thead> <tbody> <tr> <td>REVENUE</td> <td></td> <td></td> </tr> <tr> <td>Parliamentary appropriations (Note 3a)</td> <td>854,449</td> <td>963,229</td> </tr> <tr> <td>Other revenue, net (Note 4)</td> <td>283,516</td> <td>295,142</td> </tr> <tr> <td></td> <td>1,137,965</td> <td>1,258,371</td> </tr> </tbody> </table>		1997	1996		(thousands of dollars)		REVENUE			Parliamentary appropriations (Note 3a)	854,449	963,229	Other revenue, net (Note 4)	283,516	295,142		1,137,965	1,258,371	<p>1997/98 Annual Report, p. 54</p> <p>Statement of Operations and Proprietor's Equity For the years ended March 31</p> <table border="1"> <thead> <tr> <th></th> <th>1998</th> <th>1997</th> </tr> <tr> <th></th> <th colspan="2">(thousands of dollars)</th> </tr> </thead> <tbody> <tr> <td>REVENUE</td> <td></td> <td>(Restated - No)</td> </tr> <tr> <td>Advertising and program sales</td> <td>383,306</td> <td>364,834</td> </tr> <tr> <td>Specialty services (Note 5)</td> <td>87,383</td> <td>85,275</td> </tr> <tr> <td>Miscellaneous</td> <td>54,603</td> <td>53,738</td> </tr> <tr> <td></td> <td>525,292</td> <td>503,847</td> </tr> <tr> <td>EXPENSE</td> <td></td> <td></td> </tr> <tr> <td>Television and radio service costs</td> <td>1,065,009</td> <td>1,129,038</td> </tr> <tr> <td>Specialty services (Note 5)</td> <td>86,096</td> <td>85,420</td> </tr> <tr> <td>Transmission, distribution and collection</td> <td>64,107</td> <td>65,637</td> </tr> <tr> <td>Radio Canada International</td> <td>15,264</td> <td>15,657</td> </tr> <tr> <td>Payments to private stations</td> <td>12,295</td> <td>16,019</td> </tr> <tr> <td>Corporate management</td> <td>15,073</td> <td>15,696</td> </tr> <tr> <td>Amortization of capital assets</td> <td>135,379</td> <td>117,303</td> </tr> <tr> <td>Downsizing program (Note 6)</td> <td>18,336</td> <td>(19,312)</td> </tr> <tr> <td>Total expense before taxes</td> <td>1,411,559</td> <td>1,425,458</td> </tr> <tr> <td>Net operating loss before government funding and taxes</td> <td>(886,267)</td> <td>(921,611)</td> </tr> <tr> <td>GOVERNMENT FUNDING</td> <td></td> <td></td> </tr> <tr> <td>Parliamentary appropriation for operating expenditures (Note 4)</td> <td>759,654</td> <td>854,449</td> </tr> <tr> <td>Frozen allotment to offset the 1995-1996 repayable advance (Note 4)</td> <td>(56,669)</td> <td>-</td> </tr> <tr> <td>Net funding for operating expenditures</td> <td>702,985</td> <td>854,449</td> </tr> <tr> <td>Parliamentary appropriation for downsizing program (Note 4)</td> <td>-</td> <td>41,975</td> </tr> <tr> <td>Funding for Radio Canada International (Note 5)</td> <td>15,360</td> <td>5,179</td> </tr> <tr> <td>Amortization of deferred capital funding (Note 9)</td> <td>135,120</td> <td>116,741</td> </tr> <tr> <td>Net results of operations before taxes</td> <td>(32,802)</td> <td>96,733</td> </tr> </tbody> </table>		1998	1997		(thousands of dollars)		REVENUE		(Restated - No)	Advertising and program sales	383,306	364,834	Specialty services (Note 5)	87,383	85,275	Miscellaneous	54,603	53,738		525,292	503,847	EXPENSE			Television and radio service costs	1,065,009	1,129,038	Specialty services (Note 5)	86,096	85,420	Transmission, distribution and collection	64,107	65,637	Radio Canada International	15,264	15,657	Payments to private stations	12,295	16,019	Corporate management	15,073	15,696	Amortization of capital assets	135,379	117,303	Downsizing program (Note 6)	18,336	(19,312)	Total expense before taxes	1,411,559	1,425,458	Net operating loss before government funding and taxes	(886,267)	(921,611)	GOVERNMENT FUNDING			Parliamentary appropriation for operating expenditures (Note 4)	759,654	854,449	Frozen allotment to offset the 1995-1996 repayable advance (Note 4)	(56,669)	-	Net funding for operating expenditures	702,985	854,449	Parliamentary appropriation for downsizing program (Note 4)	-	41,975	Funding for Radio Canada International (Note 5)	15,360	5,179	Amortization of deferred capital funding (Note 9)	135,120	116,741	Net results of operations before taxes	(32,802)	96,733
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Other revenue, net (Note 4)	283,516	295,142																																																																																															
	1,137,965	1,258,371																																																																																															
	1998	1997																																																																																															
	(thousands of dollars)																																																																																																
REVENUE		(Restated - No)																																																																																															
Advertising and program sales	383,306	364,834																																																																																															
Specialty services (Note 5)	87,383	85,275																																																																																															
Miscellaneous	54,603	53,738																																																																																															
	525,292	503,847																																																																																															
EXPENSE																																																																																																	
Television and radio service costs	1,065,009	1,129,038																																																																																															
Specialty services (Note 5)	86,096	85,420																																																																																															
Transmission, distribution and collection	64,107	65,637																																																																																															
Radio Canada International	15,264	15,657																																																																																															
Payments to private stations	12,295	16,019																																																																																															
Corporate management	15,073	15,696																																																																																															
Amortization of capital assets	135,379	117,303																																																																																															
Downsizing program (Note 6)	18,336	(19,312)																																																																																															
Total expense before taxes	1,411,559	1,425,458																																																																																															
Net operating loss before government funding and taxes	(886,267)	(921,611)																																																																																															
GOVERNMENT FUNDING																																																																																																	
Parliamentary appropriation for operating expenditures (Note 4)	759,654	854,449																																																																																															
Frozen allotment to offset the 1995-1996 repayable advance (Note 4)	(56,669)	-																																																																																															
Net funding for operating expenditures	702,985	854,449																																																																																															
Parliamentary appropriation for downsizing program (Note 4)	-	41,975																																																																																															
Funding for Radio Canada International (Note 5)	15,360	5,179																																																																																															
Amortization of deferred capital funding (Note 9)	135,120	116,741																																																																																															
Net results of operations before taxes	(32,802)	96,733																																																																																															
<p>2010/11 Annual Report, p. 23</p> <p>CBC RADIO-CANADA NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS ANNUAL REPORT 2010-2011</p> <p>23. 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Capital Funding received is recorded as Deferred Capital Funding in the Consolidated Balance Sheet and is amortized and recognized on the same basis and over the same periods as the related property, equipment, intangible assets and equipment under capital lease.</small></p>		2011	2010		(thousands of dollars)		Operating funding			Base funding	980,814	983,185	Additional non-recurring funding for programming initiatives	60,000	60,000	Transfer to capital funding	(9,233)	(25,598)	Operating funding received	1,031,581	1,017,587	Capital funding			Base funding	92,331	92,331	Transfer from operating funding	9,233	25,598	Capital funding received	101,564	117,929	Working capital funding	4,000	4,000		1,137,145¹	1,139,516¹	<p>2011/12 Annual Report, p. 136</p> <p>ANNUAL REPORT 2011 - 2012 CBC/RADIO-CANADA. MORE CANADIAN. MORE REGIONAL. MORE DIGITAL.</p> <p>25. Government Funding</p> <p>Parliamentary appropriations approved and the amounts received by the Corporation during the year are as follows:</p> <table border="1"> <thead> <tr> <th>(in thousands of dollars)</th> <th>2012</th> <th>2011</th> </tr> </thead> <tbody> <tr> <td>Operating funding</td> <td></td> <td></td> </tr> <tr> <td>Base funding</td> <td>977,988</td> <td>980,814</td> </tr> <tr> <td>Additional non-recurring funding for programming initiatives</td> <td>60,000</td> <td>60,000</td> </tr> <tr> <td>Transfer to capital funding</td> <td>(9,341)</td> <td>(9,233)</td> </tr> <tr> <td>Operating funding received</td> <td>1,028,647</td> <td>1,031,681</td> </tr> <tr> <td>Capital funding</td> <td></td> <td></td> </tr> <tr> <td>Base funding</td> <td>92,331</td> <td>92,331</td> </tr> <tr> <td>Transfer from operating funding</td> <td>9,341</td> <td>9,233</td> </tr> <tr> <td>Capital funding received</td> <td>101,672</td> <td>101,564</td> </tr> <tr> <td>Working capital funding</td> <td>4,000</td> <td>4,000</td> </tr> <tr> <td></td> <td>1,134,319</td> <td>1,137,146</td> </tr> </tbody> </table> <p>Total funding approved and received by the Corporation for the year is not the same as the total government funding presented in the Consolidated Statement of Income (Loss). Capital Funding received is recorded as Deferred Capital Funding in the Consolidated Statement of Financial Position and is amortized and recognized on the same basis and over the same periods as the related property, equipment, intangible assets and equipment under capital lease.</p> <table border="1"> <thead> <tr> <th>(in thousands of dollars)</th> <th>March 31, 2012</th> <th>March 31, 2011</th> </tr> </thead> <tbody> <tr> <td>Balance, beginning of year</td> <td>602,025</td> <td>632,221</td> </tr> <tr> <td>Government funding for capital expenditures</td> <td>62,272</td> <td>61,564</td> </tr> <tr> <td>Amortization of deferred capital funding</td> <td>(90,270)</td> <td>(91,760)</td> </tr> <tr> <td>Balance, end of year</td> <td>674,027</td> <td>602,026</td> </tr> </tbody> </table>	(in thousands of dollars)	2012	2011	Operating funding			Base funding	977,988	980,814	Additional non-recurring funding for programming initiatives	60,000	60,000	Transfer to capital funding	(9,341)	(9,233)	Operating funding received	1,028,647	1,031,681	Capital funding			Base funding	92,331	92,331	Transfer from operating funding	9,341	9,233	Capital funding received	101,672	101,564	Working capital funding	4,000	4,000		1,134,319	1,137,146	(in thousands of dollars)	March 31, 2012	March 31, 2011	Balance, beginning of year	602,025	632,221	Government funding for capital expenditures	62,272	61,564	Amortization of deferred capital funding	(90,270)	(91,760)	Balance, end of year	674,027	602,026						
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18. Still other changes may reflect accounting standards of a particular era – a \$200,000 [\$1.6 million in \$2002] grant from the government is mentioned in the introduction to the Corporation’s 1949/50 financial statements but not identified by those statements.⁴⁰⁷ (We included the amount as ‘government funding’.) “Advances” were made during the 1970s “for working capital purposes”⁴⁰⁸ but ended in 1981/82 when CBC introduced a new line item for “working capital” in its statement of changes in financial position.⁴⁰⁹
19. At times the presentation did not change, but was simply unclear. During the 1950s, for example, the text of CBC’s ‘financial review’ did not reflect the information presented in its Income statement. The Statement of income shows two sources of Parliamentary funding – “Grants under Parliamentary appropriations” (\$18,250,000) and “Grant under section 14(4) of the Act” (\$18,923,029) – representing a total of \$37.173 million (current).

CBC, *Annual Report 1956-1957*, at 54, Statement of Income and expense (bold font added)

	1957	1956
INCOME		
Grants under Parliamentary appropriations	\$18,250,000	—
Grant under section 14(3) of the Act	—	\$ 6,250,000
Grant under section 14(4) of the Act	18,923,029	22,799,955
Total of grants:		
Grants under Parliamentary appropriations		\$18.250
Grant under section 14(4)		18.923
Subtotal		\$37.173

20. The Financial section in the same *Annual Report*, meanwhile, shows three sources of funding: an ‘extension’ of the fixed statutory grant under section 14(3) of the amended *1936 Canadian Broadcasting Act* for \$6.25 million; the equivalent of excise taxes (s. 14(4)) for radio (\$6.337 million) and TV (\$12.586 million) and an appropriation for both capital and operating purposes for television (\$12 million). The three sources of funding also total \$37.173 million.

⁴⁰⁷ CBC, *Annual Report 1949-1950*, at 57 (“Financial”):
On April 1, 1949, the CBC took over the facilities of the Broadcasting Corporation of Newfoundland. This absorption, together with a grant of \$200,00 from the Government of Canada, has resulted in a surplus of \$361,675.88.

⁴⁰⁸ CBC, *Annual Report 1980-1981, Notes to the Financial Statement*, at 51 (“4. Advances from Canada”).

⁴⁰⁹ CBC, *Annual Report 1981-1982, Notes to the Financial Statement*, at 63: the “statement of changes in financial position for the year ended march 31, 1982” [lower case in original text] shows ‘advances’ of \$10 million in 1980/81 and of \$0 in 1981/82, and shows ‘working capital’ of \$0 in 1980/81 and of \$10 million in 1981/82.

Ibid., at 50 (“Financial”, “Radio Broadcasting and Integrated Services”)

Radio Broadcasting and Integrated Services				
Income Total income was increased over 1955-56 by \$930,768 representing a 6.8% increase.		Miscellaneous Income This item is made up primarily of supervision of the International Service, subscriptions to the CBC Times, cash discounts on purchases and bank interest.		
Government Grants The grant in the amount of \$6,250,000 under parliamentary appropriation was an extension of the grant under Section 14(3) of the Act which terminated on March 31, 1956. The grant amounting to \$6,336,840 representing the equivalent of the excise tax levied on the sale of radio receivers and associated parts was 25% greater than the previous year.		Expense Operating expenses increased by \$441,639 or 3.2% over 1955-56.		
Television Broadcasting Service				
Income Total income was increased over 1955-56 by \$9,415,795, representing a 37.1% increase.		greater than the previous year, representing a 32.9% increase. Gross commercial revenue was \$5,313,841 greater, representing a 32.9% increase.		
Government Grants The grant in the amount of \$12,000,000 under parliamentary appropriation was towards the anticipated operating deficit and capital expenditures of the Television Service. The grant amounting to \$12,586,189 representing the equivalent of the excise tax on the sale of television receivers and associated parts was 29% less than 1955-56.		Profit on Sale of Bonds The profit has been realized either through the sale of bonds or through redemption at the date of maturity.		
		Expense		
Summary of information in “Financial review” and “Statement of income”	Financial review			Statement of income
	Radio	TV	Radio and TV	[Combined]
Appropriation (operating and capital)		\$12.000	\$ 12.000	\$ 18.250
Fixed grant (s. 14(3))	\$ 6.250		\$ 6.250	
Excise tax equivalent	\$ 6.337	\$12.586	\$ 18.923	\$ 18.923
Total	\$12.587	\$24.586	\$ 37.173	\$ 37.173

21. The 1956/57 *Annual Report* does not explain the Financial review’s claim that CBC was still receiving a fixed grant that was not shown in the Income statement, or why the Income statement presents total operating appropriations for both operating and capital purposes as income (in 1958/59 the CBC’s *Annual Reports* began to include a separate Statement of Proprietor’s Equity Account that sets out Parliamentary grants applied with respect to capital assets).
22. CBC did not clearly explain the composition of its operating appropriations at all times. In 1978/79, for example, its “Statement of Income and Expense” – where we generally began to seek information about CBC’s operating appropriations – showed “Parliamentary appropriations” of \$481.671 million. The *Notes to the Financial Statement* then show that CBC retained \$476.9 million from a “Payment to the Corporation in providing a broadcasting service” and also received \$5.061 million to provide “host country broadcasting services for the 1978 Commonwealth Games”, of which \$0.29 million was “Refundable to Canada”. Meanwhile, the CBC’s “Financial Highlights” mention under “*Parliamentary Appropriations*” that CBC actually

received \$457.1 million for its operating expenditures “and an additional \$19.8 million as a supplementary vote to be applied against the unfunded liability of the pension fund.”⁴¹⁰ In other words, determining that Parliament initially granted CBC \$447.1 million for its operations and that CBC ultimately received \$481.671 million required a reasonably detailed review of 11 pages of the *Annual Report*.

Figure 74 Hide and seek with respect to Parliament’s appropriations for CBC’s operations in 1979

<p><i>CBC, Annual Report 1978-1979 at 40</i></p> <p>Statement of Income and Expense for the Year Ended March 31, 1979</p> <p>Canadian Broadcasting Corporation</p> <p>(in thousands of dollars)</p> <table border="1"> <thead> <tr> <th></th> <th>1979</th> <th>1978</th> </tr> </thead> <tbody> <tr> <td>Expense</td> <td></td> <td></td> </tr> <tr> <td>Program and distribution costs (see supporting Schedule A for details)</td> <td>561,185</td> <td>480,180</td> </tr> <tr> <td>Radio Canada International, broadcasting service</td> <td>10,525</td> <td>9,423</td> </tr> <tr> <td>1978 Commonwealth Games</td> <td>7,250</td> <td>507</td> </tr> <tr> <td>Commission to agencies and networks</td> <td>15,611</td> <td>11,921</td> </tr> <tr> <td>Selling expense</td> <td>10,459</td> <td>8,721</td> </tr> <tr> <td>Corporate engineering service</td> <td>5,272</td> <td>4,961</td> </tr> <tr> <td>Corporate management service</td> <td>24,808</td> <td>20,948</td> </tr> <tr> <td>Interest on loans (Note 7)</td> <td>14,053</td> <td>14,053</td> </tr> <tr> <td></td> <td><u>649,163</u></td> <td><u>550,714</u></td> </tr> <tr> <td>Income</td> <td></td> <td></td> </tr> <tr> <td>Advertising</td> <td>107,987</td> <td>91,791</td> </tr> <tr> <td>1978 Commonwealth Games</td> <td>506</td> <td>—</td> </tr> <tr> <td>Miscellaneous</td> <td>5,131</td> <td>4,244</td> </tr> <tr> <td></td> <td><u>113,624</u></td> <td><u>96,035</u></td> </tr> <tr> <td>Excess of expense over income</td> <td>535,539</td> <td>454,679</td> </tr> <tr> <td>Deduct: Parliamentary appropriations</td> <td><u>481,671</u></td> <td><u>402,680</u></td> </tr> </tbody> </table>		1979	1978	Expense			Program and distribution costs (see supporting Schedule A for details)	561,185	480,180	Radio Canada International, broadcasting service	10,525	9,423	1978 Commonwealth Games	7,250	507	Commission to agencies and networks	15,611	11,921	Selling expense	10,459	8,721	Corporate engineering service	5,272	4,961	Corporate management service	24,808	20,948	Interest on loans (Note 7)	14,053	14,053		<u>649,163</u>	<u>550,714</u>	Income			Advertising	107,987	91,791	1978 Commonwealth Games	506	—	Miscellaneous	5,131	4,244		<u>113,624</u>	<u>96,035</u>	Excess of expense over income	535,539	454,679	Deduct: Parliamentary appropriations	<u>481,671</u>	<u>402,680</u>	<p><i>Ibid., at 45 (Notes to the Financial Statement)</i></p> <p>5. Proceeds from parliamentary appropriations</p> <p>(in thousands of dollars)</p> <table border="1"> <thead> <tr> <th></th> <th>Operating</th> <th>Capital</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>a) Payment to the Corporation in providing a broadcasting service</td> <td>476,900</td> <td>79,500</td> <td>556,400</td> </tr> <tr> <td>Refundable to Canada</td> <td>—</td> <td>467</td> <td>467</td> </tr> <tr> <td>Proceeds retained - March 31/79</td> <td><u>476,900</u></td> <td><u>79,033</u></td> <td><u>555,933</u></td> </tr> <tr> <td>- March 31/78</td> <td><u>400,200</u></td> <td><u>64,042</u></td> <td><u>464,242</u></td> </tr> <tr> <td>b) Payment to the Corporation in providing host country broadcasting services for the 1978 Commonwealth Games</td> <td>5,061</td> <td>239</td> <td>5,300</td> </tr> <tr> <td>Refundable to Canada</td> <td>290</td> <td>—</td> <td>290</td> </tr> <tr> <td>Proceeds retained - March 31/79</td> <td><u>4,771</u></td> <td><u>239</u></td> <td><u>5,010</u></td> </tr> <tr> <td>- March 31/78</td> <td><u>2,480</u></td> <td><u>220</u></td> <td><u>2,700</u></td> </tr> </tbody> </table>		Operating	Capital	Total	a) Payment to the Corporation in providing a broadcasting service	476,900	79,500	556,400	Refundable to Canada	—	467	467	Proceeds retained - March 31/79	<u>476,900</u>	<u>79,033</u>	<u>555,933</u>	- March 31/78	<u>400,200</u>	<u>64,042</u>	<u>464,242</u>	b) Payment to the Corporation in providing host country broadcasting services for the 1978 Commonwealth Games	5,061	239	5,300	Refundable to Canada	290	—	290	Proceeds retained - March 31/79	<u>4,771</u>	<u>239</u>	<u>5,010</u>	- March 31/78	<u>2,480</u>	<u>220</u>	<u>2,700</u>
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23. In 1995/96 the CBC similarly reported different amounts with respect to the operating appropriations that it received. Its “Statement of Operations and Reconciliation to Government

⁴¹⁰ CBC, *Annual Report 1978-1979*, at 36.

