

## CBC: State broadcaster? Publicly funded? Independent?

Comment by the Forum for Research and Policy in Communications (FRPC): 26 April 2023

In April 2023 Twitter has garnered international attention because of its private owner's decision to label certain media's being 'state' or 'publicly funded' organizations.

Canada's national public broadcaster - as it is identified by the country's [1991 Broadcasting Act](#) in subsection 3(1)(l) - took umbrage at being labelled "government-funded" and [paused its tweeting](#). [CBC News' editor in chief](#) said that Twitter's label gave "a false impression of potential government involvement" in CBC's work, describing this as "disinformation".

There are two basic problems with CBC's apparent outrage. First, the majority of the revenue on which CBC relies to operate does come from Parliamentary appropriations or, as CBC describes it on page 36 of its *2021-2022 Annual Report*, "Government funding", shown below. According to its "Sources of funding" chart, 'government' or Parliamentary funding made up 65.6% of CBC's funding in 2021-22.

### FINANCIAL SUSTAINABILITY

CBC/Radio-Canada depends on both its parliamentary appropriation and a range of commercial revenue, including advertising, to support the programs and services it provides to Canadians. While we expect the post-pandemic revenue to be sustained in the short-term, the long-term prospects of the advertising market remain a concern.

Advertising revenue from conventional TV will continue to be under pressure as big digital players attract a larger share of this revenue.

#### Revenue and Other Sources of Funds

CBC/Radio-Canada has four sources of direct funding: government appropriations for operating and capital expenditures, advertising revenue, subscriber fees, and financing and other income:

**Government funding:** This year, operating funding was \$1,139.7 million, capital funding recognized in income was \$96.3 million and working capital was \$4.0 million.

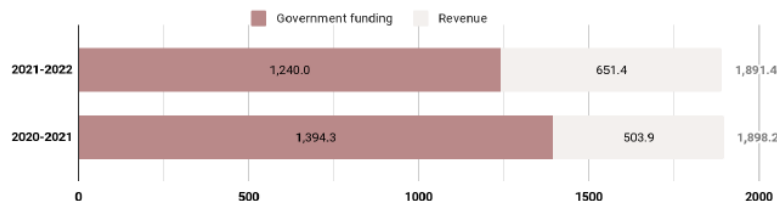
**Advertising revenue:** This includes ongoing sales of advertising on our conventional television channels, digital platforms and discretionary television services. Advertising revenue driven by events, such as the Olympic Games, can have a material impact on the Corporation's self-generated revenue. Over the long-term, TV advertising revenue is decreasing as a proportion of our total source of funds, mainly as a result of the market's shift away from conventional advertising platforms.

**Subscriber fees:** These are fees from our discretionary services: CBC News Network, *documentary*, CBC Gem, ICI EXPLORA, ICI ARTV, ICI RDI, ICI TOU.TV EXTRA and Curio.ca. Subscriber fees from our traditional platforms are experiencing downward pressure from the continuing cord-cutting and cord-shaving trends. Subscribers to our digital platforms are increasing.

**Financing and other income:** This includes ongoing income from activities such as the rental of real estate assets, content sales, leasing of space at transmission sites and host broadcasting sports events.

#### Sources of funding

(in \$M)



Insofar as CBC’s distinction between government and Parliamentary funding, is concerned it is interesting to note that its 2021-22 *Annual Report* makes five and a half dozen references to the appropriation or funding received by the CBC: 33 refer to Parliament as the source of this income while the other 33 refer to government as the source: Table 1.

Table 1 CBC’s 2021-2022 *Annual Report* – references to Parliament or government as a source of appropriations or funding

