

Mr. HENDERSON: The Canadian National has its income. I think there is a differentiation here. We are speaking of a corporation which is not in that position.

Mr. MUIR: I think that unless there is something in the statutes that forbids you to call it a capital grant it is a matter of bookkeeping, because, as has been mentioned, if any money is loaned and you actually know it is not going to be repaid, you would have to stretch your imagination a little bit to call it a loan. I think it would be more realistic to call it a grant. Is there anything in the statutes which would not permit this to be called a grant?

Mr. BRYCE: First of all, I might speak to that, and then I would like to come back to Mr. Baldwin. I would like to deal with his proposal which we have, in fact, followed.

I do not know of anything in the statutes that would prevent these practices in any of these cases. We have ascertained that they are authorized by the statutes.

I think what the Auditor General is questioning is simply the accounting practice which is involved and the policy that is involved in financing them in this way.

Mr. MUIR: In other words, to some extent we are leaving the CBC with an open end expenditure.

Mr. BRYCE: I think that is not a full statement of the case.

The Auditor General has indicated that there may be a difference in some cases because they are getting revenue. Of course, the CBC is expected to get revenue, and is getting revenue—substantial revenue—from the advertising although of course, not enough to pay for its operations. I do not think anyone expected that it would pay the whole cost of its operations out of revenue.

We feel that the practice we are following here in principle is not different from the CNR which also, of course, earns revenues and a much higher proportion of its costs than the CBC does. We feel that by financing the CBC in this way we get a better reflection of what its costs are. It has to include the cost of interest in its account and the cost of paying off its loans, which is done out of its depreciation fund. We had this in mind in setting the terms of the loan.

In all these cases the corporate agencies involved are getting some revenue outside the government appropriation, notwithstanding what the Auditor General suggests. Part of the purpose is to encourage them to get such revenue and to reflect in their accounts, and to bring to Parliament's attention, the extent to which they fail by their revenue to meet the charges that are being made to them.

The Auditor General suggests that the only purpose of the government in doing this is to reduce its deficit. I feel this is not fair either to the present government or to the preceding government that followed this policy in respect of the National Capital Commission. There are, I suggest, other merits to the proposal, which I outlined at some length in 1964.

Mr. MUIR: You would agree though that actually government money is used to repay the loans?

Mr. BRYCE: Certainly.