Funding” describes a Parliamentary operating appropriation of \$918.229 million, a transfer from its capital appropriation of \$45.000 million and a “Parliamentary appropriation for downsizing program” of \$106.025: *i.e.*, a total of \$1,019.204 million. A footnote in the *Notes to the Financial Statement* then explains that the \$106.025 in “Funding for downsizing program” includes a \$50 million repayable advance or loan – meaning that the actual downsizing appropriation received by CBC amounts to \$56.025 million. When the operating appropriation, capital transfer and downsizing appropriation are combined, it appears that CBC actually received \$1,019.254 million in operating appropriations – an amount that does not appear anywhere in the 1995/96 report’s financial section.

- 24. In several years CBC did not distinguish between the appropriations it was granted and those it received. CBC reported the appropriations it was granted in 1986/87 along with the amounts it was ‘refunding’ to the government, in 1987/88 it reported instead the appropriations ‘approved and received’ by the CBC – see Figure 75.

Figure 75 Change in CBC’s reporting of Parliamentary appropriations

1986/87 at note 5, p. 44					1987/88 at note 7, p. 35		
5. Parliamentary appropriations					7 PARLIAMENTARY APPROPRIATIONS		
	Operating	Capital (in thousands of dollars)	Working Capital	Total	The Corporation receives funds from the Parliament of Canada through annual appropriations. These funds are used to develop and provide a national broadcasting service. The appropriations approved and the payments received by the Corporation for 1988 and 1987 are noted below.		
Payments to the Corporation in providing a broadcasting service	782,673	68,428	4,000	855,101			
Refundable to Government of Canada	–	168	–	168			
Retained – 1987	782,673	68,260	4,000	854,933		1988	1987
– 1986	789,638	64,788	2,500	856,926		(thousands of dollars)	
					Appropriations:		
					Operating	792,266	782,673
					Capital	91,344	68,260
					Working Capital	4,000	4,000
						887,610	854,933

- 25. CBC again reported the two sets of information, beginning in 1990/91. This change also occurred in 1992/93 (stopped distinguishing between the two sets of information) and 1995/96 (resumed separate reporting).
- 26. On its face the phrase, “appropriations approved and the payments received”, implies that the amounts granted and received were identical. In 1992/93, however, the phrase was used even though the amounts were not identical. The 1992/93 *Annual Report’s* Statement of Income and its *Notes to the Financial Statement* both describe the operating appropriation as \$952.062 million, yet a table following the *Notes to the Financial Statement* shows CBC’s operating appropriations for 1992/93 as \$918.5 million, supplemented by \$40.6 million in “one-time assistance”: Figure 76.

Figure 76 Differences in appropriations granted and appropriations received

CBC, Annual Report 1992-1993, Volume 2					
P. 10: “Statement of Income and Expense and Reconciliation to Government Funding Basis” STATEMENT OF INCOME AND EXPENSE AND RECONCILIATION TO GOVERNMENT FUNDING BASIS For the year ended March 31, 1993			P. 17: Notes to the Financial Statement 3. Parliamentary Appropriations The Corporation receives funds from the Parliament of Canada through annual appropriations. The appropriations approved and the payments received by the Corporation for 1993 and 1992 are noted below.		
	1993	1992		1993	1992
	(thousands of dollars)				
Income					
Parliamentary operating appropriation (Note 3)	959,062	900,562		959,062	900,562
Net advertising	304,536	320,098		146,684	126,475
Miscellaneous	67,265	58,037		4,000	4,000
	1,330,863	1,278,697		1,109,746	1,031,037
P. 24: “Source and Application of Operating and Capital Funds”					
	1989	1990	1991	1992	1993
	(millions of dollars)				
OPERATING FUNDS					
Source of funds:					
Parliamentary Appropriations					
Operating	810.4	849.3	910.1	900.6	918.5
Plus: • One-time assistance	—	—	—	—	40.6
• Restructuring	—	—	50.0	—	—
• Transfer from Capital	—	—	25.1	—	—
Operating revenue	320.2	373.3	363.5	378.1	371.8
Previous year’s carry forward	4.3	6.6	(23.1)	8.3	(1.1)
	1,134.9	1,229.2	1,325.6	1,287.0	1,329.8

27. The *Notes to the Financial Statement* in the 1993/94 *Annual Report* similarly implied that CBC had been granted and received \$954.7 million in operating appropriations, while a summary table at the back of the report shows CBC received \$946 million in operating appropriations, which was supplemented by an \$8.7 million transfer from its capital appropriation.⁴¹¹ In these two instances we used the summary table information to describe the appropriations granted by Parliament to CBC; given uncertainty about the information we omitted ‘operating appropriations granted’ data for the three years from 1987/88 to 1989/90.

28. Other changes in presentation complicated year-to-year comparisons undertaken to doublecheck data. For instance, three reports in the late 1990s changed both the layout and the content of CBC’s operating statement: among other things, while the 1994/95 report includes a line identifying a surplus at the beginning of the year, the 1997/98 report does not, referring instead to proprietor’s equity at the beginning of the year - Figure 77.

⁴¹¹ CBC, *Annual Report 1993-1994*, at 110; Statement of Income and Expense and Reconciliation to Government Funding Basis at 104; Summary – Source and Application of Operating and Capital Funds at 118.

Figure 77 Changes in CBC's statement of operations from 1995 to 1998

1994/95 Annual Report at 98

Income
Parliamentary operating appropriation (Note 3)
Net advertising
Miscellaneous
Expense
Television services (see Schedule A)
Radio services (see Schedule A)
Corporate management and engineering services
Selling, merchandising and business ventures
Specialty services (Note 4)
Downsizing and expense reduction programs (Note 5)
Total expense before taxes
Income and large corporations taxes (Note 6)
Total expense after taxes
Excess of expense over income
Reconciliation to government funding basis
Deduct: Net items not requiring current operating funds (Note 3)
(Deficit) surplus for the year
Surplus, beginning of year
Surplus, end of year

1996/97 Annual Report at 48

REVENUE
Parliamentary appropriations (Note 3a)
Other revenue, net (Note 4)
EXPENSE
Television and radio service costs
Transmission, distribution and collection
Payments to private stations
Corporate management
Total expense before downsizing expense and taxes
Net operating loss before downsizing expense and taxes
Downsizing program (Note 5)
Parliamentary appropriation for downsizing program (Note 3a)
Provision for income and large corporations taxes (Note 6)
Net operating loss for the year
Reconciliation to government funding basis:
Deduct: Net items not requiring current operating funds (Note 3b)
Operating fund surplus (deficit) for the year
Operating fund (deficit) surplus, beginning of year
Operating fund surplus (deficit), end of year

1997/98 Annual Report at 54

REVENUE
Advertising and program sales
Specialty services (Note 5)
Miscellaneous
EXPENSE
Television and radio service costs
Specialty services (Note 5)
Transmission, distribution and collection
Radio Canada International
Payments to private stations
Corporate management
Amortization of capital assets
Downsizing program (Note 6)
Total expense before taxes
Net operating loss before government funding and taxes
GOVERNMENT FUNDING
Parliamentary appropriation for operating expenditures (Note 4)
Frozen allotment to offset the 1995-1996 repayable advance (Note 4)
Net funding for operating expenditures
Parliamentary appropriation for downsizing program (Note 4)
Funding for Radio Canada International (Note 5)
Amortization of deferred capital funding (Note 9)
Net results of operations before taxes
Provision for income and large corporations taxes (Note 7)
Net results of operations for the year
Proprietor's equity, beginning of year
Working Capital Funding (Note 4)
Proprietor's equity, end of year

29. Some changes in presentation limited year-to-year comparisons. The 1937 Annual Report, for example, sets out income from "Commercial Broadcasting", the 1938 report presents "Net ... Commercial Revenue", and the 1939 report presents "Commercial Broadcasting (Gross)". The 1942 Annual Report simply reports "Commercial Broadcasting" without explaining whether this figure includes or excludes expenditures. In 1957/58 CBC reported "commercial broadcasting (gross)" income "since, in the opinion of the Board of Governors and the Auditor General of Canada, the gross basis more properly reflects the manner in which the income is derived and its attendant expenses – agency and network commissions, payments to private stations and direct production costs recovered – are incurred. ...".⁴¹² In 1978/79 CBC stopped describing its advertising revenue as either gross or net.⁴¹³ Confusing matters still further, it added program sales income to its advertising income, from 1996/97 on.

30. Such changes would not matter if CBC consistently identified and explained them but it typically did not, leaving an average reader (*i.e.*, not an accounting professional) uncertain as to their impact. Rather than attempting to calculate a single, consistent measure of advertising income

⁴¹² CBC, *Annual Report 1957-1958*, at 25.

⁴¹³ The *Notes to the Financial Statement* for that year do not mention commercial income or explain that it is presented on a gross basis. Presumably readers are expected to deduce this from the ongoing inclusion of agency commissions within CBC's expenses.

(which may well be possible), we reported the data as presented and classified it as 'sales' income.

31. Another example of CBC's presentation changing without explanation involved its use, beginning in 1997/98, of working capital to reduce the deficit shown in its Statement of Operations.

Figure 78 Change in CBC's presentation of working capital from 1996/97 to 1997/98

STATEMENT OF OPERATIONS		
For the year ended March 31, 1997		
	1997	1996
(thousands of dollars)		
REVENUE		
Parliamentary appropriations (Note 3a)	854,449	963,229
Other revenue, net (Note 4)	283,516	295,142
	<u>1,137,965</u>	<u>1,258,371</u>
EXPENSE		
Television and radio service costs	1,106,231	1,191,529
Transmission, distribution and collection	80,388	85,858
Payments to private stations	16,019	16,185
Corporate management	16,622	22,085
Total expense before downsizing expense and taxes	<u>1,219,260</u>	<u>1,315,657</u>
Net operating loss before downsizing expense and taxes	(81,295)	(57,286)
Downsizing program (Note 5)	(19,312)	205,501
Parliamentary appropriation for downsizing program (Note 3a)	(41,975)	(106,025)
Provision for income and large corporations taxes (Note 6)	2,959	3,041
Net operating loss for the year	<u>(22,967)</u>	<u>(159,803)</u>
Reconciliation to government funding basis:		
Deduct: Net items not requiring current operating funds (Note 3b)	63,921	153,018
Operating fund surplus (deficit) for the year	40,954	(6,785)
Operating fund (deficit) surplus, beginning of year	(6,429)	356
Operating fund surplus (deficit), end of year	<u>34,525</u>	<u>(6,429)</u>

Statement of Operations and Proprietor's Equity		
For the years ended March 31		
	1998	1997
(thousands of dollars)		
(Restated - Note 3)		
REVENUE		
Advertising and program sales	383,306	364,834
Specialty services (Note 5)	87,383	85,275
Miscellaneous	54,603	53,738
	<u>525,292</u>	<u>503,847</u>
EXPENSE		
Television and radio service costs	1,065,009	1,129,038
Specialty services (Note 5)	86,096	85,420
Transmission, distribution and collection	64,107	65,637
Radio Canada International	15,264	15,657
Payments to private stations	12,295	16,019
Corporate management	15,073	15,696
Amortization of capital assets	135,379	117,303
Downsizing program (Note 6)	18,336	(19,312)
Total expense before taxes	<u>1,411,559</u>	<u>1,425,458</u>
Net operating loss before government funding and taxes	(886,267)	(921,611)
GOVERNMENT FUNDING		
Parliamentary appropriation for operating expenditures (Note 4)	759,654	854,449
Frozen allotment to offset the 1995-1996 repayable advance (Note 4)	(56,669)	-
Net funding for operating expenditures	<u>702,985</u>	<u>854,449</u>
Parliamentary appropriation for downsizing program (Note 4)	-	41,975
Funding for Radio Canada International (Note 5)	15,360	5,179
Amortization of deferred capital funding (Note 9)	135,120	116,741
Net results of operations before taxes	(32,802)	96,733
Provision for income and large corporations taxes (Note 7)	2,708	2,959
Net results of operations for the year	<u>(35,510)</u>	<u>93,774</u>
Proprietor's equity, beginning of year	(33,924)	(131,698)
Working Capital Funding (Note 4)	4,000	4,000
Proprietor's equity, end of year	<u>(65,434)</u>	<u>(33,924)</u>

32. We also accepted that changes in professional accounting standards will require CBC (and all others) to adopt these changes. In 2001, for instance, CBC pointed out that it "is required to follow the Canadian Institute of Chartered Accountants (CICA) Standards in the preparation of its financial statements"⁴¹⁴, and that it was now required to recognise assets or obligations "related to certain employee future benefits".⁴¹⁵ CBC's 2017/18 *Annual Report* similarly noted its adoption of new and revised international accounting standards.⁴¹⁶

⁴¹⁴ CBC, *Annual Report 2000-2001*, "Financial Overview", at 42. The change was applied going forward: "Effective April 1, 2000, the Corporation has adopted the new Canadian Institute of Chartered Accounts standards for employee future benefits. This change has been applied prospectively. ..." (at p. 52)

⁴¹⁵ *Ibid.*

⁴¹⁶ CBC, *Annual Report 2017-2018*, at 74, Note 3A ("Adoption of New and Revised International Financial Reporting Standards").

33. Changes to accounting standards at times appeared to have considerable impact. In 2013/14, for instance, CBC's adoption of new accounting standards transformed 2012/13's net profit of nearly \$41 million into a \$51 million net loss.

Figure 79 2014/15 change from \$42 million profit to \$51 million loss

CBC, Annual Report 2012-2013, at 78

Consolidated Statement of Income

(Canadian \$)
(in thousands of dollars)

	For the year ended March 31	
	2013	2012
REVENUE (NOTE 21)		
Advertising	330,410	375,725
Specialty services (NOTE 22)	170,991	167,754
Other income	134,341	136,344
Financing income	10,323	9,141
	646,065	688,964
EXPENSES		
Television, radio and new media services costs	1,501,852	1,580,469
Specialty services (NOTE 22)	130,152	134,228
Transmission, distribution and collection	103,465	78,449
Corporate management	10,391	11,423
Payments to private stations	2,527	2,766
Finance costs (NOTE 23)	31,836	33,455
Share of profit in associate	(1,701)	(21)
	1,778,522	1,840,769
Operating loss before Government funding and non-operating items	(1,132,457)	(1,151,805)
GOVERNMENT FUNDING (NOTE 24)		
Parliamentary appropriation for operating expenditures	999,484	1,028,047
Parliamentary appropriation for working capital	4,000	4,000
Amortization of deferred capital funding	151,366	130,270
	1,154,850	1,162,317
Net results before non-operating items	22,393	10,512
NON-OPERATING ITEMS		
Gain (loss) on disposal of property and equipment	12,314	(517)
Gain on business divestitures (NOTE 25)	7,185	-
Dilution gain from merger transaction (NOTE 14)	-	25,775
Dividend income from merger transaction (NOTE 14)	-	5,094
	19,499	30,352
Net results for the year	41,892	40,864

CBC, *Annual Report 2013-2014*, at 76

Consolidated Statement of Income (Loss)

For the year ended March 31

(in thousands of Canadian dollars)

	2014	2013 (revised - NOTE 3A)
REVENUE (NOTE 21)		
Advertising	491,189	364,648
Subscriber fees	133,277	136,127
Other income	134,605	134,951
Financing income	8,759	10,339
	767,830	646,065
EXPENSES		
Television, radio and new media services costs	1,762,223	1,712,565
Transmission, distribution and collection	71,959	114,463
Corporate management	10,741	11,273
Payments to private stations	2,364	2,527
Finance costs (NOTE 22)	30,870	31,836
Share of profit in associate	(4,440)	(1,701)
	1,873,717	1,870,963
Operating loss before Government funding and non-operating items	(1,105,887)	(1,224,898)
GOVERNMENT FUNDING (NOTE 23)		
Parliamentary appropriation for operating expenditures	975,618	999,484
Parliamentary appropriation for working capital	4,000	4,000
Amortization of deferred capital funding	111,280	151,366
	1,090,898	1,154,850
Results before non-operating items	(14,989)	(70,048)
NON-OPERATING ITEMS		
(Loss) gain on disposal of property and equipment	(4,004)	11,891
Dilution gain	1,040	-
Gain on business divestitures (NOTE 24)	-	7,185
	(2,964)	19,076
Net results for the year	(17,953)	(50,972)

34. Similarly, it may be that changes in accounting standards have affected the detail in CBC's financial reports. The *2015/16 Annual Report*, for instance, describes 11 kinds of revenue and the actual revenue from those sources while the *2018/19 Annual Report* – three years later – lists five kinds of revenue without showing their actual revenue: Figure 80.

