

*Supply—C.B.C.*

minor increase in expenditures arising from normal salary adjustments, the replacement of commercial programs, strengthening of radio programming and increased fees and salary costs resulting from collective bargaining agreements.

The statutory grant of \$6,250,000 annually was provided for a five-year period in 1951 and came to an end with the last fiscal year. Under the circumstances the government is proposing this vote 54 of \$6,250,000 simply as a temporary measure to provide the same amount for another year.

The corporation expects that with this continuation of the \$6,250,000 grant it will have a deficit in its sound broadcasting operation this year of some \$3 million. The deficit will have to come from its own reserves, since the government is not proposing any further grant for sound broadcasting above the level of the statutory amount of the previous five years.

The operations of the national television system for the last three years have been financed from the proceeds of the excise tax on television receiving sets and equipment, together with the income from television commercial operations. I think it became very plain, particularly to members of last year's special committee on broadcasting, that the proceeds of the excise tax plus commercial revenues would by this year not be nearly enough to support the nation-wide system, with service through the number of public and private stations that have been authorized. That of course was one of the reasons for the setting up of the royal commission.

The corporation explained to the committee at the last session that it expected a fairly heavy deficit in television operations for the fiscal year 1955-56. The deficit during the last year, however, was held to approximately \$1 million, as the financial statements of the corporation show. Income both from the excise tax and from commercial revenues was considerably higher than had been anticipated while expenditures were held down. The result was a deficit smaller than had been expected. The rate of expenditures of the corporation, however, continued to grow through the year as new stations were added to the system and as program services were developed.

Some further increase will be necessary during this year, according to the corporation, simply to meet commitments of various kinds already made and to permit minimum normal development of the service along the lines anticipated for the last several years. At the same time it is expected that the proceeds of the excise tax in this year will be considerably below last year and that there

[Mr. McCann.]

will not be a major increase in commercial revenues. As a result, the corporation anticipates an operating deficit in television this year of about \$17 million on the present basis.

The government has given considerable thought to this matter. With the royal commission studying the whole question and examining operations of the C.B.C. we did not think it wise that the corporation be left in a position in which it would have to reduce sharply its television services. Nor, on the other hand, pending the report of the commission, did we wish to ask parliament to provide funds at this stage for a major expansion of the television service. We are, therefore, proposing this grant of \$12 million, leaving it to the corporation to finance from its own reserves the balance of the deficit, an amount anticipated at about \$5 million. So that the \$12 million grant and the use of \$5 million of the reserve would make up the \$17 million of the operating deficit.

We consider this to be a sensible interim arrangement under which it will be possible to continue the operation and normal development of the national television system along lines already laid down, but under which no new departures can be undertaken. At the next session, with the report of the royal commission in hand, we hope to be able to make proposals of a more permanent nature based on thorough consideration for the financing and development of our national broadcasting system, both radio and television.

That is the statement with reference to the government's financing for this year. At a later period I shall put on the record details of the financing of the international services.

**Mr. Diefenbaker:** Mr. Chairman, the statement just made by the minister indicates the serious situation which faces the Canadian people in connection with the financing of the C.B.C., in particular under the television policy now in effect. The deficit this year indicates that there is something wrong in the Canadian Broadcasting Corporation's control of expenditures.

The trend has been upwards in recent years. I think the Canadian people today are asking that what appears to have the elements of hog-wild spending by the C.B.C. must be curtailed and discontinued. As far as the \$12 million item is concerned, to which the minister just made reference, whereby the C.B.C. asks for a grant of that amount on the part of parliament, I suggest that the \$12 million should be in the form of a loan advance and not a grant so that parliament will be in a position to determine, when the royal commission makes its report, as to what shall be the future course of the C.B.C.