<b>33 References to Parliamentary appropriations or appropriations in general</b>	
<ol style="list-style-type: none"> <li>1. “parliamentary appropriation” (p. 36)</li> <li>2. “parliamentary appropriations” (p. 37)</li> <li>3. “parliamentary appropriations” (p. 37)</li> <li>4. “additional appropriations” (p. 37)</li> <li>5. “appropriation” (p. 37)</li> <li>6. “appropriation for capital expenditures” (p. 37)</li> <li>7. “parliamentary appropriations” (p. 38)</li> <li>8. “higher appropriations for capital” (p. 38)</li> <li>9. “appropriation for operating” (p. 38)</li> <li>10. “this year’s appropriations” (p. 39)</li> <li>11. “parliamentary appropriations” (p. 40)</li> <li>12. “Parliamentary appropriations for operating” (p. 42)</li> <li>13. “Parliamentary appropriations for working capital” (p. 42)</li> <li>14. “Parliamentary appropriations for operating” (p. 42)</li> <li>15. “Parliamentary appropriations for operating” (p. 42)</li> <li>16. “2020-2021 appropriation for capital” (p. 42)</li> </ol>	<ol style="list-style-type: none"> <li>17. “2021-2022 appropriation for operating” (p. 42)</li> <li>18. “Parliamentary appropriation for operating” (p. 68)</li> <li>19. “Parliamentary appropriation for working” (p. 68)</li> <li>20. “Parliamentary appropriations for capital” (p. 70)</li> <li>21. “overall parliamentary appropriations” (p. 74)</li> <li>22. “Parliamentary appropriations” (p. 77)</li> <li>23. “Parliamentary appropriations for operating” (p. 107)</li> <li>24. “Parliamentary appropriations for working” (p. 107)</li> <li>25. “the appropriations” (p. 107)</li> <li>26. “Parliamentary appropriations for property” (p. 107)</li> <li>27. “the appropriations in a given year” (p. 107)</li> <li>28. “Parliamentary appropriations for the purchase” (p. 107)</li> <li>29. “Parliamentary appropriations approved” (p. 107)</li> <li>30. “Voted appropriations” (p. 107)</li> <li>31. “using the appropriations” (p. 108)</li> <li>32. “use appropriations” (p. 109)</li> <li>33. “parliamentary appropriations” (p. 113)</li> </ol>
<b>33 references to government funding or government appropriations</b>	
<ol style="list-style-type: none"> <li>1. “government funding”(p. 3)</li> <li>2. “Government funding” (p. 3)</li> <li>3. “Government funding was” (p. 3)</li> <li>4. “government funding recognized” (p. 3)</li> <li>5. “Government funding” (p. 4)</li> <li>6. “government funding of” (p. 4)</li> <li>7. “government funding recognized” (p. 4)</li> <li>8. “<b>Government</b> appropriations are” (p. 13)</li> <li>9. “government funding remains” (p. 13)</li> <li>10. “base capital appropriation from the <b>Government</b> of Canada (p. 32)</li> <li>11. “Government funding:” (p. 36)</li> <li>12. “<b>government</b> appropriations for” (p. 36)</li> <li>13. “Government funding” (p. 39)</li> <li>14. “Lower government funding” (p. 39)</li> <li>15. “Last year’s government funding” (p. 39)</li> <li>16. “lower government funding” (p. 40)</li> </ol>	<ol style="list-style-type: none"> <li>17. “Government funding” (p. 42)</li> <li>18. “<i>Government funding received</i>” (p. 108)</li> <li>19. “Government funding for capital expenditures” (p. 108)</li> <li>20. “Last year’s government funding” (p. 42)</li> <li>21. “Government funding” (p. 44)</li> <li>22. “Government funding” (p. 44)</li> <li>23. “Governing funding is” (p. 44)</li> <li>24. “our government funding” (p. 53)</li> <li>25. “GOVERNMENT FUNDING” (p. 66)</li> <li>26. “GOVERNMENT FUNDING” (p. 68)</li> <li>27. “Government Funding” (p. 75)</li> <li>28. “government funding for the year” (p. 102)</li> <li>29. “20. GOVERNMENT FUNDING” (p. 107)</li> <li>30. “of government funding” (p. 107)</li> <li>31. “government funding for capital” (p. 107)</li> <li>32. “Government funding received” (p. 107)</li> <li>33. “total government funding” (p. 108)</li> </ol>

The second problem in evaluating CBC’s apparent concern over being labelled as ‘government-funded’ is that CBC's appropriations are really only part of the influence that any federal government exercises over the CBC.

In fact, there are at least four levers of influence which a government can press any time, night or day - and neither CBC nor the government ever discusses any of these levers and/or their use. This influence is exercised either behind closed doors (to use the pre-Covid vernacular) or out of public hearing, by four separate government authorities: the Governor in Council (aka Cabinet), Treasury Board, Finance and the department of Canadian Heritage (CHPC).

The *Broadcasting Act* specifically empowers each of these entities to control key aspects of CBC's operations – and the *Act* does not require CBC either to disclose such control or to refuse governments' exercise of that control. For example, section 36(2) empowers Cabinet to appoint the CBC's Board of Directors, the Board's Chairperson and CBC's President, and section 39 makes CBC's Board "... responsible for the management of the businesses, activities and other affairs of the Corporation." Section 42(1) then says that CBC's President "may exercise such powers and shall perform such other duties and functions as are assigned to the President by the by-laws of the Corporation." Could Cabinet influence the CBC's decisions through the appointments it makes to CBC's Board and if it did, how would Canadians know?