Figure 80 Changes in discussion of ‘revenue’ from 2016 to 2019

2015/16 Annual Report	2018/19 Annual Report, at 115																																																																							
<p style="text-align: right;">20. REVENUE (CONTINUED)</p> <table border="0"> <tr> <td style="vertical-align: top;">SOURCE OF REVENUE</td> <td style="vertical-align: top;">HOW THE CORPORATION RECOGNIZES REVENUE</td> </tr> <tr> <td>Advertising revenue from the sale of advertising airtime</td> <td>When the advertisement has been broadcast, the Corporation has no remaining obligations and collectability is reasonably assured</td> </tr> <tr> <td>Subscriber fees revenue from specialty television channels and other subscription-based sales of programming</td> <td>When the services have been provided, the Corporation has no remaining obligations, and collectability is reasonably assured</td> </tr> <tr> <td>Revenue from the leasing of facilities and services; commercial production sales; program sponsorship; retransmission rights and host broadcaster’s activities</td> <td>When the delivery has occurred or when services have been provided, the Corporation has no remaining obligations, and collectability is reasonably assured.</td> </tr> <tr> <td>Rental income from the leasing of space or contracting of facilities and related services</td> <td>On a straight-line basis over the term of the lease.</td> </tr> <tr> <td>Lease incentives granted</td> <td>As a reduction of rental income over the term of the lease</td> </tr> <tr> <td>Revenue from the sale of other services such as commercial production sales, program sponsorship and other services revenue</td> <td>When the service has been delivered and the receipt of the income is probable On a straight-line basis when the delivery is over a period of time and an indeterminate number of acts</td> </tr> <tr> <td>Retransmission rights and contributions from the Canada Media Fund (CMF).</td> <td>On an accrual basis in accordance with the substance of the relevant agreements</td> </tr> <tr> <td>Financing income from bank accounts, notes receivable and on the investment in finance lease</td> <td>As it is earned for bank interest Using the effective interest method for other financing income</td> </tr> </table> <p>Supporting information</p> <p>The Corporation has recognized revenue from the following sources:</p> <table border="0" style="width: 100%; text-align: right;"> <thead> <tr> <th></th> <th colspan="2">For the year ended March 31</th> </tr> <tr> <th></th> <th>2016</th> <th>2015</th> </tr> </thead> <tbody> <tr> <td>Advertising</td> <td>253,220</td> <td>333,420</td> </tr> <tr> <td>Subscriber fees</td> <td>134,541</td> <td>132,814</td> </tr> <tr> <td>Building, tower, facility and service rentals</td> <td>45,080</td> <td>50,310</td> </tr> <tr> <td>Production revenue</td> <td>43,972</td> <td>24,440</td> </tr> <tr> <td>Digital programming</td> <td>16,414</td> <td>18,312</td> </tr> <tr> <td>Retransmission rights</td> <td>4,083</td> <td>5,795</td> </tr> <tr> <td>Program sponsorship</td> <td>3,377</td> <td>4,706</td> </tr> <tr> <td>Other services</td> <td>5,187</td> <td>3,430</td> </tr> <tr> <td>Total Rendering of services</td> <td>505,874</td> <td>573,227</td> </tr> <tr> <td>Total Financing Income</td> <td>10,235</td> <td>10,834</td> </tr> <tr> <td>Contribution from the Local Programming Improvement Fund (LPIF)</td> <td>-</td> <td>8,891</td> </tr> <tr> <td>Reciprocal trade revenues other than advertising</td> <td>10,942</td> <td>6,731</td> </tr> <tr> <td>Foreign exchange gain</td> <td>1,590</td> <td>845</td> </tr> <tr> <td>Net loss from the change in fair value of financial instruments</td> <td>(255)</td> <td>(393)</td> </tr> <tr> <td>Total Revenue</td> <td>528,386</td> <td>600,135</td> </tr> </tbody> </table>	SOURCE OF REVENUE	HOW THE CORPORATION RECOGNIZES REVENUE	Advertising revenue from the sale of advertising airtime	When the advertisement has been broadcast, the Corporation has no remaining obligations and collectability is reasonably assured	Subscriber fees revenue from specialty television channels and other subscription-based sales of programming	When the services have been provided, the Corporation has no remaining obligations, and collectability is reasonably assured	Revenue from the leasing of facilities and services; commercial production sales; program sponsorship; retransmission rights and host broadcaster’s activities	When the delivery has occurred or when services have been provided, the Corporation has no remaining obligations, and collectability is reasonably assured.	Rental income from the leasing of space or contracting of facilities and related services	On a straight-line basis over the term of the lease.	Lease incentives granted	As a reduction of rental income over the term of the lease	Revenue from the sale of other services such as commercial production sales, program sponsorship and other services revenue	When the service has been delivered and the receipt of the income is probable On a straight-line basis when the delivery is over a period of time and an indeterminate number of acts	Retransmission rights and contributions from the Canada Media Fund (CMF).	On an accrual basis in accordance with the substance of the relevant agreements	Financing income from bank accounts, notes receivable and on the investment in finance lease	As it is earned for bank interest Using the effective interest method for other financing income		For the year ended March 31			2016	2015	Advertising	253,220	333,420	Subscriber fees	134,541	132,814	Building, tower, facility and service rentals	45,080	50,310	Production revenue	43,972	24,440	Digital programming	16,414	18,312	Retransmission rights	4,083	5,795	Program sponsorship	3,377	4,706	Other services	5,187	3,430	Total Rendering of services	505,874	573,227	Total Financing Income	10,235	10,834	Contribution from the Local Programming Improvement Fund (LPIF)	-	8,891	Reciprocal trade revenues other than advertising	10,942	6,731	Foreign exchange gain	1,590	845	Net loss from the change in fair value of financial instruments	(255)	(393)	Total Revenue	528,386	600,135	<p>21. REVENUE</p> <p>As discussed in Note 3 A, we have applied the new revenue standard IFRS 15 as at April 1, 2018. The following provides a full set of disclosures under IFRS 15.</p> <table border="0"> <tr> <td style="vertical-align: top;">ACCOUNTING POLICIES</td> <td style="vertical-align: top;">CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS</td> </tr> </table> <p>Revenue is recognized when control of the promised goods and services is transferred to the Corporation’s customers in an amount that reflects the consideration expected in exchange for those goods and services. The Corporation’s primary revenue streams are:</p> <ul style="list-style-type: none"> • Advertising; • Subscriber fees; • Production revenue; • Program license sales, and; • Retransmission rights. <p>The transaction price of a contract for any of these revenue streams can include fixed and variable consideration as well as, infrequently, non-monetary compensation that is measured at its fair value. If the Corporation cannot reasonably estimate the fair value of the non-monetary compensation, the Corporation measures the consideration received indirectly by reference to the stand-alone selling price of the goods or services transferred.</p> <p>Consistent with other organizations in the industry, sale of advertising airtime are primarily made through agencies. These agencies typically remit their payment within 90 days. For other revenue streams, payment is typically received within 30 days, which are the Corporation’s average credit terms.</p> <p>Detailed accounting policies are presented below for each of the Corporation’s main revenue stream.</p> <p>Judgment is required in the identification of performance obligations in each of the major revenue streams.</p> <p>Furthermore, judgment is required in the determination of the stand-alone selling price of some performance obligations for purposes of allocating the transaction price.</p> <p>All of the above have the potential to result in a different timing of revenue recognition arising from the estimates and judgments made.</p> <p>For more details about our critical judgments by revenue stream, refer to the tables below.</p>	ACCOUNTING POLICIES	CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS
SOURCE OF REVENUE	HOW THE CORPORATION RECOGNIZES REVENUE																																																																							
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ACCOUNTING POLICIES	CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS																																																																							

35. Yet many of the changes in CBC’s financial statements, particularly from 1936/37 to 1961/62 when CBC did not provide separate *Notes to the Financial Statements*, are not linked to changes in accounting standards.
36. For example, CBC’s *Annual Reports* from the 1930s to the 1960s generally included details about its appropriations such as the section of the *Broadcasting Act* providing authority for appropriations and/or the date or name of the vote taken to authorize CBC’s budget. In 1962/63, however, CBC’s Statement of Operations refers simply to what appears to be a single “parliamentary grant” – see Figure 81.

Figure 81 CBC’s 1962/63 Statement of Operations (and the “parliamentary grant”)

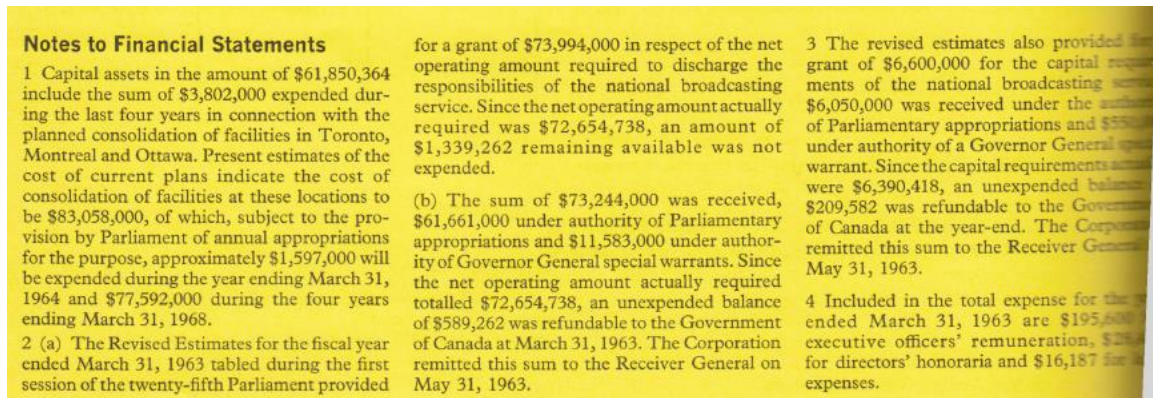
Statement of Operations				
for the year ended March 31, 1963				
expense	Programs without advertising	Programs with advertising	1963	1962
Cost of production and distribution:				
Cost of programs	\$52,493,145	\$17,512,353	\$ 70,005,498	\$ 68,361,465
Network distribution	7,966,181	2,179,787	10,145,968	10,061,504
Station transmission	3,126,941	902,599	4,029,540	3,893,146
Payment to private stations	—	4,334,789	4,334,789	4,851,069
Commissions to agencies and networks	—	3,872,204	3,872,204	4,620,207
	<u>63,586,267</u>	<u>28,801,732</u>	92,387,999	91,787,391
Emergency broadcasting			282,540	13,182
Operational supervision and services:				
Program		2,984,504		3,276,299
Administrative		3,429,174		3,459,680
General		<u>2,012,914</u>		2,106,963
			8,426,592	8,842,942
Total cost of production and distribution			<u>101,097,131</u>	<u>100,643,515</u>
Selling and general administration:				
Selling expense		1,646,990		1,540,736
Engineering and development		1,080,411		943,128
Management and central services		<u>4,541,350</u>		4,483,775
			7,268,751	6,967,639
Total expense for the year (Note 4)			<u>108,365,882</u>	<u>107,611,154</u>
income				
Advertising revenue (gross)		30,846,627		32,910,118
Interest on investments		253,898		185,291
Miscellaneous		<u>302,067</u>		224,431
			31,402,592	33,319,840
parliamentary grant				
In respect of the net operating amount required to discharge the responsibilities of the national broadcasting service: (Note 2)			72,654,738	70,252,273
			<u>104,057,330</u>	<u>103,572,113</u>
Depreciation included in total expense for the year			4,308,552	4,039,041
			<u>108,365,882</u>	<u>107,611,154</u>

The accompanying notes are an integral part of the financial statements.

37. The *Notes to the Financial Statements* clarify that of the \$73.244 million in operating appropriations granted that year, \$61.661 million were authorized by Parliament while another \$11.583 million (16%) were made “under authority of Governor General special warrants”.⁴¹⁷

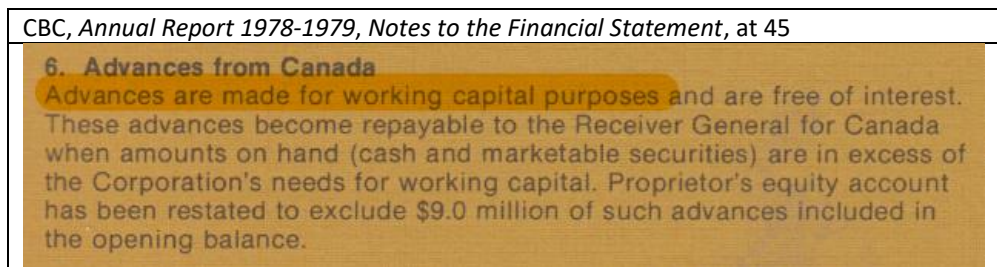
417 At 24.

Figure 82 Governor General warrants in 1962/63



- 38. The notes do not explain Governor General “special warrants”. These permit “the government to make charges on the Consolidated Revenue Fund not otherwise authorized by Parliament” when Parliament has been dissolved, a Minister believes that the public good urgently requires an expenditure, “the President of the Treasury Board has reported that there is no appropriation for the payment”,⁴¹⁸ *and* amounts involved are “retroactively included in the next appropriation Act”.⁴¹⁹ While Parliament presumably retroactively approved the \$11.6 million (\$72 million in 2002) retroactively or after the fact, CBC’s description does not explain when this approval – for an amount exceeding CBC’s total transmission and distribution expenses that year of \$11.093 million – was granted.
- 39. In 1978/79, CBC explained that advances from Canada were granted to be used as working capital: Figure 83.

Figure 83 Advances and working capital (1978/79)



- 40. CBC’s income statement for that year does not refer to working capital expenditures, but its Statement of Changes in Financial Position describes a \$10 million advance (\$25 million in 2002 terms) – and a \$4.87 million increase in working capital that year. If the government advanced CBC \$10 million for working capital purposes, it was unclear what became of the \$5.13 million that would have remained from the advances after the working capital expenditures occurred.

⁴¹⁸ House of Commons Procedure and Practice, Chapter 18 (“Financial Procedures”, “Governor General’s Special Warrants”), https://www.ourcommons.ca/About/ProcedureAndPractice3rdEdition/ch_18_3-e.html#footnote-157-backlink.

⁴¹⁹ *Ibid.*, footnote 381.

In the absence of more information we used the \$4.87 million figure to describe CBC's working capital that year, and \$10 million to describe the advance.

CBC, *Annual Report 1978-1979*, at 43

Statement of Changes in Financial Position for the Year Ended March 31, 1979		
Canadian Broadcasting Corporation		
	(in thousands of dollars)	
	1979	1978
Funds provided		
Operating expenditures in providing Broadcasting service	476,900	400,200
1978 Commonwealth Games	5,061	2,480
	<u>481,961</u>	<u>402,680</u>
Capital expenditures in providing Broadcasting service	79,500	64,100
1978 Commonwealth Games	239	220
	<u>79,739</u>	<u>64,320</u>
Increases in advances from Canada	10,000	—
Proceeds from sales of fixed assets	180	408
	<u>571,880</u>	<u>467,408</u>
...		
Increase (Decrease) in working capital	4,871	(308)
Working capital at the beginning of year	2,482	2,790
Working capital at the end of the year	<u>7,353</u>	<u>2,482</u>

41. Similarly, the 1994/95 *Annual Report* showed \$103 million in miscellaneous income in the 1994/95 year:

STATEMENT OF INCOME AND EXPENSE AND RECONCILIATION TO GOVERNMENT FUNDING BASIS		
For the year ended March 31, 1995		
	1995	1994
	(thousands of dollars)	
Income		
Parliamentary operating appropriation (Note 3)	951,358	954,662
Net advertising	307,871	299,282
Miscellaneous	103,361	75,128
	<u>1,362,590</u>	<u>1,329,072</u>

42. The 1995/96 *Annual Report* replaced the Miscellaneous category with “Other revenue, net”, showing \$291.8 million for 1994/95 – a \$188.4 million increase.⁴²⁰

STATEMENT OF OPERATIONS AND RECONCILIATION TO GOVERNMENT FUNDING		
For the year ended March 31, 1996		
	1996	1995
	(thousands of dollars)	
Revenue		
Parliamentary operating appropriation (Note 3a)	918,229	951,358
Transfer from capital appropriation (Note 3a)	45,000	—
Other revenue, net (Note 4)	295,142	291,793
	1,258,371	1,243,151

43. Note 4⁴²¹ of the 1995/96 *Notes to the Financial Statement* does not explain the source of the \$188.4 million increase, but says instead that “miscellaneous” revenues of \$103.361 million in 1994/95 amounted to \$35.662 million:

4. Other Revenue, Net						
These consist of the following items:						
	Revenue	1996 Expense	Net	Revenue	1995 Expense	Net
	(thousands of dollars)					
Advertising	305,508	44,041	261,467	296,774	41,764	255,010
Specialty Services —						
CBC Newsworld	51,173	51,814	(641)	52,676	53,117	(441)
Réseau de l'information (RDI)	27,500	27,908	(408)	6,323	5,903	420
Program sales	13,598	12,043	1,555	12,016	8,864	3,152
RCI	10,080	16,448	(6,368)	16,357	18,367	(2,010)
Miscellaneous	56,321	16,784	39,537	42,297	6,635	35,662
Total	464,180	169,038	295,142	426,443	134,650	291,793

44. In this case, we used the figures from the 1994/95 report, rather than the apparently restated figures of the 1995/96 report.
45. Little explanation was offered for CBC's first several decades about its investment activities. As CBC typically received large sums from Parliament for expenditures over twelve months it would have been sensible for the Corporation to try to protect their value until the appropriations were actually used. Scant information is provided about CBC's bond purchases in the 1940s. Its 1939/40 *Annual Report* mentions in an appendix that CBC bought \$500,000 worth of Dominion

⁴²⁰ P. 58. The *Statement* also added a new line describing \$45 million in transfers from the capital appropriations.

⁴²¹ At 65.

Bonds (worth \$4.4 million in \$2002), but the purpose of this purchase was not discussed in the report’s financial section. Similarly, CBC’s Balance Sheet for 1949/50 simply notes the purchase by CBC of \$5.6 million (\$44.8 million in 2002 dollars) worth of Dominion of Canada Bonds⁴²² - considering that this was the equivalent of 69% of CBC’s total income that year, it was somewhat surprising that CBC did not mention the investment in its two-and-a-half-page financial review.

46. Differences in presentation from one year to the next often made it necessary to review several different sources within and between *Annual Reports*, to determine the most accurate figures. For example, the Statement of Income and Expense in the 1991 *Annual Report*⁴²³ shows operating appropriations of \$985.2 million, while the “Summary-Source and Application of Operating Funds 1990-1991” shows operating appropriations of \$910.1 million (and two other amounts totalling \$5.1 million).

Figure 84 Different statements about CBC’s operating appropriations for the 1990/91 fiscal year

CBC, <i>Annual Report 1990-1991</i> , “Statement of Income and Expense and Reconciliation to Government Funding Basis”, at 38			
Statement of Income and Expense and Reconciliation to Government Funding Basis For the year ended March 31, 1991			
		1991	1990
		(thousands of dollars)	
Income			
	Net advertising	303,887	303,323
	Miscellaneous	58,806	49,650
	Parliamentary operating appropriations * (Note 8)	985,212	849,335
		1,347,905	1,202,308
CBC, <i>Annual Report 1990-1991</i> , at 34 (before the financial statements)			
Summary - Source and Application of Operating and Capital Funds 1990 - 1991			
		1991	1990
		\$ Millions	
Operating Funds			
Source of funds:			
	Parliamentary Appropriations		
	Operating	910.1	849.3
	Plus: - Restructuring	50.0	-
	- Transfer from Capital	25.1	-
	Operating revenue	362.7	353.0
	Previous Year's carry forward	(23.1)	6.6
		1,324.8	1,208.9

⁴²² At 60.

⁴²³ at 38.

47. Similarly, the *Notes to the Financial Statement* to the 1992/93 *Annual Report* stated that CBC’s operating appropriation that year was \$959 million, while the “Financial Overview” 14 pages earlier offers two different figures. Specifically, the Overview begins by saying that the operating appropriation was supplemented by “one-time assistance of \$40.6 million” (implying that the actual appropriation was, based on the figure in the *Notes to the Financial Statement* of \$959.1 million, \$918 million [\$959.062 million less \$40.6 million]). The Overview then goes on to say that the “main estimates reflect operating appropriations of \$946.0 million”, suggesting that the 1992/93 appropriations were neither \$959 million nor \$918 million: Figure 85.

Figure 85 Same report, different information in different places

CBC, Annual Report 1992-1993, Vol. 2, at 3	CBC, Annual Report 1992-1993, Vol 2, at17																					
<p>INCOME</p> <p>Total income for 1992-93 was \$1,330.9 million, an increase of \$52.2 million or 4.1% over the previous year’s total of \$1,278.7 million.</p> <p>Parliamentary operating appropriations totalled \$959.1 million compared to the previous year’s total of \$900.6 million. The increase of \$58.5 million is primarily attributed to a one-time assistance of \$40.6 million to fund the Corporation’s shortfall. When adjusted for this non-recurring funding, the Parliamentary operating appropriation reflects a net increase of less than 2%.</p> <p>The 1993-94 main estimates reflect operating appropriations of \$946.0 million which represents the Corporation’s opening budget reference level. Other funding adjustments as a result of Federal Government initiatives may take place during the course of the year.</p>	<p>3. Parliamentary Appropriations</p> <p>The Corporation receives funds from the Parliament of Canada through annual appropriations. The appropriations approved and the payments received by the Corporation for 1993 and 1992 are noted below.</p> <table border="1" data-bbox="889 764 1516 947"> <thead> <tr> <th></th> <th>1993</th> <th>1992</th> </tr> </thead> <tbody> <tr> <td></td> <td colspan="2" style="text-align: center;">(thousands of dollars)</td> </tr> <tr> <td>Appropriations</td> <td></td> <td></td> </tr> <tr> <td>Operating</td> <td>959,062</td> <td>900,562</td> </tr> <tr> <td>Capital</td> <td>146,684</td> <td>126,475</td> </tr> <tr> <td>Working Capital</td> <td>4,000</td> <td>4,000</td> </tr> <tr> <td></td> <td>1,109,746</td> <td>1,031,037</td> </tr> </tbody> </table>		1993	1992		(thousands of dollars)		Appropriations			Operating	959,062	900,562	Capital	146,684	126,475	Working Capital	4,000	4,000		1,109,746	1,031,037
	1993	1992																				
	(thousands of dollars)																					
Appropriations																						
Operating	959,062	900,562																				
Capital	146,684	126,475																				
Working Capital	4,000	4,000																				
	1,109,746	1,031,037																				

48. In 1992/93 the CBC’s *Notes to the Financial Statement* end with the comment that “Certain of the 1992 comparative figures have been reclassified to conform to the current year’s presentation”. While the 1991/92 *Annual Report*, reported “Excess of expense over income” (after income taxes) of \$83.3 million for the 1991/92 fiscal year, the 1992/93 *Annual Report*, reported “Excess of expense over income” (after income taxes) of \$81.9 million for the 1991/92 fiscal year. In this case, it seems that the presentation did not change – only the figures.
49. In another instance, the income statement in the 1993/94 *Annual Report*⁴²⁴ shows Parliamentary operating appropriations for 1994 of \$954.662 million:

⁴²⁴ At 104.

