

loans to the C.B.C. As part of the terms of the particular loan, in the item in the appropriation act, it was usually provided that the loan would be made on terms and conditions to be approved by the governor in council. Those terms and conditions, as approved by the governor in council, included provision for the repayment of the amounts loaned on the basis which I indicated to Mr. Fulton. My recollection is that each loan is secured by a promissory note for a debenture of the corporation.

Hon. Mr. ROWE: None of them are due?

Mr. BALLS: None of them have as yet fallen due.

The WITNESS: They pay interest, but the repayment of the principal does not start until three or four years from now?

Mr. APPLEWHAITE: In the C.B.C.'s income and expenditure account on page 47, there are two items totalling over \$27 million on income, meaning grants. Is it open to the C.B.C. to utilize any of those funds for capital expenditures, or are those funds surely for the operations which you mentioned?

Mr. BALLS: These moneys are granted to the corporation under the terms of section 14 (3) and (4) of the Canadian Broadcasting Act and I think are available for the purposes of the corporation, both for operating as well as capital expenditure.

Mr. APPLEWHAITE: What I am trying to get at is this; if you include as income sums which have been granted by parliament and which might be used for capital expenditures, then you are showing a surplus of \$4 million which actually is not an operational surplus, if part of the income shown should really be shown as grants for capital. Would you correct me if that is wrong?

Mr. BALLS: The statement of income and expenditures of the C.B.C. does treat the moneys received from these sources as income of the corporation; they represent moneys received for the general purpose of the corporation. I think the point is that in the first instance they are applied to meet the operating requirements of the corporation, and any sums remaining over therefrom are available to the corporation for the financing of its capital requirements.

Mr. APPLEWHAITE: It would have been legal then for the corporation to have spent that \$4 million on a new station, would it not?

Mr. BALLS: That is correct; but you must, I think, bear in mind in that connection that the corporation is required under the terms of the Financial Administration Act to submit a capital budget for each financial year, and that capital budget is approved by the governor in council on the recommendation of the minister for the Canadian Broadcasting Corporation, and the Minister of Finance, and it is subsequently laid before parliament. You will find the requirement in section 80 of the Parliament Administration Act that the capital program of the corporation be tabled in the House of Commons annually.

Mr. APPLEWHAITE: Let us suppose that they had spent the \$4 million on new stations during that year. What surplus would they then have shown?

Mr. H. R. BALLS: I think they would have shown an operating surplus just as they have it here, but the cash and investments of the corporation would have then been reduced by the amount which they had spent for their fixed or physical assets—in other words, by the amount used to acquire new television stations and other property.

Mr. FULTON: Their surplus would then have been reduced from some \$10 million to \$6 million.

Mr. BALLS: I think that the excess of income over expenditures for the year would have stayed at \$4½ million, as reported, but the amount of the