Cabinet could also influence the CBC in two other ways. Section 46(1)(g) empowers Cabinet to control CBC's distribution or marketing of its programming services outside of Canada, and section 46(1)(q) empowers Cabinet to require CBC to buy or sell shares in any company or corporation "incidental or conducive" to the CBC's objects (as set out in section 46(1)). Suppose Cabinet on the one hand kept calling on CBC to do more to generate revenue through international program sales, while behind closed doors it constrained CBC's selling of its programming abroad until it ..... (fill in the blanks here). Or suppose Cabinet wanted CBC to assist or not assist another company .... how would anyone know what rôle Cabinet played in CBC's decision?

As for Treasury Board, section 54 of the *Broadcasting Act* requires CBC to submit an annual corporate plan to the CHPC Minister – and section 56 empowers Treasury Board to make regulations about what goes in that plan. As the CBC does not publish its actual annual *Corporate Plan* but just a summary of it, how would we know whether the *Plan's* content changes from one year or one government to the next? Ditto for the annual report – how do we know what rôle Treasury Board is playing in presenting information to Canadians through the House and the Senate?

Then there is the CBC's annual report. Section 71(1) of the *Broadcasting Act* requires CBC to report annually both to the Minister and to the President of Treasury Board. Then the Minister lays the report before the House and Senate. The question is, why is CBC required to report to Treasury Board? If the concern is that CBC is somehow misusing its Parliamentary appropriations, would not the Corporation's auditor - designated as the Auditor General of Canada under section 61 - notice and say something?

And, as Figure 1 below shows, the CBC also needs Treasury Board approval to transfer appropriations to or from its capital or its operating expenditures:

Figure 1: *CBC 2021-2022 Annual Report*, p. 42 [yellow highlighting added]

Last year's government funding was comparatively higher as it included the receipt of \$119.4 million of retroactive salary inflation for fiscal years 2018-2019 through 2020-2021. In addition, due to the uncertainty of the pandemic on our cash flows last year, we received Treasury Board's approval to transfer \$33.7 million from our 2020-2021 appropriation for capital expenditures, and we received a \$36.7 million advance from our 2021-2022 appropriation for operating expenditures.

Suppose – just hypothetically – that the federal government reduced CBC's operating appropriation to the point where CBC needed to 'borrow' from its capital appropriation – and Treasury Board in turn asked the CBC to .....[name an idea here]. Suppose – again, hypothetically, that as permitted by sections 58 and 59 of the *Broadcasting Act* the Finance and CHPC Ministers required CBC to remit some or all of its or its subsidiaries' to the government's Consolidated Revenue Fund. Left in a pinch, CBC might consider borrowing money – except that under section 46.1 of the *Act* it would first need the approval of the Finance Minister to make such an arrangement.

Last, there is the rôle played by CHPC. Section 3(2) of the *Broadcasting Act* designates the CRTC as the sole, independent regulatory authority responsible for ensuring that broadcasters implements Parliament’s policy for broadcasting programming. Why, then, does section 54(3) of the *Act* require CBC to submit an annual plan to CHPC stating its objectives for each of the next five years along with “the strategy the Corporation intends to employ to achieve them”? Do these objectives includes commitments about the programming that CBC is to provide and distribute to meet subsection 3(1)(m), or about CBC’s plans to make programs in Canada, to buy programs from outside Canada, or to gather news as set out in subsection 46(1)?

The problem in all four cases – for Cabinet, Treasury Board, Finance and CHPC – is that none of the discussions they have with CBC ever come to light. Suppose such discussions essentially amount to informal directions to the CBC: there is no specific duty anywhere in the *Broadcasting Act* for the CBC to report or even keep a record of such exchanges.

To such concerns an obvious retort is that the *Broadcasting Act* protects the CBC’s journalistic, creative and programming independence in not just one but three sections of Part III:

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.

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.

(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.

Regrettably, these commitments to CBC’s independence suffer from two fundamental weaknesses. First, they do not actually require CBC to assert its independence: while subsection 52(2), for example, says that CBC is “not required” to give Treasury Board, CHPC or Finance information it does not prevent the CBC from deciding to comply with requests for information. Second, as the interactions between the CBC and Cabinet, Treasury Board, Finance and CHPC are entirely hidden from public view, there is no way to evaluate whether CBC actually is asserting, or even maintaining, its independence: lack of transparency makes the commitments to transparency and accountability in the *Broadcasting Act* meaningless.

The hidden influence by Cabinet, Treasury Board, Finance and CHPC explain why it is simply disingenuous for CBC News’ Editor in Chief to describe claims of “potential government involvement” in CBC’s work as “disinformation”: the Corporation’s own annual report shows that two-thirds of its income comes from ‘government’, Canada’s *Broadcasting Act* does not require CBC to be independent of government and there is simply no way to determine the degree to which Cabinet, Treasury Board, Finance and CHPC are involved in the CBC’s operations because CBC bears no legal duty whatsoever to make its interactions with these entities public.