Figure 86 1993/94 Statement of Income and Expense

FINANCIAL REPORT		
STATEMENT OF INCOME AND EXPENSE AND RECONCILIATION TO GOVERNMENT FUNDING BASIS		
For the year ended March 31, 1994		
	1994	1993
	<i>(thousands of dollars)</i>	
Income:		
Parliamentary operating appropriation (Note 3)	954,662	959,062
Net advertising	299,282	305,574
Miscellaneous	75,128	67,265
	1,329,072	1,331,901

50. A five-year historical summary appearing 14 pages later (Figure 87) shows the Parliament operating appropriations for 1994 as \$946 million – supplemented by an \$8.7 million transfer from CBC’s Capital appropriation to its operating budget (making \$954.7 million).

Figure 87 1993/94 “Summary – Source and application of operating and capital funds”

SUMMARY - SOURCE AND APPLICATION OF OPERATING AND CAPITAL FUNDS					
For the years ended March 31					
	1990	1991	1992	1993	1994
	<i>(millions of dollars)</i>				
OPERATING FUNDS					
<i>Source of funds</i>					
Parliamentary appropriations					
Operating	849.3	910.1	900.6	918.5	946.0
Plus:					
• One-time assistance	—	—	—	40.6	—
• Restructuring	—	50.0	—	—	—
• Transfer from Capital	—	25.1	—	—	8.7
Operating revenue	373.3	363.5	378.1	372.8	374.4
Previous year's carry forward	6.6	(23.1)	8.3	(1.1)	19.2
	1,229.2	1,325.6	1,287.0	1,330.8	1,348.3

51. In this case, we showed the appropriations granted to CBC as \$946 million and the appropriations it received, as \$954.662 million due to the \$8 million transfer from capital to operating.

52. In the *Annual Report* that followed (for 1995/96), the presentation of CBC’s operating statement again changed, to include information about transfers from CBC’s capital appropriation, to its operating appropriation:

Figure 88 1995/96 transfer from capital to operating appropriation

STATEMENT OF OPERATIONS AND RECONCILIATION TO GOVERNMENT FUNDING		
For the year ended March 31, 1996		
	1996	1995
	(thousands of dollars)	
Revenue		
Parliamentary operating appropriation (Note 3a)	918,229	951,358
Transfer from capital appropriation (Note 3a)	45,000	—
Other revenue, net (Note 4)	295,142	291,793
	1,258,371	1,243,151

53. The issues raised by these differences in presentation involve concerns for accuracy in collecting specific details about CBC's finances, CBC's decisions not to explain changes from one year to the next, and the overall appearance of inconsistency.
54. More importantly, the frequent changes raise a question about CBC's independence: as noted previously, since 1991 the information provided by CBC must meet Treasury Board regulations.⁴²⁵ Which organization, then, is responsible for the nearly yearly changes in the presentation in CBC's *Annual Reports* made after that time?: CBC, whose financial independence the *Broadcasting Act* purports to protect, or the Treasury Board – “a Cabinet committee of the Queen's Privy Council of Canada”,⁴²⁶ or in other words, the Ministers of the party in political power in Parliament? Similarly, when CBC reports transfers between its operating and capital appropriations without consistently identifying the authority – Parliamentary? Governmental? – that approved the transfer of capital funding to operating funding, it raises the key question of whether Parliament still bears ultimate responsibility for the accounts of the nation: what role – if any – does Parliament have in ensuring that the finances of Canada's departments and Crown corporations are clear and easy to follow?
55. Appendix 3 lists more of the changes we noticed as we collected data from CBC's *Annual Reports*.

Data that were introduced later, or restated

56. Another challenge involved CBC's introduction of new information about previous years. As shown by Figure 87, above, an *Annual Report* for a given year might include additional information about a previous year and if so, the new information was added to the data collected for this research. The 1939/40 *Annual Report*, for instance, provided information about a loan granted to CBC in the 1938/39 fiscal year (Figure 89); we included such information in the dataset.

⁴²⁵ S. 56.

⁴²⁶ “About the Treasury Board of Canada”, <https://www.canada.ca/en/treasury-board-secretariat/corporate/about-treasury-board.html>.

<p>Statement of Source of Funds to Discharge Net Cost of Operations</p> <p>Year ended March 31, 1972</p> <p><i>Parliamentary Payment for Operating Expenditures in Providing a Broadcasting Service</i></p> <p>Appropriation Act No. 3, 1971, 1970-71-72, c. 46 \$181,000,000</p> <p><i>Less: Amount required for repayment of loans by Canada</i> 6,564,905</p> <p>Funds received for operating requirements 174,435,095</p> <p><i>Add: Funds provided from surplus</i> 482,146</p> <p style="text-align: right;">174,917,241</p> <p>Net cost of operations 186,248,303</p> <p><i>Less: Depreciation and amortization, included as an operating cost, not recoverable from parliamentary payment</i> 11,331,062</p> <p style="text-align: right;">\$174,917,241</p>	<p>Statement of Source and Application of Funds</p> <p>Year ended March 31, 1973</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="width: 10%; text-align: center;">1973</th> <th style="width: 10%; text-align: center;">1972</th> </tr> </thead> <tbody> <tr> <td colspan="3"><i>Source of Funds</i></td> </tr> <tr> <td colspan="3"><i>Parliamentary appropriations:</i></td> </tr> <tr> <td>Payment for operating expenditures</td> <td style="text-align: right;">\$205,000,000</td> <td style="text-align: right;">\$181,000,000</td> </tr> <tr> <td>Loans for capital expenditures</td> <td style="text-align: right;">22,000,000</td> <td style="text-align: right;">33,040,000</td> </tr> <tr> <td></td> <td style="text-align: right;">227,000,000</td> <td style="text-align: right;">214,040,000</td> </tr> </tbody> </table>		1973	1972	<i>Source of Funds</i>			<i>Parliamentary appropriations:</i>			Payment for operating expenditures	\$205,000,000	\$181,000,000	Loans for capital expenditures	22,000,000	33,040,000		227,000,000	214,040,000
	1973	1972																	
<i>Source of Funds</i>																			
<i>Parliamentary appropriations:</i>																			
Payment for operating expenditures	\$205,000,000	\$181,000,000																	
Loans for capital expenditures	22,000,000	33,040,000																	
	227,000,000	214,040,000																	
<p>p. 59</p> <p>5. Loans for Capital Expenditures</p> <p>The Corporation receives funds for capital expenditures by way of interest-bearing loans from Canada. Repayments of principal are extended over a twenty-year period with payments of principal and interest being made annually. During 1972-73, the Corporation will pay the sum of \$8,216,900 in respect to the principal of such loans.</p>																			

59. The 1978/79 *Annual Report* reported “Advances from Canada” for 1977/78, not reported in that year’s statements (Figure 92):

Figure 92 Advances in 1978/79 Annual Report not reported in 1977/78 Annual Report

CBC, Annual Report 1978-1979, at 39

	Liabilities	
	(in thousands of dollars)	
	1979	1978
Current liabilities		
Accounts payable and accrued liabilities	83,010	79,981
Refundable balance of Parliamentary appropriations (Note 5)	757	58
	<u>83,767</u>	<u>80,039</u>
Provision for employee termination benefits	48,161	44,555
Advances from Canada (Note 6)	19,000	9,000
Loans from Canada (Note 7)		
— principal	197,880	197,880
— accrued interest	70,266	56,213
	<u>268,146</u>	<u>254,093</u>

CBC, Annual Report 1977-1978, at 41

Consolidated Balance Sheet at March 31, 1978

Canadian Broadcasting Corporation
(Established by the Broadcasting Act)

Assets	(in thousands of dollars)		Liabilities	(in thousands of dollars)	
	1978	1977		1978	1977
Current assets			Current liabilities		
Cash and treasury bills	7,568	10,895	Accounts payable and accrued liabilities	79,981	62,072
Accounts receivable	20,993	17,529	Refundable balance with respect to Parliamentary votes (Note 4)	58	7,294
Engineering and production supplies, at cost	5,639	5,286	Current portion of loans due to Canada (Note 3)	60,568	—
Programs completed and in process of production, at cost	34,017	27,734	Interest on loans from Canada (Note 3)	56,213	—
Prepaid film and script rights and other expense	14,304	10,712		<u>196,820</u>	<u>69,366</u>
	<u>82,521</u>	<u>72,156</u>	Provision for employee termination benefits (Note 6)	44,555	37,055
Investments, at cost (Note 2)	352	552	Loans from Canada to finance the acquisition of fixed assets (Note 3)	137,312	197,880
Fixed assets, at cost			Interest on loans from Canada (Note 3)	—	42,159
Land	16,536	16,016			
Buildings	146,308	133,781			
Technical equipment	275,597	249,531			
Furnishings and equipment	14,652	13,460			
Other	4,703	4,226			
	<u>457,796</u>	<u>417,014</u>			
Less: Accumulated depreciation	195,395	178,483	Unexpended balance of funds provided for the 1976 Summer Olympics	—	950
	<u>262,401</u>	<u>238,531</u>	Proprietor's Equity Account	17,202	3,989
Uncompleted capital projects	50,615	40,160		<u>17,202</u>	<u>4,939</u>
	<u>313,016</u>	<u>278,691</u>	Total liabilities and equity of Canada	<u>395,889</u>	<u>351,399</u>
Total assets	<u>395,889</u>	<u>351,399</u>			

The accompanying notes and Schedule A are an integral part of the financial statements.

60. The 2005/06 Annual Report included new information about a long-term liability of \$349.2 million in "Bonds payable" in the previous year (2004/05);⁴²⁷ the bonds were issued in relation

⁴²⁷ At 64.

to the Toronto Broadcast Centre in January 1997.⁴²⁸ CBC’s Annual Reports for 1997/98 (a year after the Broadcast Centre project began) and for 2000/01 (four years later) did not mention the bonds.

61. New financial information was generally included in the dataset. (Note, however, that these data sometimes raised new and unanswerable questions. The 1978/79 *Notes to the Financial Statement* described advances as being “made for working capital purposes”; we therefore described the \$9 million in 1977/78, and \$19 million in 1978/79 as working capital. It was difficult, however, to reconcile the amounts of \$9 million and \$19 million for working capital for these two years with the beginning-of-year and end-of-year figures for working capital in the same report: those figures show a decrease in working capital of \$0.3 million for 1977/78, and an increase of \$4.9 million for 1978/79, rather than increases of or close to \$19 million and 9 million, respectively - see Figure 93).

Figure 93 Potential inconsistency with respect to working capital in 1977/78 and 1977/79

CBC, *Annual Report 1978-1979*, at 43

Statement of Changes in Financial Position for the Year Ended March 31, 1979		
Canadian Broadcasting Corporation		
	(in thousands of dollars)	
	1979	1978
...		
Increase (Decrease) in working capital	4,871	(308)
Working capital at the beginning of year	2,482	2,790
Working capital at the end of the year	7,353	2,482

62. In other cases changes were noted when CBC restated information it had previously published and, for many years, without warning. Gross advertising revenue was restated in five years in the mid-1970s, for example, with differences (for the same year) ranging from 5 to 21%. In 1978 CBC published its first formal notice that its presentation had changed.⁴²⁹ (The changes affected reporting of interest on loans, employee termination benefits and employee vacation pay, matters raised which previously by the Auditor General.⁴³⁰) In 1978/79 CBC reported a \$6.6 million operating surplus for that year; the following year’s report reported a surplus of \$2.5 million for 1978/79, implying a restatement (Figure 94). We did not use the restated

⁴²⁸ CBC, *Annual Report 2005-2006*, at 78.

⁴²⁹ CBC, *Annual Report 1977-1978*, at 47: : “15. Comparative figures The presentation of the prior year’s comparative figures has been amended to conform to the current year’s format.”

⁴³⁰ *Ibid.* “During 1978 the Corporation adopted the policy of recording in its accounts the interest on these loans. This policy was applied retroactively to April 1, 1974.” (p. 46)

information, on the presumption that Parliament had relied upon the 1978/79 information when it considered CBC’s budget for the following year.

Figure 94 Changes in CBC’s surplus between 1978/79 and 1979/80

CBC, <i>Annual Report 1978-1979</i> , p. 36	CBC, <i>Annual Report 1979-1980</i> , at 30
<p><i>Parliamentary Appropriations</i> For 1978/79, Parliament provided \$476.9 million including \$457.1 million as “Payment to the CBC for operating expenditures in providing a broadcasting service” and an additional \$19.8 million as a supplementary Vote to be applied against the unfunded liability of the pension fund. To this, the Corporation added its carry-over of \$4,094,000 from 1977/78. The Corporation ended the year with an operating surplus of \$6.6 million, which it has carried over into 1979/80.</p>	<p>Financial Highlights</p> <p>Operations</p> <p><i>Expense</i> Program and distribution costs amounted to \$578.2 million or 87% of the Corporation's total expenditures of \$662.2 million. Included in expense was a write-off of \$2.6 million related to Canada's withdrawal from the Moscow Olympics. The 1979/80 increase over the prior year for program and distribution costs was \$17.0 million compared to an increase of \$81.0 million in 1978/79 over the prior 1977/78 year.</p> <p>The Parliamentary appropriation of \$477.4 million was virtually the same as that of the prior year excluding the 1978 Commonwealth Games. To finance wage settlements and other price increases, the Corporation cut its capital budget and effected expenditure reductions in programming and administrative services. The surplus for 1979/80 was \$234,000 compared to \$2,469,000 for 1978/79.</p>

63. Generally speaking CBC’s restatements were not used in the data collected for this research, either as separate entries (that is, to include both the data as originally stated and the data as restated) or as corrections (to include only the restated data). The purpose of the research was to gain an appreciation of the information made available to members of Parliament at the time they were considering appropriating funds for CBC’s next fiscal year – which would not include restatements made the following year.

Information gaps

64. Until the late 1950s CBC’s *Annual Reports* did not include definitions of terms. For example, ‘Station Networks (Wire Lines)’, which initially appeared to involve links between CBC and private stations – or affiliate payments, had nothing to do with affiliate payments. The term refers instead to CBC’s rental of (presumably) telephone wires to transmit programming.⁴³¹

65. CBC’s explanations of its financial position were also often confusing. In the 1962/63 report, for example, revised estimates, net requirements, unexpended requirements and Governor General Warrants simmered together in a veritable financial mélange: see Table 31

⁴³¹ “There is a large fixed charge of nearly \$780,000 for the rental of wirelines to carry programs all across depreciation/amortization.” CBC, *Annual Report 1942-1943*, at 28.

Table 31 Deciphering the mélange of statistics in CBC’s 1962/63 Annual Report

1962/63 Annual Report, at 24																					
<p>Notes to Financial Statements</p> <p>1 Capital assets in the amount of \$61,850,364 include the sum of \$3,802,000 expended during the last four years in connection with the planned consolidation of facilities in Toronto, Montreal and Ottawa. Present estimates of the cost of current plans indicate the cost of consolidation of facilities at these locations to be \$83,058,000, of which, subject to the provision by Parliament of annual appropriations for the purpose, approximately \$1,597,000 will be expended during the year ending March 31, 1964 and \$77,592,000 during the four years ending March 31, 1968.</p> <p>2 (a) The Revised Estimates for the fiscal year ended March 31, 1963 tabled during the first session of the twenty-fifth Parliament provided</p>	<p>for a grant of \$73,994,000 in respect of the net operating amount required to discharge the responsibilities of the national broadcasting service. Since the net operating amount actually required was \$72,654,738, an amount of \$1,339,262 remaining available was not expended.</p> <p>(b) The sum of \$73,244,000 was received, \$61,661,000 under authority of Parliamentary appropriations and \$11,583,000 under authority of Governor General special warrants. Since the net operating amount actually required totalled \$72,654,738, an unexpended balance of \$589,262 was refundable to the Government of Canada at March 31, 1963. The Corporation remitted this sum to the Receiver General on May 31, 1963.</p>																				
	<p>Note 2(a):</p> <table> <tr> <td>Revised estimates:</td> <td style="text-align: right;">\$73,944,000</td> </tr> <tr> <td><u>Net operating amount required:</u></td> <td style="text-align: right;"><u>\$72,654,738</u></td> </tr> <tr> <td>Remaining available but unexpended:</td> <td style="text-align: right;">\$1,339,262</td> </tr> <tr> <td>Source:</td> <td></td> </tr> <tr> <td>Parliamentary appropriation</td> <td style="text-align: right;">\$61,661,000</td> </tr> <tr> <td>Governor General special warrants</td> <td style="text-align: right;"><u>\$11,583,000</u></td> </tr> <tr> <td>Subtotal:</td> <td style="text-align: right;">\$73,224,000</td> </tr> <tr> <td><u>Net operating amount required:</u></td> <td style="text-align: right;"><u>\$72,654,738</u></td> </tr> <tr> <td>Difference:</td> <td style="text-align: right;">\$589,262</td> </tr> <tr> <td>Refunded to Receiver General:</td> <td style="text-align: right;">\$589,262</td> </tr> </table>	Revised estimates:	\$73,944,000	<u>Net operating amount required:</u>	<u>\$72,654,738</u>	Remaining available but unexpended:	\$1,339,262	Source:		Parliamentary appropriation	\$61,661,000	Governor General special warrants	<u>\$11,583,000</u>	Subtotal:	\$73,224,000	<u>Net operating amount required:</u>	<u>\$72,654,738</u>	Difference:	\$589,262	Refunded to Receiver General:	\$589,262
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Refunded to Receiver General:	\$589,262																				

66. CBC often failed to state its net financial position for the year in a clear manner. For example, as noted in Figure 95, the Statement of Operations for the year ended March 31, 1960, does not clearly identify CBC’s net results for that year. It states instead CBC’s total expenses for the year (\$94.04 million), its commercial income (\$38.6 million), the total of its commercial income and the public funding it received for its operations (\$90.9 million), and the total of its public funding for operations and the depreciation included in its expense for the year (\$94.04 million). No figure for ‘net result’ is shown in this statement.

Figure 95 CBC's 1959/60 'net result'

STATEMENT OF OPERATIONS				
For the year ended March 31, 1960				
(With comparative figures for the year ended March 31, 1959)				
EXPENSE				
Cost of Production and Distribution –			1960	1959
	Programs without Advertising	Programs with Advertising		
Cost of Programs	\$39,425,862	\$18,464,439	\$57,890,301	\$54,442,619
Network distribution	6,912,261	2,229,243	9,141,504	8,012,378
Station transmission	2,049,232	961,800	3,010,832	2,679,833
Payments to private stations	--	5,333,470	5,333,470	4,703,678
Commission to agencies and networks	--	5,592,000	5,592,000	5,630,672
	48,387,355	32,580,752	80,968,107	76,068,985
Northern Radio Service			490,860	137,691
Operational Supervision and Services –				
Program	2,353,525			2,047,541
Administrative	2,726,415			2,440,832
General	1,707,900			1,620,720
			6,877,848	6,109,380
Total Cost of Production and Distribution			88,336,815	82,316,068
Selling and General Administration –				
Selling expense	1,232,043			1,115,820
Engineering and development	1,051,347			833,500
Management and central services	3,419,560			3,049,150
			5,702,950	4,998,484
Total Expense for the year			94,039,765	87,314,550
INCOME				
Commercial revenue (gross)	38,162,337			32,370,434
Broadcasting licence fees	--			459,430
Interest on investments	109,199			149,778
Miscellaneous	292,404			314,888
		38,563,940		33,194,530
PARLIAMENTARY GRANT				
In respect of the net operating requirements of the Radio and Television Service:				
Vote 43 Appropriation Act No. 5, 1959	58,404,000			
Less: Amount of Vote 43 not expended	6,103,722	52,300,278		41,790,137
Provided under Section 14 (4) of the Canadian Broadcasting Act (1936)		--	90,864,218	84,791,067
Depreciation included in total expense for the year			3,175,547	2,523,400
			94,039,765	87,314,550

NOTE: Included in the above expenses for 1960 are \$50,375 for executive officers' remuneration, \$34,900 for honoraria to directors and \$36,961 for legal expenses.

67. CBC's financial discussion for 1959/60 then adds that the difference between its Parliamentary operating grant and its net requirements was \$2.447 million, and that this is repayable to the Receiver General of Canada, less

1959/60 Annual Report at 20, para 2: "The Financial Position":

The grant voted by Parliament for the 1959/60 net operating requirements of the radio and television services was \$58,404,000 from which the Corporation required \$52,300,000, representing a budgetary surplus of \$6,104,000. During the course of the year \$54,747,000 was received by the Corporation on account of the grant and therefore the difference between the receipt of \$54,747,000 and the net requirement of \$52,300,000, or \$2,447,000, is due for repayment to the Receiver General of Canada, less the \$106,000 over-expenditure carried forward from the previous year.

a \$0.1 million overexpenditure which was carried forward from the previous year (i.e., \$2.341 million). We used the \$2.341 million surplus figure as CBC's net result for 1959/60.

68. CBC's view of its net financial position for 1975/76 could not be determined. The Statement of Operations for that year shows total expenses (without referring to depreciation) of \$394.98 million, and total commercial income (excluding Parliament operating appropriations) of \$84.73 million. It does not provide a net results figure, but deducts total expenses from CBC's commercial income leaving an initial shortfall of \$310.3 million.

1975/76 Annual Report, at 36

Canadian Broadcasting Corporation	
Consolidated Statement of Operations for the year ended March 31, 1976	
	1976
Expense:	
Cost of production and distribution:	
Programs	\$ 247,841,319
Network distribution	30,095,486
Station transmission	21,188,206
Payments to private stations	7,481,636
Commissions to agencies and networks	7,869,209
	314,475,856
Operational supervision and services:	
Programs	6,204,700
Administration	22,319,142
General	6,102,998
	34,626,840
External services	8,173,897
Broadcasting services for the 1976 Summer Olympics	10,754,865
Selling and general administration:	
Selling expense	6,873,036
Engineering and development	3,309,450
Management and central services	16,778,309
Additional contribution to pension plan	—
	26,960,795
	394,992,253
Operations	
Income	
Total expense of \$394,992,000 increased 6.2% in constant dollars and 16.5% in actual dollars over the preceding year. After adjusting for expense of the 1976 Summer Olympics the increase was 14.8% in actual dollars. The expense of \$362,390,000 after excluding Olympics and depreciation, was provided by Parliamentary appropriation to the extent of 80%, with commercial revenue, interest and miscellaneous income providing the remaining 20%.	
Advertising	71,183,313
Interest on Payments	1,235,240
Olympic	10,500,000
Miscellaneous	1,809,876
	84,728,429
Net cost	\$ 310,263,824
The account	

The operating and capital expenditure (excluding depreciation) for the 1976 Summer Olympics was \$16,248,000. Funds carried over from prior years were \$10,564,000. Parliamentary appropriation in the current year provided \$600,000 and with \$10,500,000 received from le Comité Organisateur des Jeux Olympiques de 1976 leaves \$5,416,000 for use in the following year.

the Annual Report's "Financial Highlights" note that the "surplus for 1979/80 was \$234,000

69. The "Financial Review" in the 1975/76 Annual Report then identifies \$267.0 in public funding received by the CBC for its operations, and a supplementary amount of \$0.6 million, for a total of \$267.6 million.

70. Deducting \$267.6 million from the \$310.3 million shortfall yields a funding gap of \$42.7 million.

71. CBC's financial discussion implies, however, that there was no shortfall in 1975/76 and that in fact CBC ended the year with a \$5.4 million surplus. It does this in part by excluding expenditures on the 1976 Summer Olympics (for which it received \$0.6 million in supplementary funding), and by combining public funding for both CBC's operations and its capital works.

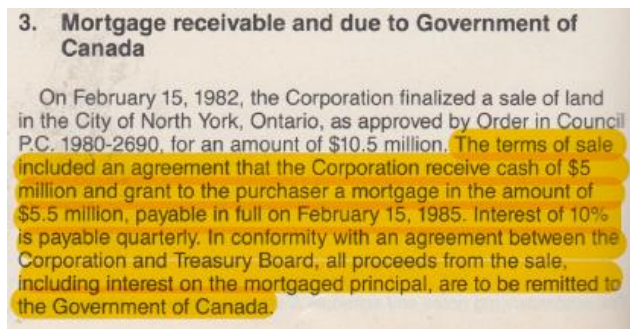
72. Faced with such divergent possibilities for CBC's net results in 1975/76 – either a funding gap of \$42.7 million or a surplus of \$5.4 million – we excluded 1975/76 from our analysis of net results.

73. Throughout the remaining years we used the figure that seemed to best reflect the information that CBC wanted to give to Parliament, in each year. We therefore generally ignored retroactive changes to CBC's financial position. In 1978/79, for example, the "Financial Highlights" stated that CBC "ended the year with an operating surplus of \$6.6 million, which it has carried over into 1979/80"; in 1979/80,

compared to \$2,469,000 for 1978/79.⁴³² In this case, we used the \$6.6 million surplus figure for CBC's net result for 1978/79, not the \$2.5 million figure from the following year.

74. Our results are inaccurate to the degree that the information we include does not, in fact, reflect the picture CBC wished to give Parliament of its net financial position for a given year.
75. From time to time CBC stopped reporting information about specific items. CBC presented licence-fee income and commercial income separately in 1937/37, its first year of operation; in 1937/38, however, it combined the two, resuming separate reporting in 1938/39. (We arbitrarily classified the combined figure for 1937/38 of \$2.237 million as operating appropriations, resulting therefore in an overstatement of the operating appropriations for that year, and an underestimate of CBC's commercial income for the same year.)
76. In 1983/84 CBC reported that it would be required to pay interest and principal to the Government in 1985 with respect to a sale of land in North York, Ontario, but the 1984/85 report did not state these amounts.⁴³³ (We therefore included no information about any interest or payment of the principal that CBC may have made in connection with the North York mortgage.) Similarly, although CBC was required to pay interest on and make payments on the principal of a bond in connection with the Toronto Broadcast Centre which entered into effect in 1997, the financial pages of and *Notes to the Financial Statement to the 2000/01 Annual Report* were silent on this point. (We therefore did not include any information on outstanding loans, interest payments or repayment of principal for that year.)

Figure 96 1983/84 mortgage interest and repayment reference



77. While it has had private radio and television affiliates from 1937 through to the present CBC also did not report affiliate payments in the financial sections of just over a quarter of its *Annual Reports* (22 out of 80 reports, or 27.5%):⁴³⁴ from 1937/38 to 1957/58, from 1985/86 to

⁴³² CBC, *Annual Report 1979-1980*, at 30 [underlining added].

⁴³³ In 1984/85 CBC was preparing "for the \$85 million reduction in government funding which was announced for the 1985-86 fiscal year": CBC, *Annual Report 1984-1985*, at 41 ("Financial Report").

⁴³⁴ The 23 *Annual Reports* from 1937/38 to 1956/57 (20), for 1985/86 to 1986/87 (2) and for 2018/19 (1) did not include information about CBC's payments to its private sector radio and television affiliates. (We assume, as its predecessor and successor reports did not include the information, that the missing reports from 1946/47 and 1948/49 also did not include the information.)

1986/87, and in 2018/19.⁴³⁵ Our research therefore underestimates CBC’s overall total expenses on affiliates.

78. In several years CBC’s *Annual Reports* provided insufficient information to know whether the appropriations granted by Parliament were the same as or different from the appropriations received by CBC. In 1986/87, for example, CBC said that it had been granted \$855.101 million in total appropriations, of which it “retained” \$854.9 million. In 1987/88, however, the *Notes to the Financial Statement* to CBC’s annual report states only that CBC was granted and that it received \$854.9 million in appropriations: Figure 97.

Figure 97 Examples of CBC’s reporting of the appropriations it was granted, and those it received.

CBC, <i>Annual Report 1986-1987</i> , at 44					CBC, <i>Annual Report 1987-1988</i> , at 35																							
5. Parliamentary appropriations					7 PARLIAMENTARY APPROPRIATIONS																							
	Operating	Capital (in thousands of dollars)	Working Capital	Total	The Corporation receives funds from the Parliament of Canada through annual appropriations. These funds are used to develop and provide a national broadcasting service. The appropriations approved and the payments received by the Corporation for 1988 and 1987 are noted below.																							
Payments to the Corporation in providing a broadcasting service	782,673	68,428	4,000	855,101																								
Refundable to Government of Canada	-	168	-	168																								
Retained – 1987	782,673	68,260	4,000	854,933																								
– 1986	789,638	64,788	2,500	856,926																								
					<table border="1"> <thead> <tr> <th></th> <th>1988</th> <th>1987</th> </tr> <tr> <th></th> <th colspan="2">(thousands of dollars)</th> </tr> </thead> <tbody> <tr> <td>Appropriations:</td> <td></td> <td></td> </tr> <tr> <td>Operating</td> <td>792,266</td> <td>782,673</td> </tr> <tr> <td>Capital</td> <td>91,344</td> <td>68,260</td> </tr> <tr> <td>Working Capital</td> <td>4,000</td> <td>4,000</td> </tr> <tr> <td></td> <td>887,610</td> <td>854,933</td> </tr> </tbody> </table>				1988	1987		(thousands of dollars)		Appropriations:			Operating	792,266	782,673	Capital	91,344	68,260	Working Capital	4,000	4,000		887,610	854,933
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					The 1988 capital appropriation includes \$589,000 which represents unspent accumulated capital appropriations from previous years.																							

79. CBC’s failure to distinguish between the appropriations approved by Parliament and those it received might simply reflect the fact that the two amounts were equal. Information in the 1993/94 *Annual Report* does not support this conclusion, however. Its “Statement of Income and Expense and Reconciliation to government funding basis” as well as its *Notes to the Financial Statement* both report that Parliament’s operating appropriation for the 1993/94 year were \$954.662 million: Figure 98. A table that follows the *Notes* – “Summary – Source and Application of Operating and Capital Funds” – then presents the current and four previous years

Information about expenditures on private affiliates for 1966/67 (another missing report) was included in the 1967/68 *Annual Report* and similarly, the 1987/88 report included information for 1986/87.

As a result, 22 years of information about CBC’s expenditures on its private radio and television affiliates are missing, or 26.5% of the 83 years for which CBC has been in operation.

⁴³⁵ CBC, *Annual Report 2018-2019*, at 73: “Transmission, distribution and collection costs now include Payments to private stations.”

Ibid., at 11: “ This map shows the locations of our CRTC-licensed and affiliated radio and television stations across Canada, as well as our designated digital station. ”

of information and shows that the operating appropriation for 1993/94 was \$946.0 million, supplemented by an \$8.7 million transfer from CBC’s capital appropriation, bringing the total operating appropriation to \$954.7 million.

Figure 98 The funding granted to, and the funding received, by CBC

CBC, <i>Annual Report 1993-1994</i> , at 104, 110 and 118																																																																															
Statement of Income and Expense and Reconciliation to Government Funding Basis”, at 104	Notes to the Financial Statement, at 110																																																																														
<p>STATEMENT OF INCOME AND EXPENSE AND RECONCILIATION TO GOVERNMENT FUNDS <i>For the year ended March 31, 1994</i></p> <table border="1"> <thead> <tr> <th></th> <th style="text-align: right;">1994 <i>(thousands)</i></th> </tr> </thead> <tbody> <tr> <td>Income</td> <td></td> </tr> <tr> <td>Parliamentary operating appropriation (Note 3)</td> <td style="text-align: right;">954,662</td> </tr> <tr> <td>Net advertising</td> <td style="text-align: right;">299,282</td> </tr> <tr> <td>Miscellaneous</td> <td style="text-align: right;">75,128</td> </tr> <tr> <td></td> <td style="text-align: right;">1,329,072</td> </tr> </tbody> </table>		1994 <i>(thousands)</i>	Income		Parliamentary operating appropriation (Note 3)	954,662	Net advertising	299,282	Miscellaneous	75,128		1,329,072	<p>3. Parliamentary Appropriation</p> <p>The Corporation receives funds from the Parliament of Canada through annual appropriations. The appropriations approved and amounts received by the Corporation for 1993 are noted below.</p> <table border="1"> <thead> <tr> <th></th> <th style="text-align: right;">1994 <i>(thousands of dollars)</i></th> </tr> </thead> <tbody> <tr> <td>Appropriations</td> <td></td> </tr> <tr> <td>Operating</td> <td style="text-align: right;">954,662</td> </tr> <tr> <td>Capital</td> <td style="text-align: right;">130,877</td> </tr> <tr> <td>Working Capital</td> <td style="text-align: right;">4,000</td> </tr> <tr> <td></td> <td style="text-align: right;">1,089,539</td> </tr> </tbody> </table>		1994 <i>(thousands of dollars)</i>	Appropriations		Operating	954,662	Capital	130,877	Working Capital	4,000		1,089,539																																																						
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	1990	1991	1992	1993	1994																																																																										
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• Restructuring	—	50.0	—	—	—																																																																										
• Transfer from Capital	—	25.1	—	—	8.7																																																																										
Operating revenue	373.3	363.5	378.1	372.8	374.4																																																																										
Previous year’s carry forward	6.6	(23.1)	8.3	(1.1)	19.2																																																																										
	1,229.2	1,325.6	1,287.0	1,330.8	1,348.3																																																																										

- 80. As CBC did not report the actual appropriations it was granted in 1987/88, 1991/92 and 1994/95, no information was recorded for ‘appropriations granted’ for these years.
- 81. The result of these gaps is that the total appropriations granted to CBC are underestimated by the total of the six missing years, while the appropriations received by CBC are underestimated by the total of three missing years. One way of estimating the impact of the gaps is to use the average of the values before and after the years for which data are missing, and to calculate the size of this average relative to the total for the 83-year period (see Table 32). Overall, and

assuming that the estimated values do not vary significantly from the true values, the gaps in data represent less than 0.1% of the current value of total operating appropriations granted to CBC, less than 0.5% of the value of total operating appropriations received by CBC, and less than 0.1% of the value of total (non-Parliamentary) income earned by CBC.

Table 32 Estimating impact of gaps in data

Concepts for which data are missing	Missing year	Value of year before	Value of year after	Average of years before and after
Appropriation granted	1946/47	\$ 3.77	\$ 4.80	\$ 4.29
	1948/49	\$ 4.80	\$ 5.48	\$ 5.14
	1987/88	\$ 782.67	\$ 809.47	\$ 5.14
	1991/92	\$ 910.11	\$ 918.50	\$ 5.14
	1994/95	\$ 946.00	\$ 918.23	\$ 5.14
	Subtotal			\$ 24.85
Total, excluding missing data				\$35,824.842
Total, including estimated value				\$35,849.687
% difference				0.07%
Appropriation received	1946/47	\$ 3.77	\$ 4.80	\$ 4.29
	1948/49	\$ 4.80	\$ 5.48	\$ 5.14
	1966/67	\$ 94.35	\$ 136.61	\$ 115.48
	Subtotal			\$ 124.91
Total, excluding missing data				\$ 39,030.85
Total, including estimated value				\$ 39,155.75
% difference				0.32%
Other income	1946/47	\$ 2.36	\$ 1.94	\$ 2.15
	1948/49	\$ 1.94	\$ 2.52	\$ 2.23
	Subtotal			\$ 4.38
Total, excluding missing data				\$ 19,340.45
Total, including estimated value				\$ 19,344.83
% difference				0.02%

82. Similarly, in 1984/85 and prior years CBC reported expenses for programs, network distribution, station transmission and its affiliates.⁴³⁶ It did not report these expenses in 1985/86 or 1986/87, but resumed reporting on them in 1987/88.⁴³⁷ No information was recorded for these concepts for those missing years. Without going through the mathematical exercise described above, we believe the resulting underestimation from these missing data for all other concepts is also minimal.

⁴³⁶ See p. 46 (Schedule of National Broadcasting Service Program and Distribution Costs).

⁴³⁷ See p. 28.

Appendix 3 Changes in CBC's Annual Reports over time

Year	Description	Impact	Resolution?
1937	Compared to later reports, no provision for depreciation No information about affiliated stations from now until 1955/56	Underestimates CRTC operating income Limits understanding of affiliate costs	None
1938	Licence fees combined with commercial revenue, and net; previous and subsequent reports separate these items	No way of determining licence fees and commercial revenue separately	None
1939	Net operating results now calculated after deducting expendable stores	Unknown	None
1944	Unclear how RCI costs/income accounted for		None
1945	Unclear how RCI costs/income accounted for	May overstate CBC expenses if RCI expenses included	None
1946	Includes depreciation without identifying amount	Underestimates CRTC operating income	None
	Includes RCI in both income and expenditures		Deduct from income & expenditures
1937-1946	Unclear how much collection of licence fees costs and who pays for it	Overstates 'Parliamentary appropriation'	None
1947	Annual report unavailable		
1949	Annual report unavailable		
1953	From "expenditures" to "expenses"	None	
1954	AG expresses concerns about appropriateness of depreciation allowances (p. 51, 5 Aug/54)	May affect calculation of operating income (income less expense)	None
	CBC surplus is now calculated by income - (expenses less depreciation)		None
1956	CBC begins to report affiliate payments, until 1977/78		Added to dataset
1957	Parliamentary grants identified by medium and included as income		
	Advertising revenues appear to be "Commercial broadcasting" income		
1958	Advertising now reported as "commercial revenue (gross)"		None
1959	Parliamentary grants separated from income; no longer identified by vote or statutory authority		
	CBC does not state its net result - based on (income + grants) less (expenses incl'g depreciation), result is -\$2.523 million		

Year	Description	Impact	Resolution?
	Advertising revenue reported as "Commercial revenue" – unknown if gross or net		
1960-64	Depreciation included in expense (and apparently added to income), so not deducted from 'CRTC expense' - creates surplus		
	Working capital not clearly recorded except in financial discussion		
1963	ee cummings lower-case style adopted in statements		
	Statement of Operations no longer identifies appropriation acts, votes and dates in the statements – brief description in (quarter page of) <i>Notes to the Financial Statement</i> refers to "authority of Parliament appropriation" ⁴³⁸ Changed back in 1964 <i>Annual Report</i>		
1965	Depreciation - "not recoverable by parliamentary grant" - now excluded from expense (p. 24)		
1966	Depreciation - "included as an operating cost, not recoverable from Parliamentary grant" (p. 23)		
1967	Annual report unavailable	Appropriations granted and received unavailable	1968 annual report has most historical figures; found an estimate of operating appropriation in a HoC committee meeting
1968	CBC incorporates RCI into its statements	Previous reports excluded RCI from CBC's statements	Exclude RCI from CRTC calculations to 1967; then include
1975	AG reports CBC not recording interest on loans		
	CBC net results not reported		

⁴³⁸ CBC, Annual Report 1962-1963, at 21.

Year	Description	Impact	Resolution?
1976	Net CBC results not provided	Calculated based on Financial Review (p. 32) discussion	Deduct depreciation from expenses
1978	Transmission, distribution and affiliate payment expenses are moved from Statement of Income and Expense to Schedule A; AG comments on this ⁴³⁹		Continued to include in dataset
	1977/78 balance sheet shows \$137.312 as loans from government in 1978; 1978/79 balance sheet shows \$197.88 for 1977/78		Used 1978/79 data
	1978/1979 balance sheet (at 39) shows \$9M in advances from Canada made in 1978		Added to 1978 data
1979	Application of depreciation changes to begin in year after acquisition		None
	Advances from Canada begin, "for working capital purposes": note 6, p. 45: "Proprietor's equity account has been restated to exclude \$9.0 million of such advances included in the opening balance." Why?		
	"Net results" not reported; 1978/79 AR at 36 reports "an operating surplus of \$6.6 million" due in part to a "carry-over of \$4,094,000", ie, a surplus of \$2.506 million		
1980	1979/80 AR at 30 reports surplus of "\$2,469,000 for 1978/79"	Based on 1979 data, estimated a surplus of \$2.506 million	Use the \$2.469 million figure for 1978/79 surplus
1982	Schedule of program and distribution costs no longer provides subtotal for distribution & transmission		Calculate by hand
1984	no Financial review; no clear statement about whether expenses include non-cash items		Assume expenses include non-cash items
1985	Statement of Income and Expense and Operating Appropriations includes appropriations as income for first time		

⁴³⁹ At 52:

The amount of \$9,134,945 shown for commercial broadcasting income in the Statement of Income and Expense, is after deducting \$2,706,455 for payments to private stations, \$3,261,870 for agency and network commissions and \$4,368,260 for direct production costs.

Year	Description	Impact	Resolution?
1986	AG reports CBC did not provide proper books of account (National Finance System problems)		CBC fixed the problems (1987 AR at 38)
	No Schedule A (so cannot calculate separate transmission & distribution expenses) No information on affiliate payments		No solution
1987	1987 AR restates 1986 data		Used 1987 AR data for 1986
	No Schedule A (so cannot calculate separate transmission & distribution expenses)		Used 1988 AR data for 1987
1992	Combines RCI with 'specialty services' in income statement (p. 24); combines CPaC and RCI costs (p. 32 & 24)		No solution: cannot provide separate RCI data
	CPaC - not reported separately until 1992?		
	Notes to the Financial Statement now include Operating Leases as a commitment		to be consistent with prior years, use only program-related commitments
1993	Figures for 1992 in the 1991/92 and 1992/93 reports are different		Used the 1992 figures, as these were relied upon by Parliament
	Schedule A presentation changes - no longer reports 'transmission' expenses separately		Used remaining distribution data
	Engineering now added to "Corporate management" - 1991/92 Engineering + Admin = \$57.9 M; 1992/93 Engineering + Corp Mgt = \$63.9M (+10.4%)		Used combined figure
1994	Still shows grants made AND received; and does not show transfers between capital and operating (p. 110), note 3, vs p. 118 (5-year table)		
1995	Still shows grants made AND received.		
	Still describes RCI as a specialty service (p. 110)		
1996	RCI no longer described as specialty service (p. 65)		
	Depreciation is no longer reported; only amortization		

Year	Description	Impact	Resolution?
	Interest payments are non-cash.		
	1998/99 AR at 63: "In 1995/96, the Corporation received a \$50 million repayable advance to be recovered in future years through reduced funding levels" - is this a loan?		
1997	1998 AR drop non-cash items table	Harder to find amortization/depreciation/ interest	used statement of cash flow (p. 56)
	1997 - unclear whether CBC is paying interest for the Broadcast Centre - see p. 58; 1997/98 report shows at p. 59 the interest on \$50M was \$6.7 million		
1998	Before this capital funding recorded as Proprietor's Equity; after this appropriations for depreciable capital expenditures = 'deferred capital funding' on the balance sheet		
	1997 statement of operations shows "other expense, net"; 1998 Statement of operations shows "specialty services" and "Miscellaneous" in total, not net		
	1997/98 AR Statement of Operations no longer shows Surplus (deficit) beginning, during and end of year (p. 54)		
1998	Approved operating appropriations different from Statement of Operations and Proprietor's Equity (p. 54) - 4759M and Note 4 (p. 58) - \$769M		
1999	Reduction in capital assets because technical equipment now amortized over 5 years, not 10 (p. 55)		
2012	CBC now reporting 3 years of data in consolidated statement of financial position for 2012, 2011 and 2010, 76		
	CBC no longer reports beginning and end of year results		
	CBC now reports Notes Payable data for 2010/11 year		
2013	"Program-related and Other" Commitments now includes "Facilities management", perhaps related to NHL disruption (p. 38)		

Year	Description	Impact	Resolution?
2015	Font size and especially colour in operating and other financial statements very hard to read (compare with 2016)		
2015	Digital income, but not digital expenses?		
2015	Consolidated statement of cash flows - repayment of bonds = \$12.49 million - but then see p. 110, note 17 - bonds payable - minimum payment of \$33 million - blended.		
2017	CBC now includes separate lines for digital ad revenue (total ad results -		
2018	Depreciation and amortization - not just depreciation (p. 67 - cash flows statement)		

Appendix 4 23 times Parliament has been warned about CBC's financial position

Year	Statement about cuts	CBC discussion of impact?
1944/45	<p>“Financial”, at 32:</p> <p>Since its inception the Corporation's sources of income have not changed. In the past, the revenue from the sale of receiving and broadcasting licences has increased each year, but this year, for the first time, revenue from these sources has fallen short of that achieved during the previous year”</p>	
1946/47	<p>Statement to the House of Commons Special Committee on Radio Broadcasting, 19 May 1947, at 27-28</p> <p>“When we budgeted for the year 1946-47 we had hoped that the cost of collecting licence fees would be absorbed by the government. Because Parliament did not amend the Radio Broadcasting Act last year, our predictions did not come true and as a result we had to make drastic cuts in our operating expenditures for the months of September to March inclusive. This has resulted in the necessity for us to take a few more commercial programmes, and it has also reduced very materially the quality and quantity of our own sustaining service.”</p>	
1949/50	<p>Foreword, p. 5:</p> <p>During the year 1949-50 the Canadian Broadcasting Corporation has operated under conditions of uncertainty about its basic financial position in the future. It has been made clear in previous reports that in the face of sharply rising costs the Corporation could not carry on with its present revenue rates. Either the revenue basis would have to be changed or services of the system would have to be heavily curtailed.</p> <p>... the Corporation has not embarked on many badly needed improvements and extensions of its services.</p>	
1950/51	<p>Throughout 1950-51 the Corporation has again been in a state of uncertainty about its financial future. It has had to continue operating in the face of further increased costs while its main source of revenue, the receiving set licence fee, has remained at the level set 12 years ago.</p> <p>... The situation has led to an overall deficit of \$1,271,874.27, in comparison with \$243,746.97 the previous year. The deficit was met in part through a loan of \$650,000.00 by the Government, the remainder coming from the working capital of the Corporation.⁴⁴⁰</p>	
1962/63	<p>“the financial position”: “The first estimates of the net operating amount required to discharge the responsibilities of the national broadcasting service were \$74,994,000 and were subsequently reduced by \$1,000,000 as a result of the economy program, to \$73,994,000.”</p>	Not clearly discussed
1963/64	<p>“financial”: “The small [0.7%] increase in 1962/63 [total expense], as compared to prior years, is attributable to the austerity program which resulted in the postponement of planned extensions and improvements to the national broadcasting service.”</p>	Not clearly discussed
1969/70	<p>6-7: “North Americans were worried about inflation as the sixties came to a close and this anxiety was reflected in a number of public measures designed to curb spending. An early move by the Canadian government was to impose</p>	“Most of the [staff] reduction was effected by not filling jobs left vacant by resignation or

⁴⁴⁰ CBC, *Annual Report 1950-1951*, at 5 (“Foreword”).

	<p>budget restraints on government departments and Crown Corporations; the effect of this on CBC has been the grant provided by Parliament for operating the national broadcasting service in 1970-71 is to be ‘frozen’ at the 1969-70 level with every indication that restraints on spending, while perhaps not as severe as in 1970-71, may continue for a further period.”</p> <p>“Partial relief was provided when the government agreed to a wording in the Appropriation Act for 1969-70 which made it possible for the Corporation to carry over into 1970-71 as a reserve any money it was able to save in 1969-70.”</p>	<p>retirement. The postponement of a number of projects for want of funds made it necessary to lay off 69 employees during the year, including 42 at Engineering Headquarters.”</p> <p>Staffing reduced by 531 positions from Oct/69 to Mar/71</p> <p>Capital, programming and administrative reductions</p> <p>CBC staff reductions⁴⁴¹</p>
1979/80	<p>30: “The Parliamentary appropriation of \$477.4 million was virtually the same as that of the prior year excluding the 1978 Commonwealth Games. To finance wage settlements and other price increases, the Corporation cut its capital budget and effected expenditure reductions in programming and administrative services. The surplus for 1979/80 was \$234,000 compared to \$2,469,000 for 1978/79.”</p>	
1983/84	<p>3: “... CBC’s operating funding from Parliament has declined, in constant dollar terms, since 1979-80. The Corporation’s commercial revenue was seriously affected by a \$10 million shortfall in 1982-83 because of the depressed economy. Capital funding too, in spite of an increase in current dollars, actually represents a loss in purchasing power of some \$21 million dollars between 1978-79 and 1982-83. This has limited the Corporation’s ability to replace technical equipment on a planned basis and to keep pace with technological development.”</p>	
1984/85	<p>41: “During 1984-85 CBC had to prepare for the \$85 million reduction in government funding which was announced for the 1985-86 fiscal year. Arrangements for ‘downsizing’ – eliminating positions and laying off employees – had to be started immediately in order to be in effect by March 1, 1985. ... an anticipated \$12.2 million surplus became a \$9.8 million deficit.”</p>	Layoffs
1985/86	<p>52, Note 13: “As a result of a reduction in its 1985/86 Parliamentary appropriations, the Corporation implemented an employee downsizing program wherein lay-off costs amounted to \$22.0 million were incurred and accounted to the 1984/85 fiscal year.”</p>	
1986/87	<p>13 – some discussion of impact of budget cuts</p>	<p>Program reductions, program replacements, independent production</p>
1989/90	<p>5: “A year of major financial decisions brought about by the decision of CBC government to reduce funding to CBC by a total of \$140 million over the next four years, starting in April 1990.”</p> <p>26: Financial Overview, Foreword: “During the year ended March 31, 1990, the Corporation implemented a plan approved by the Board of Directors to address the budget reduction requested by CBC Government.”</p>	<p>5: Almost 500 positions eliminated</p> <p>“With regard to programming, the Corporation is retaining its general objectives, which are to increase the number of Canadian programs in prime time on English television, to improve the production values of drama and information programs on French television and to protect network and regional</p>

⁴⁴¹ CBC, Annual Report 1979-1980, at 30.

		radio services and regional television from additional cuts.” Episodes from 3 programs, and 2 movies, were postponed to 1990/91 Fewer episodes of 2 programs produced 1 program cancelled English radio – staff layoffs; full weekday evening sports reports cancelled; 30 fewer orchestral concerts recorded French radio – ended live music broadcasts from montreal International Jazz Festival
1992-93	At 9: President’s Report “In this past year, CBC became visibly different. ... “The sweeping and seeming suddenness of the changes, one would venture, came as a surprise to many people ... “If the changes seemed sudden, they were not. Very little that is enduring or of importance springs full-blown into the public eye without a long period of contemplation, planning and preparation. The changes Canadians can see were born of long preparation. ...”	64: “major changes to the Corporation’s senior management structure”
1995/96	51: “The total cost of implementing this \$414 million reduction is estimated to be \$279 million. Although assistance of \$106 million has been received from the federal government, and further downsizing assistance is being sought, any unfunded balance will necessitate additional reduction to operations.” 65: “CBC is operated under agreement with the Minister of Foreign Affairs. In 1994/95 the direct costs for the service were fully recovered by the Corporation. For 1995/96, the Corporation agreed to operate the service while receiving substantially less funding.”	None.
1996/97	41: “In 1996-1997, the Corporation focused on implementing its restructuring plan, a result of lower resource levels arising from reduced government funding, the impact of new cost increases and an anticipated reduction in commercial revenues resulting from the continued fragmentation of television audiences.”	

2008/09,
p. 8



“On March 25, 2009, CBC | Radio-Canada announced a workforce reduction plan to deal with the financial pressures the Corporation is facing. A reduction of approximately 800 positions will result from this plan.”⁴⁴²

2009/10,

“In 2009-2010, the Corporation embarked on a two-year Recovery Plan to address a budget shortfall of \$171 million resulting from the economic recession and continuing increases in programming and other costs. Cost reduction and revenue improvement measures were put in place to manage these pressures.”⁴⁴³

“To fund the Recovery Plan and support programming until the savings from the budget reductions have materialised, the Corporation has sold its two long-term receivables.” (Stingray - \$20.1 million; land adjacent to CBC broadcast centre - \$133 million)
“we eliminated 800 full-time positions ... and cancelled or scaled back many television and radio programs ... a total impact of \$207 million, or 11 per cent of our budgets We had to sell certain assets” (p. 4)

2011/12

57: “... As a result of the government-wide Deficit Reduction Action Plan [announced in March 2012⁴⁴⁴], the Corporation will see its appropriations reduced by \$115.0 million over a three-year period, with an initial reduction of \$27.8 million scheduled for 2012–2013. This is followed by a \$69.6 million reduction scheduled for 2013–2014 prior to the full reduction of \$115.0 million in 2014-2015. In response to these reductions and additional financial pressures inherent in funding the business and proceeding with Strategy 2015, the Corporation is implementing a financial plan for 2012–2013 to allow it to continue to match its planned operating expenses with available liquidity resources. The financial plan includes new sources of cash inflows through new sources of television and radio advertising revenue, as well as real estate rental revenue, to partially offset the reduction in appropriations, combined with reducing operating and capital requirements by:

- Transforming RCI;
- Accelerating the shutdown of analogue television transmitters;
- Reducing costs and doing things differently; and

⁴⁴² CBC, *Annual Report 2008-2009*, Notes to the Financial Statement, at 80, Note 12b.

⁴⁴³ CBC, *Annual Report 2010-2011*, at 48.

⁴⁴⁴ CBC, *Annual Report 2011-2012*, at 47 (Management Discussion and Analysis).

2012/13	<ul style="list-style-type: none">● Pacing the Strategy 2015 roll-out. <p>50: "... The federal government announced funding reductions in its Federal Budget 2012. CBC/Radio-Canada's share of this reduction will be \$115 million annually by 2014–2015. This includes the elimination, over that same period, of the \$60 million in one-time funding received since 2001 for Canadian programming. By the end of the current fiscal year, the total parliamentary appropriations recognized as revenue decreased by \$7.5 million relative to 2011–2012. This reflects the Federal Budget 2012 decrease of \$27.8 million, partly offset by higher capital funding recognized in income this year for accounting purposes following the shutdown of our analogue TV and shortwave transmitters."</p>	<p>From 2013/14 <i>Annual Report</i>, at 19: We had to make the difficult decision to cut more than \$130 million from our budget across the Corporation, including a workforce reduction of 657 full-time positions over the next two fiscal years, with 573 to be cut immediately to balance our 2014–2015 budget. This will result in onetime severance payments estimated at \$33.5 million.</p>
2014/15	<p>28: "As a Crown corporation, we rely on two principal sources of funds: parliamentary appropriations and self-generated revenues. In 2014-2015, approximately 63% of our budget was funded by parliamentary appropriations approved by Parliament on an annual basis. These appropriations have decreased in real-dollar terms (adjusted for inflation) over the last 25 years. The decreases reflect deficit reduction initiatives in 1995 and 2012, combined with a lack of sufficient inflation adjustments over time.</p>	<p>From 2014/15 <i>Annual Report</i> at 45: As of March 31, 2015, we employed a total of 7,440 full-time equivalent employees (FTEs),(18) of whom 6,659 were permanent, 158 were temporary and 623 were contract. This is a decrease of 710 FTEs when compared to March 31, 2014, resulting mainly from workforce adjustments following 2014-2015 budget reductions.</p>
		<p>From 2015/16 <i>Annual Report</i> at 26: In June 2014, we announced our strategic plan and its reduction impact on the workforce of between 1,000 and 1,500 positions. While the implementation is not completed, through hard work, careful management and conversations with our unions, the maximum number of reductions is now forecast to be approximately 1,150 FTEs. To date about 40% of the FTEs eliminated have been through attrition.</p>
		<p>In terms of hiring, we have already hired close to 150 people to help support our strategy, and we are planning</p>

on hiring at least another 300 in the next years to improve our digital skills.

From 2016/17 *Annual Report*, at 33:

In June 2014, we announced our strategic plan and its reduction impact on the workforce of between 1,000 and 1,500 positions. While the implementation is not yet completed, through hard work, careful management and conversations with our unions, the maximum number of reductions is now forecast to be approximately 1,000 full-time equivalents (FTEs). At the date of this report, about 40% of the FTEs eliminated have been through attrition.

Appendix 5 Changes in technology, major domestic events, major CBC events and major international events

Year	Technology	Domestic events	CBC events	International events
1939		Royal Visit from 17 May 1939 to 7 June 1939 ⁴⁴⁵ After Canada declares a state of war with Germany, Minister of Transport includes CBC as “an essential service which must be maintained at full efficiency” ⁴⁴⁶ Content broadcast on CBC stations and networks must comply with the <i>Defence of Canada Regulations</i> ⁴⁴⁷	CBC’s Station Relations Department forwards the directives issued by the Radio Broadcasting Censor to radio stations ⁴⁴⁸ ‘Northern Messenger Service’ to the NWT and “Arctic Regions of Canada” begins on 15 December 1939 ⁴⁴⁹	10 Sept/39 – Canada declares state of war with Germany (World War 2)
1941		CBC surveys plant efficiency and coverage of all private broadcasting stations, measures tolerable limits of interference with radio communication in Army tanks, at the request of the Department of Transport, and supervises design and installation of a high-powered international shortwave transmitter in French Equatorial Africa ⁴⁵⁰	In July 1941 CBC begins operating a “second or alternative national network, thereby making it possible for advertisers who were precluded from purchasing time on the regular national network to reach listeners in the main markets across Canada.” ⁴⁵¹	Canada declares state of war with Japan on 7 December 1941 ⁴⁵² Copyright litigation in the US prevents US stations from broadcasting CBC programs with music ⁴⁵³
1942			Order in Council PC 8168 approves construction for Dominion government of two 50KW	

⁴⁴⁵ https://en.wikipedia.org/wiki/1939_royal_tour_of_Canada.

⁴⁴⁶ CBC, Annual Report 1939-1940, at 18.

⁴⁴⁷ CBC, Annual Report 1939-1940, at 20.

⁴⁴⁸ CBC, Annual Report 1939-1940, at 20.

⁴⁴⁹ CBC, Annual Report 1939-1940, at 13.

⁴⁵⁰ CBC, Annual Report 1941-1942, at 24.

⁴⁵¹ CBC, Annual Report 1941-1942, at 16.

⁴⁵² CBC, Annual Report 1941-1942, at 6.

⁴⁵³ CBC, *Annual Report 1941-1942*, at 21-22: “... The American ASCAP-BMI litigation prevented the inclusion in the American programs of many musical compositions which CBC was still able to use. Consequently, the U.S. network found it necessary to cancel all such programs from this country until the matter was settled. Although the restrictions have since been lifted, the previous arrangements have not been re-established on the former basis. ...”

Year	Technology	Domestic events	CBC events	International events
			shortwave transmitting stations at Sackville NB; CBC estimates capital costs of \$800K and “the minimum annual operating cost at \$500,000” ⁴⁵⁴	
1943			“International Service “In accordance with the provisions of Order-in-Council P.C. 156/8855 dated November 17 th , 1943, the Corporation carries on its books and show on its Balance Sheet as a separate item, the total cost of the Crown’s property of the shortwave transmitter at Sackville and studios in Montreal, together with a like sum as a liability to the Government of Canada.” ⁴⁵⁵	
1944	Shortwave	CBC inaugurates the Dominion (radio) network whose programs, when compared with the National network, are “lighter and more definitely entertaining rather than educational or instructional in character” ⁴⁵⁶	In February, at CBC’s request, all radio censorship requests are issued directly by the Radio Censorship office ⁴⁵⁷ Order in Council PC 156/8855 (17 Nov/43) re costs of International Service; it begins test operations 25 Dec/44 ⁴⁵⁸ <i>Canadian Broadcasting Act, 1936</i> amended (15 Aug/44) to enable GIC to appoint a full-time salaried Chairman of the Board of Governors ⁴⁵⁹	
1945			CBC International Service begins operations ⁴⁶⁰ Draft affiliation agreement with privately owned stations ⁴⁶¹	Allied invasion of Europe (D-Day) on 6 June/44
1946			“Cost [<i>sic</i>] of operating this service [the International Short-wave Service] amounted to \$606,699.52 and is shown under income for the	

454 CBC, Annual Report 1942-1943, at 25.
 455 CBC, Annual Report 1948-1949, at 53.
 456 CBC, Annual Report 1943-1944, at 26.
 457 CBC, Annual Report
 458 CBC, Annual Report 1944-1945, at 22.
 459 CBC, Annual Report 1944-1945 at 6.
 460 CBC, Annual Report 1944-1945, at 5.
 461 CBC, Annual Report 1944-1945, at 28.

Year	Technology	Domestic events	CBC events	International events
			first time. An amount of \$577,809.07 is shown under expenditures and the difference between the two amounts, \$28,8990.45, represents a five per cent supervision charge allowed the Corporation on the cost of operations as authorized by Order in Council PC 124/326 dated February 1 st , 1946.”	
1947		<i>Canadian Broadcasting Act</i> amended effective 1 April 1946 to remit the gross amount of radio licence fees to CBC ⁴⁶² Special Committee on Broadcasting ⁴⁶³	Following recommendations from the 1947 Special Committee on Broadcasting, CBC begins “to hold public sessions when hearing representations on matters of broadcast licences or regulations within its competence.” ⁴⁶⁴	
1949	Cable TV begins	Newfoundland joins Canada	CBC acquires \$856,053.04 in capital surplus due to Union with Newfoundland ⁴⁶⁵	
1950	TV in Montreal & Toronto	Special Committee on Broadcasting ⁴⁶⁶		
1952			CBC broadcasts “special television programs ... by micro-wave link from CBC-TV studios in the Radio Canada building to an exhibition of radio and TV receivers being held in the Merchandise Mart. For two hours each evening, both ‘live’ shows and film were transmitted and reviewed by thousands of Montrealers.” ⁴⁶⁷ CBC planned “to begin actual telecasting in Montreal in August or early September.” ⁴⁶⁸ CBC’s Toronto TV facility “was nearly completed by the end of March Broadcasting is planned to start in August or early September.” ⁴⁶⁹	

462 CBC, Annual Report 1947-1948, at 51.
 463 CBC, Annual Report 1947-1948, at 41.
 464 CBC, Annual Report 1947-1948, at 41.
 465 CBC, *Annual Report 1952-1953*, at 49, “Statement of Surplus”.
 466 CBC, Annual Report 1950-1951, at 43.
 467 CBC, *Annual Report 1951-1952*, at 33.
 468 *Ibid.*
 469 *Ibid.*

Year	Technology	Domestic events	CBC events	International events
1957		Royal Commission on Broadcasting reports		
1958		New <i>Broadcasting Act</i> entered into force on 10 November 1958	CBC no longer financed by excise taxes	
1959		New TV stations being licensed		
1962	CBC’s use of videotapes for recording in advance of broadcast “has assisted in improved scheduling of facilities and manpower throughout the entire year.” ⁴⁷⁰			
1964		Committee on Broadcasting appointed		
1966		<i>White Paper</i> : extend CBC coverage ⁴⁷¹	Acquired FM station in Winnipeg, and AM station in Schefferville (p. 18_ In May 1966 “the Corporation began a simultaneous interpretation service at all meetings between the Corporation and staff unions, thus removing a major stumbling block to effective communication between the two language groups at the bargaining table. It is believed this is the first time in Canada that such a system has been used on a continuing basis in labour relations.” ⁴⁷²	
1967		100 th anniversary of Canada		Vietnam war
1968			“On July 1, 1968, all CBC foreign operations were regrouped into a single External Services Division, incorporating the International Service, Overseas and Foreign Relations and its Export Sales functions, and CBC offices abroad.” ⁴⁷³	

⁴⁷⁰ CBC, *Annual Report 1961-1962*, at 19.

⁴⁷¹ CBC, *Annual Report 1971-1972*, at 12.

⁴⁷² CBC, *Annual Report 1965-1966*, at 59.

⁴⁷³ CBC, *Annual Report 1968-1969*, at 59.

Year	Technology	Domestic events	CBC events	International events
			<p>“... the accounts relating to the International Service were consolidated with the accounts of the Corporation on April 1, 1968, and the cost of \$3,675,000 to operate this service is now provided in the Parliamentary grant. In prior years, funds to cover the cost of operating this service were provided by a separate vote.”⁴⁷⁴</p> <p>“The Governor in Council by Order in Council P.C. 1968-525 of March 19, 1968 directed the Corporation to provide an International Service by means of shortwave broadcasting providing thereby a continuing expression abroad of Canadian identity, and to consolidate the accounts relating to the International Service with the accounts of the Corporation and merge the capital assets of the International Service with the assets of the Corporation. This consolidation has taken place effective April 1, 1968 and corresponding adjustments have been made to the Corporation’s statements for the previous year to enable proper comparisons to be made. In previous years, the International Service was financed by a separate Parliamentary vote while in the current year it was financed from the Parliamentary appropriation provided for the Corporation.”⁴⁷⁵</p> <p>RCI assets added to Proprietor’s Equity account for CBC⁴⁷⁶</p>	
1970		100 th anniversary of NWT		
1972	First Anik satellite launches -		NABET strike ⁴⁷⁷	Winter Olympics – Japan

⁴⁷⁴ CBC, Annual Report 1968-1969, at 85.

⁴⁷⁵ CBC, *Annual Report 1968-1969*, Notes to the Financial Statement at note (1) (“International Service”), p. 92.

⁴⁷⁶ CBC, *Annual Report 1968-1969*, at 91, “Statement of Proprietor’s Equity Account”. The capital assets, less accumulated depreciation, amounted to \$1.369 million.

⁴⁷⁷ CBC, Annual Report 1971-1972, at 9.

Year	Technology	Domestic events	CBC events	International events
			CBC establishes an “CBC Task Force ... to recommend broad policies for CBC’s international broadcasting service over the next ten years.” ⁴⁷⁸	
1973	CBC leases 25 television receive-only (TRO) ground stations from Telesat Canada			International financial crisis triggered by decision of the Organization of Petroleum Exporting Countries (OPEC) to embargo countries perceived as supporting Israel in the Yom Kippur War
1976		Federal government enacts <i>Anti-Inflation Act</i> Parti Quebecois elected in Quebec with a platform calling for Quebec to separate from Canada Prime Minister asks CRTC to hold inquiry “into the manner in which the Canadian Broadcasting Corporation is fulfilling its mandate, particularly with respect to public affairs, news and information programming.” The inquiry was due to be completed by July 1977. ⁴⁷⁹	“The ... demand for a unifying reflection of Canadian society through CBC was brought into sharp focus with the 1976 Quebec election and the constitutional issues arising from it.” ⁴⁸⁰	Summer Olympics
1977		<i>Anti-Inflation Act</i> Federal Government Task Force on Unity invites CBC to appear	“The year ... saw the first installations under CBC’s Accelerated Coverage Plan, bringing radio and television service to previously unserved communities.” ⁴⁸¹ “... The design and installation of the Parliamentary broadcasting facilities were undertaken by CBC Engineering for the Speaker	

⁴⁷⁸ CBC, Annual Report 1973-1974, at 85.

⁴⁷⁹ CBC, *Annual Report 1976-1977*, “Directors’ Report”, at 7.

⁴⁸⁰ CBC, *Annual Report 1976-1977*, “Directors’ Report”, at 4.

⁴⁸¹ CBC, *Annual Report 1975-1976*, “Directors’ Report”, at 4.

Year	Technology	Domestic events	CBC events	International events
			of the House; the facilities are managed and operated by a specially created unit whose members are employees of the House of Commons." ⁴⁸²	
1978				St. Clair River Broadcasting and Les Entreprises Roléo Ltée are legally dissolved this year ⁴⁸³
1979				Second oil shock triggered by reduced oil supplies following the Iranian revolution – price of crude oil doubled in 12 months and remained high until mid-1980s
1980		Canada withdraws from the Moscow Olympics ⁴⁸⁴	Write-off of \$2.6 million related to Moscow Olympics ⁴⁸⁵	
1982			Notes to the Financial Statement address income tax – CBC incurred losses in previous years	
1983	CBC announces IRIS teletext field test in conjunction with Department of Communications ⁴⁸⁶			
1985	CBC is leasing 9 Canadian satellite channels to distribute programming ⁴⁸⁷		Government reduces CBC budget by \$85 million ⁴⁸⁸ "The teletext field test conducted by CBC and the Department of Communications in 1983 was to have been followed by a three-year	

⁴⁸² CBC, *Annual Report 1977-1978*, at 7.

⁴⁸³ CBC, *Annual Report 1977-1978*, Notes to the Financial Statement, at 46, Note 1(a).

⁴⁸⁴ CBC, *Annual Report 1979-1980*, at 30.

⁴⁸⁵ CBC, *Annual Report 1979-1980*, at 30.

⁴⁸⁶ CBC, *Annual Report 1984-1985*, at second unnumbered page past 35 (the foldout page).

⁴⁸⁷ CBC, *Annual Report 1984-1985*, at 35 (foldout page).

⁴⁸⁸ CBC, *Annual Report 1984-1985*, at 41.

Year	Technology	Domestic events	CBC events	International events
			developmental service starting in April 1984. As a result of CBC budget reductions, the Corporation announced that it would have to cancel the teletext service effective March 31, 1985. However, it was agreed with the Department of Communications that CBC would maintain the service at a limited level.” ⁴⁸⁹	
1989			CRTC grants CBC’s application for CBC Newsworld; Newsworld goes on air July 31 ⁴⁹⁰	
1990			Federal government announces it will reduce funding for CBC by \$140 million over four years, beginning April 1990. ⁴⁹¹	After Iraq invades Kuwait, US-led coalition of 35 nations leads armed forces against Iraq (‘Operation Desert Storm’)
1991			Budget shortfall of \$108 million for 1991/92 ⁴⁹²	
1994		NHL lockout begins 1 October 1994 and ends 11 January 1995, causing the loss of 468 hockey games ⁴⁹³		
1996 and 1997			“For 1995-1996 and 1996-1997, the Corporation agreed to subsidize the operations of RCI. Revenue represents funding received from various government departments and agencies.” ⁴⁹⁴	
1998			CBC launches Galaxie ⁴⁹⁵	Nagano Olympic Games
1999	“... the useful economic life of the Corporation’s technical equipment is decreasing due			

⁴⁸⁹ CBC, *Annual Report 1984-1985*, at second unnumbered page past 35 (the foldout page).

⁴⁹⁰ CBC, *Annual Report 1989-1990*, at 4.

⁴⁹¹ CBC, *Annual Report 1989-1990*, at 5.

⁴⁹² CBC, *Annual Report 1990-1991*, “Financial Overview”, at 32.

⁴⁹³ Wikipedia, “1994-95 NHL lockout”, https://en.wikipedia.org/wiki/1994%E2%80%9395_NHL_lockout.

⁴⁹⁴ CBC, *Annual Report 1996-1997*, at 55. **Were these voted by Parliament?**

⁴⁹⁵ CBC, *Annual Report 1998-1999*, Notes to the Financial Statement, at 64 (“4. Specialty Services and Radio Canada International”): “1998/99 was Galaxie’s second year of operations”

Year	Technology	Domestic events	CBC events	International events
	to the digitization of components and the faster pace of obsolescence. ⁴⁹⁶			
1999/00				Pan Am Games
2003/04			52: “On April 1, 2003, the Government of Canada approved the integration of Radio Canada International (RCI) funding into CBC/Radio-Canada operating appropriations. In 2002-2003, Radio Canada International was funded under the terms of a contribution agreement with the Government of Canada.” CBC/Radio-Canada was “host broadcaster of the Pan American Games in the Dominion Republic and of the World Road Cycling Championships in Hamilton” ⁴⁹⁷	Athens Summer Olympic Games
2004/2005		National Hockey League lockout (eliminates playoff season & associated ad revenues) ⁴⁹⁸		Summer Olympic Games in Athens ⁴⁹⁹
2005/06			CBC converts its National News Department in Toronto from tape-based to digital production ⁵⁰⁰ CBC locked out its CMG staff for 8 weeks ⁵⁰¹ CBC labour disruption ⁵⁰² related to Canadian Media Guild ⁵⁰³	Winter Olympic Games in Turino ⁵⁰⁶ Host broadcaster for World Aquatics Championships in Montreal ⁵⁰⁷

⁴⁹⁶ CBC, *Annual Report 1998-1999*, at 54 (“Financial Highlights”).

⁴⁹⁷ CBC, *Annual Report 2003-2004*, at [maybe] 37.

⁴⁹⁸ CBC, *Annual Report 2004-2005*, at 44.

⁴⁹⁹ CBC, *Annual Report 2004-2005*, at 44.

⁵⁰⁰ CBC, *Annual Report 2004-2005*, at 47.

⁵⁰¹ CBC, *Annual Report 2005-2006*, at 17 (note).

⁵⁰² CBC, *Annual Report 2005-2006*, at 59.

⁵⁰³ *Ibid.*, at 60.

⁵⁰⁶ CBC, *Annual Report 2005-2006*, at 57.

⁵⁰⁷ CBC, *Annual Report 2005-2006*, at 59.

Year	Technology	Domestic events	CBC events	International events
			Special Examination Report on CBC by Auditor General of Canada ⁵⁰⁴ CBC buys Corus 53% interest in The Documentary Channel ⁵⁰⁵	
2006 /07			6-year broadcast agreement for national English-language broadcast and multi-media rights to NHL games in Canada ⁵⁰⁸	
2007/08		<p><i>Canada (Procureur général) c. Syndicat canadien de la fonction publique, section locale 675</i>, 2016 QCCA 163 (CanLII)</p> <p>[10] Since August 2007, industrialized nations have been struck by a serious financial crisis. This has led to a most severe recession, the effects of which are still being felt today. In Canada, the crisis resulted in a drop in exports, a downturn in consumer spending, loss of investor confidence, job cuts, and bankruptcies. The problem escalated in the fall of 2008, with negative growth forecast for the country in 2009 for the first time since 1991.</p> <p>...</p> <p>[15] On November 17, 2008, Crown corporation executives, including those from CBC, were invited to Ottawa where Treasury Board officials directly informed them of the government’s financial situation and its strategy in</p>		In February 2008 the Canadian Accounting Standards Board of the CICA? Requires all publicly accountable Canadian reporting entities to adopt International Financial Reporting Standards beginning 1 January 2011 ⁵⁰⁹

⁵⁰⁴ CBC, *Annual Report 2005-2006*, at 57.

⁵⁰⁵ *Ibid.*, at 60.

⁵⁰⁸ CBC, *Annual Report 2006-2007*, at 59.

⁵⁰⁹ CBC, *Annual Report 2009-2010*, at 58.

Year	Technology	Domestic events	CBC events	International events
		response to the crisis, including the issue of remuneration.		
2008/09		Government undertakes “strategic review” In December 2009 passage of Bill C-51 requires all Crown Corporations to issue financial reports within 60 days of the end of each financial quarter, beginning June 30/11 ⁵¹⁰		Beijing Summer Olympics ⁵¹¹
2009/2010		CRTC requires significant roll-out of digital television transmitters by 31 August 2011 ⁵¹² CRTC establishes LPIF in March 2010 ⁵¹³ CRTC allows private broadcasters to negotiate Value for Signal with BDUs, but not CBC ⁵¹⁴	CBC was “subject in 2009-2010 to a Government Strategic Review evaluating programs and spending to identify the lowest-priority activities representing five per cent of our Government appropriation.” ⁵¹⁵ CBC engaged in “forward-looking strategic plan that [it] call[s] <i>Driving Towards 2015</i> ”, to be implemented in 2011/12 ⁵¹⁶ “A key aspect of one of the Corporation’s three corporate priorities, Pushing Forward, is to enhance corporate transparency.” ⁵¹⁷	In December 2009 Parliament passes Bill C-51, requiring all Crown Corporations to issue financial reports every quarter beginning June 2011 ⁵¹⁸
2010/11		Government announces “Strategic and Operating Review”, and eliminates salary inflation funding from 2010/11 to	CBC launches a 5-year strategic plan, <i>Everyone, Every way</i> ⁵²⁰ CBC has 989 transmission sites across Canada ⁵²¹	LPIF created

⁵¹⁰ CBC, *Annual Report 2009-2010*, at 56.
⁵¹¹ CBC, *Annual Report 2008-2009*, at 47.
⁵¹² CBC, *Annual Report 2009-2010*, at 50, 54.
⁵¹³ CBC, *Annual Report 2009-2010*, at 48.
⁵¹⁴ CBC, *Annual Report 2009-2010*, at 48.
⁵¹⁵ CBC, *Annual Report 2009-2010*, at 48.
⁵¹⁶ CBC, *Annual Report 2009-2010*, at 50.
⁵¹⁷ CBC, *Annual Report 2009-2010*, at 51.
⁵¹⁸ CBC, *Annual Report 2009-2010*, at 56.
⁵²⁰ CBC, *Annual Report 2010-2011*, at 54.
⁵²¹ CBC, *Annual Report 2010-2011*, at 46.

Year	Technology	Domestic events	CBC events	International events
		2012/13 (representing \$13.8 million/yr to CBC) ⁵¹⁹	It is “... implementing one of Canada’s largest high-speed networks capable of handling real-time and non-real-time broadcast and data traffic. ... The NGNC [Next Generation Converged Network] will generate significant operational savings.” ⁵²²	
2013/14	NHL grants exclusive rights to Rogers for next 12 years ⁵²³			

⁵¹⁹ CBC, *Annual Report 2010-2011*, at 54.

⁵²² CBC, *Annual Report 2010-2011*, at 46.

⁵²³ CBC, *Annual Report 2013-2014*, at 6.

Appendix 6 Parliament's funding of CBC's operations, 1937-2019

Year and party in in power at 30 March	\$ millions current		\$ millions [\$2002]	
	Operating appropriation granted	Operating appropriation received	Subtotal, operating appropriation granted	Subtotal, operating appropriation received
1937 - Liberal	\$0.742	\$0.742	\$9.632	\$9.632
1938 - Liberal	\$2.253	\$2.253	\$29.256	\$29.256
1939 - Liberal	\$2.652	\$2.652	\$34.444	\$34.444
1940 - Liberal	\$2.907	\$2.954	\$36.333	\$36.926
1941 - Liberal	\$3.140	\$3.140	\$36.944	\$36.944
1942 - Liberal	\$3.485	\$3.485	\$39.606	\$39.606
1943 - Liberal	\$3.702	\$3.702	\$41.130	\$41.130
1944 - Liberal	\$3.788	\$3.788	\$41.625	\$41.625
1945 - Liberal	\$3.783	\$3.783	\$41.124	\$41.124
1946 - Liberal minority	\$3.773	\$3.773	\$40.141	\$40.141
1947 - Liberal minority	\$0.000	\$0.000	\$0.000	\$0.000
1948 - Liberal minority	\$4.798	\$4.798	\$40.663	\$40.663
1949 - Liberal minority	\$0.000	\$0.000	\$0.000	\$0.000
1950 - Liberal	\$5.481	\$5.681	\$43.852	\$45.452
1951 - Liberal	\$5.572	\$5.572	\$40.377	\$40.377
1952 - Liberal	\$12.091	\$12.091	\$85.150	\$85.150
1953 - Liberal	\$11.975	\$11.975	\$85.536	\$85.536
1954 - Liberal	\$23.285	\$23.285	\$165.139	\$165.139
1955 - Liberal	\$28.013	\$28.013	\$198.677	\$198.677
1956 - Liberal	\$29.428	\$29.428	\$205.792	\$205.792
1957 - Liberal	\$37.565	\$37.565	\$253.819	\$253.819
1958 - Prog Cons minority	\$41.631	\$41.631	\$273.887	\$273.887
1959 - Progressive Conservative	\$51.950	\$52.056	\$339.545	\$340.235
1960 - Progressive Conservative	\$58.404	\$52.300	\$376.800	\$337.421
1961 - Progressive Conservative	\$62.085	\$59.288	\$395.446	\$377.634
1962 - Progressive Conservative	\$70.418	\$70.252	\$442.881	\$441.838
1963 - Prog Cons minority	\$61.661	\$72.655	\$382.988	\$451.272
1964 - Liberal minority	\$78.439	\$78.377	\$478.287	\$477.907
1965 - Liberal minority	\$85.900	\$85.869	\$511.310	\$511.126
1966 - Liberal minority	\$97.044	\$94.350	\$554.537	\$539.144
1967 - Liberal minority	\$110.643	\$0.000	\$611.287	\$0.000
1968 - Liberal minority	\$140.147	\$136.613	\$745.463	\$726.664
1969 - Liberal	\$151.100	\$144.374	\$767.005	\$732.864
1970 - Liberal	\$166.000	\$160.935	\$817.734	\$792.784
1971 - Liberal	\$166.000	\$159.700	\$794.258	\$764.115
1972 - Liberal	\$181.000	\$174.435	\$826.484	\$796.507
1973 - Liberal minority	\$207.000	\$196.783	\$877.119	\$833.827

Year and party in in power at 30 March	\$ millions current		\$ millions [\$2002]	
	Operating appropriation granted	Operating appropriation received	Subtotal, operating appropriation granted	Subtotal, operating appropriation received
1974 - Liberal minority	\$232.796	\$224.735	\$888.534	\$857.769
1975 - Liberal	\$234.982	\$242.101	\$810.283	\$834.831
1976 - Liberal	\$293.282	\$287.032	\$943.029	\$922.932
1977 - Liberal	\$343.400	\$347.363	\$1,022.024	\$1,033.819
1978 - Liberal	\$400.200	\$402.900	\$1,093.443	\$1,100.820
1979 - Liberal	\$457.100	\$481.671	\$1,142.750	\$1,204.178
1980 - Liberal	\$477.400	\$477.400	\$1,085.000	\$1,085.000
1981 - Liberal	\$536.762	\$536.762	\$1,084.368	\$1,084.368
1982 - Liberal	\$598.457	\$598.457	\$1,090.086	\$1,090.086
1983 - Liberal	\$673.769	\$673.769	\$1,159.671	\$1,159.671
1984 - Liberal	\$736.442	\$736.442	\$1,215.251	\$1,215.251
1985 - Progressive Conservative	\$799.458	\$808.450	\$1,268.981	\$1,283.254
1986 - Progressive Conservative	\$789.638	\$789.638	\$1,203.716	\$1,203.716
1987 - Progressive Conservative	\$782.673	\$782.673	\$1,142.588	\$1,142.588
1988 - Progressive Conservative	\$0.000	\$792.266	\$0.000	\$1,112.733
1989 - Progressive Conservative	\$0.000	\$810.368	\$0.000	\$1,083.380
1990 - Progressive Conservative	\$0.000	\$849.335	\$0.000	\$1,083.335
1991 - Progressive Conservative	\$910.112	\$985.212	\$1,099.169	\$1,189.870
1992 - Progressive Conservative	\$900.562	\$900.562	\$1,072.098	\$1,072.098
1993 - Progressive Conservative	\$918.500	\$959.100	\$1,073.014	\$1,120.444
1994 - Liberal	\$946.000	\$954.700	\$1,103.851	\$1,114.002
1995 - Liberal	\$951.358	\$951.358	\$1,086.025	\$1,086.025
1996 - Liberal	\$918.229	\$1,019.254	\$1,032.879	\$1,146.517
1997 - Liberal	\$818.329	\$896.424	\$905.231	\$991.619
1998 - Liberal	\$769.014	\$702.985	\$842.294	\$769.973
1999 - Liberal	\$745.531	\$759.481	\$802.509	\$817.525
2000 - Liberal	\$756.409	\$764.715	\$792.882	\$801.588
2001 - Liberal	\$807.356	\$794.058	\$825.517	\$811.920
2002 - Liberal	\$855.574	\$840.404	\$855.574	\$840.404
2003 - Liberal	\$864.891	\$937.432	\$841.334	\$911.899
2004 - Liberal	\$829.059	\$932.695	\$791.842	\$890.826
2005 - Liberal minority	\$895.659	\$936.771	\$837.064	\$875.487
2006 - Conservative minority	\$946.231	\$1,006.231	\$867.306	\$922.302
2007 - Conservative minority	\$948.054	\$974.324	\$850.273	\$873.833
2008 - Conservative minority	\$948.321	\$989.564	\$831.131	\$867.278
2009 - Conservative minority	\$995.795	\$1,070.137	\$870.450	\$935.434
2010 - Conservative minority	\$956.978	\$1,017.587	\$821.440	\$873.465
2011 - Conservative minority	\$980.814	\$1,031.581	\$818.027	\$860.368

Year and party in in power at 30 March	\$ millions current		\$ millions [\$2002]	
	Operating appropriation granted	Operating appropriation received	Subtotal, operating appropriation granted	Subtotal, operating appropriation received
2012 - Conservative	\$977.988	\$1,028.047	\$803.606	\$844.739
2013 - Conservative	\$977.988	\$999.484	\$796.407	\$813.912
2014 - Conservative	\$968.438	\$975.618	\$773.513	\$779.248
2015 - Conservative	\$941.687	\$929.284	\$743.829	\$734.032
2016 - Liberal	\$941.693	\$928.332	\$743.833	\$733.280
2017 - Liberal	\$1,016.693	\$1,002.307	\$779.673	\$768.640
2018 - Liberal	\$1,125.752	\$1,110.262	\$843.892	\$832.280
2019 - Liberal	\$1,114.500	\$1,097.822	\$830.477	\$818.049

Appendix 7 Changes to Parliament's funding of CBC's operations as described in CBC's annual reports

Category	Description from CBC's Annual Reports	\$ millions current
Frozen allotment reprofiled from previous year	Release of frozen allotment reprofiled from a previous year	\$ 20.0
Frozen allotment reprofiled to future years	Frozen allotment reprofiled to future years	\$ (20.0)
Frozen operating allotment	Frozen allotment to be reprofiled in future years	\$ (60.0)
	Frozen allotment used (reprofiled in future years)	\$ 20.0
	Frozen allotment used (reprofiled)	\$ (20.0)
	Frozen allotment used	\$ 20.0
	Frozen allotment used (reprofiled from previous years)	\$ 40.0
Governor General - special warrant	Governor General Special Warrants	\$ 12.1
Income - one-time funding	Additional non-recurring funding for programming initiatives	\$ 632.2
	One-time funding for programming initiatives	\$ 60.0
Operating appropriation - reduction	Reduction in payments as per letters from Secretary of the Treasury Board dated February 14, 1975 and June 13, 1975, and Repayments to Canada	\$ (6.3)
Operating appropriation - refunded	"refundable to Canada"	\$ (7.3)
	1978 Commonwealth Games - Refundable to Canada	\$ (0.3)
	Deduct: Amount to be refunded	\$ (0.8)
	Deduct: refund on March 31, 1966	\$ (1.8)
	Less: Amount of Vote 43 not expended, to be refunded	\$ (0.2)
	Less: Amount of Vote 41 not expended	\$ (6.1)
	Less: Amount of Vote 41 not expended and Refunded March 1961	\$ (1.3)
	Less: Amount of Vote 41 not expended and To be refunded	\$ (1.5)
	Less: Amount refunded on March 31, 1969	\$ (2.5)
	Less: Amount to be refunded	\$ (0.3)
	Less: unexpended balance to be refunded	\$ (0.1)
	Less: unexpended balance refunded on May 31, 1963	\$ (0.6)
	Repayments to Canada	\$ (3.1)
Operating appropriation - special event	1976 Summer Olympics, broadcasting service	\$ 7.2
	1978 Commonwealth Games	\$ 9.8
	1978 Commonwealth Summer Games	\$ 2.7
	Grant - Royal Visit	\$ 0.0
	Payment to the Corporation in providing a broadcasting service Papal Visit	\$ 9.0
	Summer Olympics 1976	\$ 11.2
Operating appropriation - supplement	A further amount of \$105,565 for net operating requirements in excess of grant received	\$ 0.1
	"... included supplementary appropriations of \$0.9 million"	\$ 0.9
Supplemental appropriation - unfunded pension liability	(blank)	\$ 19.8
Transfer from capital to operating	Plus Transfer from Capital	\$ 8.7
	Transfer from (to) capital funding - Supplementary Estimates B	\$ (11.5)

Category	Description from CBC's Annual Reports	\$ millions current
	Transfer from Capital	\$ 25.1
	Transfer from Capital Fund	\$ 81.1
	Transfer from capital funding - Supplementary Estimates B	\$ 1.1
	Transfer from/(to) capital funding - Supplementary Estimates B	\$ 8.3
Transfer from operating to capital	Operating funding, Transfer to capital funding	\$ (14.4)
	Transfer from(to) capital funding - Supplementary Estimates A	\$ (13.3)
	Transfer to capital funding	\$ (135.8)
	Transfer to capital funding - Supplementary Estimates A	\$ (84.4)
	Transfer to capital funding - Supplementary Estimates B	\$ (7.5)
Transfer from government department	Add: Amount expended for operating expenditures from Secretary of State Vote 56a - 1976 Summer Olympics	\$ 1.3
	Allocation from Treasury Board vote	\$ 3.0
	Compensation adjustment allocated from Treasury Board	\$ 45.6
Treasury board - reduction	Less: reduction in payments as per letter from Secretary of the Treasury Board dated September 14, 1972	\$ (2.0)
Frozen allotment - reprofiled	Frozen allotment	\$ 50.0
	Frozen allotment to be reprofiled through Capital to the 1999-2000 fiscal year	\$ (42.0)
Expense - interest - Canada	Expense, Sound Broadcasting, Interest on Loans	\$ 0.2
	Interest on Loan	\$ 0.1
	Interest on loans	\$ 4.5
	Interest on loans to finance the acquisition of capital assets	\$ 43.9
	Sound Broadcasting, Interest on Loans	\$ 0.2
Repayment of principal - Canada	"a loan of \$650,000 ... was repaid out of surplus"	\$ 0.7
	"The loans from the Dominion Government have been reduced by a further \$283,000 ..."	\$ 0.3
	"The payments on loan principal"	\$ 0.1
	"These loans have been repaid in full"	\$ 0.5
	Amount included for repayment of loans by Canada in Parliamentary payment for operating expenditures in providing a broadcasting service	\$ 5.1
	Amount required for repayment of loans by Canada in Parliamentary appropriation for operating expenditures in providing a broadcasting service	\$ 8.2
	Due to the Receiver General of Canada under the provisions of Section 39 of the Broadcasting Act	\$ 4.1
	Less - Repaid during year	\$ 0.1
	Less - Repayments to date	\$ 0.4
	Less: Amount required for repayment of Government of Canada loans	\$ 0.7
	Less: Amount required for repayment of loans by Canada	\$ 23.2
	"such part ... deemed in excess of \$6,000,000"	\$ 4.1
	[\$27.286M - 27.033M = \$.253M]	\$ 0.3
	"Radio Service loans were reduced by an amount of \$76,198"	\$ 0.1

Appendix 8 Canadian economy – recessionary periods

We used the information from Mark Bonham, “Recession in Canada” The Canadian Encyclopedia, <https://www.thecanadianencyclopedia.ca/en/article/recession>, to identify years when the economy temporarily declined – ie, entered a recession (“two or more successive quarters (six months)” showing a decrease in real gross domestic product). The figures under ‘Scale of recession’ indicate the values in a classification system developed by the C.D. Howe Institute and provided by Bonham to describe the severity of the recession – 1 representing low severity and representing the greatest severity.

Year (and party in office)	Scale of recession	Reductions in current and real terms		Real cuts to CBC's public funding as % of CBC's total public operating funding [\$2002]
		\$M current	\$M 2002	
1937 - Liberal				
1938 - Liberal*	5			
1939 - Liberal				
1940 - Liberal				
1941 - Liberal				
1942 - Liberal				
1943 - Liberal				
1944 - Liberal				
1945 - Liberal				
1946 - Liberal min		\$0.010	\$0.983	2.4%
1947 - Liberal min				
1948 - Liberal min	2			
1949 - Liberal min				
1950 - Liberal				
1951 - Liberal	3		\$3.475	8.6%
1952 - Liberal				
1953 - Liberal		\$0.116		
1954 - Liberal	4			
1955 - Liberal				
1956 - Liberal				
1957 - Liberal				
1958 - Prog Cons Min	3			
1959 - Progressive Conservative				
1960 - Progressive Conservative	3			
1961 - Progressive Conservative				
1962 - Progressive Conservative				
1963 - Prog Cons Min		\$8.757	\$59.893	15.6%
1964 - Liberal min				
1965 - Liberal min				
1966 - Liberal min				
1967 - Liberal min				
1968 - Liberal min				

Year (and party in office)	Scale of recession	Reductions in current and real terms		Real cuts to CBC's public funding as % of CBC's total public operating funding [\$2002]
		\$M current	\$M 2002	
1969 - Liberal				
1970 - Liberal				
1971 - Liberal			\$23.456	3.0%
1972 - Liberal				
1973 - Liberal min				
1974 - Liberal min	2			
1975 - Liberal			\$78.252	9.7%
1976 - Liberal				
1977 - Liberal				
1978 - Liberal				
1979 - Liberal				
1980 - Liberal	1		\$107.25	9.9%
1981 - Liberal	4		\$0.632	0.1%
1982 - Liberal				
1983 - Liberal				
1984 - Liberal				
1985 - Progressive Conservative				
1986 - Progressive Conservative		\$9.820	\$65.265	5.4%
1987 - Progressive Conservative			\$61.128	5.3%
1988 - Progressive Conservative			\$29.855	2.7%
1989 - Progressive Conservative			\$30.557	2.8%
1990 - Progressive Conservative	4		\$45.544	4.7%
1991 - Progressive Conservative				
1992 - Progressive Conservative		\$60.777	\$88.056	8.7%
1993 - Progressive Conservative				
1994 - Liberal				
1995 - Liberal			\$134.290	13.9%
1996 - Liberal				
1997 - Liberal		\$99.900	\$127.647	14.1%
1998 - Liberal		\$49.315	\$62.938	7.5%
1999 - Liberal		\$2.483	39.784	5.0%
2000 - Liberal			\$9.628	1.2%
2001 - Liberal				
2002 - Liberal				
2003 - Liberal			\$14.240	1.7%
2004 - Liberal		\$35.832	\$49.491	6.3%
2005 - Liberal min				
2006 - Conserv min				
2007 - Conserv min			\$17.034	2.0%
2008 - Conserv min	4		\$19.141	2.3%

Year (and party in office)	Scale of recession	Reductions in current and real terms		Real cuts to CBC's public funding as % of CBC's total public operating funding [\$2002]
		\$M current	\$M 2002	
2009 - Conserv min				
2010 - Conserv min		\$38.817	\$ 49.010	6.0%
2011 - Conserv min			\$ 3.414	0.4%
2012 - Conservative		\$2.826	\$ 14.421	1.8%
2013 - Conservative			\$ 7.198	0.9%
2014 - Conservative		\$9.550	\$ 22.894	3.0%
2015 - Conservative		\$26.751	\$ 29.684	4.0%
2016 - Liberal			\$ 10.423	1.4%
2017 - Liberal				
2018 - Liberal				
2019 - Liberal		\$11.252	\$ 13.415	1.6%
Total years affected	11	14	30	

Appendix 9 CBC's response to changes in the public funding received for its operations

Financial year	CBC response
1946	"expenditure on operations had to be curtailed" ⁵²⁴
1960	CBC reorganized its Head Office, clarified "lines of authority" and emphasized "the maintenance of effective controls and continued evaluation of performance" ⁵²⁵
1969	"... moved towards greater decentralization. ... with a view to ... the streamlining of operations." ⁵²⁶
1971	Virtually completed the reorganization by March 1971 ⁵²⁷
1972	Economized and streamlined its operations ⁵²⁸
1974	"For the past year and longer, CBC has been re-examining its goals and priorities, and planning a course for the future in a rapidly changing broadcast environment." ⁵²⁹
1984	"CBC's management structure has been reorganized as proposed. Administrative and operational changes have been made in order to cut costs and divert money wherever possible to program development and production." ⁵³⁰
1986	"introduced measures to tighten operations and improve efficiencies" ⁵³¹
1991	Engaged in "a fundamental rethinking of the way CBC delivers its services", which resulted in "a collective vision documented as Mission, Values, Goals and Objectives ", and "restructuring regional television services, ceasing local production in three local television stations and downsizing eight others" ⁵³²
1995	"implemented a multi-year expense reduction program to address the budget reductions announced by the previous Conservative government, unfunded inflationary increases, and unavoidable new operating costs" ⁵³³
1997	"focused on implementing its restructuring plan" ⁵³⁴
1999	"We simplified and streamlined CBC from top to bottom." ⁵³⁵
2001	transformed itself ⁵³⁶
2002	innovated ⁵³⁷
2003	"progressed in fundamentally transforming" itself, and optimised its resources ⁵³⁸
2004	stretched its funds ⁵³⁹
2005	continued "to look for new ways of doing business more efficiently" ⁵⁴⁰

⁵²⁴ At 36.

⁵²⁵ At 11.

⁵²⁶ At 1.

⁵²⁷ At 5

⁵²⁸ CBC, *Annual Report 1971-1972*, at 6 ("There was a need to economize, to streamline operations at all levels, to reduce the number of employees, to make the most efficient use of staff, talent, plant and financial resources. A new management system had to be developed before the new challenges could be squarely faced.")

⁵²⁹ At p. 4.

⁵³⁰ At p. 2.

⁵³¹ CBC, *Annual Report 1985-1986*, at 4.

⁵³² At p 5.

⁵³³ At 85.

⁵³⁴ At 41.

⁵³⁵ At p 11.

⁵³⁶ CBC, *Annual Report 2000-2001*, at 42 ("The Corporation continues on its path of transformation").

⁵³⁷ CBC *Annual Report 2001-2002*, ("2001-2002 at a Glance").

⁵³⁸ CBC, *Annual Report 2002-2003*, at 4 and 81 ("Optimisation Initiatives").

⁵³⁹ CBC, *Annual Report 2003-2004*, at 29 ("Rising production costs and fierce media competition make stretching funds and finding savings and revenues more important than ever.")

⁵⁴⁰ CBC, *Annual Report 2004-2005*, at 11.

Financial year	CBC response
2006	generated "cash flow to re-invest in programming" ⁵⁴¹
2007	integrated its programming approach "for all platforms" ⁵⁴²
2011	engaged in "innovative disruption" ⁵⁴³
2012	"As announced in the 2012 federal budget, CBC/Radio-Canada's appropriation has been reduced by \$115 million over three years. This targeted reduction, combined with the unavoidable costs and investments required for CBC/Radio-Canada to continue to keep pace as a modern public broadcaster, means the Corporation actually faces financial pressures amounting to \$200 million over the next three years." ⁵⁴⁴
2015	"announced immediate spending cuts of \$130.0 million and a restructuring initiative to eliminate the equivalent of 657 positions over the next two fiscal years" ⁵⁴⁵
2018	announced its 'unceasing' transformation in 2018 ⁵⁴⁶

⁵⁴¹ CBC, Annual Report 2005-2006, at 15.

⁵⁴² CBC, Annual Report 2006-2007, at 34.

⁵⁴³ CBC, Annual Report 2010-2011, at 15.

⁵⁴⁴ CBC, *Annual Report 2011-2012*, at 7

⁵⁴⁵ CBC, *Annual Report 2013-2014*, at 138.

⁵⁴⁶ CBC, *Annual Report 2017-2018*, at 8 ("We know this transformation will never cease").