



**First Session — Thirty-Fourth Legislature**  
of the  
**Legislative Assembly of Manitoba**

**STANDING COMMITTEE**  
on  
**PUBLIC UTILITIES**  
and  
**NATURAL RESOURCES**

37 Elizabeth II

*Chairman*  
*Mr. Parker Burrell*  
*Constituency of Swan River*



**VOL. XXXVII No. 11 - 10 a.m., THURSDAY, NOVEMBER 17, 1988.**

**MANITOBA LEGISLATIVE ASSEMBLY  
Thirty-Fourth Legislature**

**Members, Constituencies and Political Affiliation**

NAME	CONSTITUENCY	PARTY
<b>ALCOCK, Reg</b>	Osborne	LIBERAL
<b>ANGUS, John</b>	St. Norbert	LIBERAL
<b>ASHTON, Steve</b>	Thompson	NDP
<b>BURRELL, Parker</b>	Swan River	PC
<b>CARR, James</b>	Fort Rouge	LIBERAL
<b>CARSTAIRS, Sharon</b>	River Heights	LIBERAL
<b>CHARLES, Gwen</b>	Selkirk	LIBERAL
<b>CHEEMA, Gulzar</b>	Kildonan	LIBERAL
<b>CHORNOPYSKI, William</b>	Burrows	LIBERAL
<b>CONNERY, Edward Hon.</b>	Portage la Prairie	PC
<b>COWAN, Jay</b>	Churchill	NDP
<b>CUMMINGS, Glen, Hon.</b>	Ste. Rose du Lac	PC
<b>DERKACH, Leonard, Hon.</b>	Roblin-Russell	PC
<b>DOER, Gary</b>	Concordia	NDP
<b>DOWNEY, James Hon.</b>	Arthur	PC
<b>DRIEDGER, Albert, Hon.</b>	Emerson	PC
<b>DRIEDGER, Herold, L.</b>	Niakwa	LIBERAL
<b>DUCHARME, Gerald, Hon.</b>	Riel	PC
<b>EDWARDS, Paul</b>	St. James	LIBERAL
<b>ENNS, Harry</b>	Lakeside	PC
<b>ERNST, Jim, Hon.</b>	Charleswood	PC
<b>EVANS, Laurie</b>	Fort Garry	LIBERAL
<b>EVANS, Leonard</b>	Brandon East	NDP
<b>FILMON, Gary, Hon.</b>	Tuxedo	PC
<b>FINDLAY, Glen Hon.</b>	Virden	PC
<b>GAUDRY, Neil</b>	St. Boniface	LIBERAL
<b>GILLESHAMMER, Harold</b>	Minnedosa	PC
<b>GRAY, Avis</b>	Elice	LIBERAL
<b>HAMMOND, Gerrie</b>	Kirkfield Park	PC
<b>HARAPIAK, Harry</b>	The Pas	NDP
<b>HARPER, Elijah</b>	Rupertsland	NDP
<b>HELWER, Edward R.</b>	Gimli	PC
<b>HEMPHILL, Maureen</b>	Logan	NDP
<b>KOZAK, Richard, J.</b>	Transcona	LIBERAL
<b>LAMOUREUX, Kevin, M.</b>	Inkster	LIBERAL
<b>MALOWAY, Jim</b>	Elmwood	NDP
<b>MANDRAKE, Ed</b>	Assiniboia	LIBERAL
<b>MANNES, Clayton, Hon.</b>	Morris	PC
<b>McCRAE, James Hon.</b>	Brandon West	PC
<b>MINENKO, Mark</b>	Seven Oaks	LIBERAL
<b>MITCHELSON, Bonnie, Hon.</b>	River East	PC
<b>NEUFELD, Harold, Hon.</b>	Rossmere	PC
<b>OLESON, Charlotte Hon.</b>	Gladstone	PC
<b>ORCHARD, Donald Hon.</b>	Pembina	PC
<b>PANKRATZ, Helmut</b>	La Verendrye	PC
<b>PATTERSON, Allan</b>	Radisson	LIBERAL
<b>PENNER, Jack, Hon.</b>	Rhineland	PC
<b>PLOHMAN, John</b>	Dauphin	NDP
<b>PRAZNIK, Darren</b>	Lac du Bonnet	PC
<b>ROCAN, Denis, Hon.</b>	Turtle Mountain	PC
<b>ROCH, Gilles</b>	Springfield	LIBERAL
<b>ROSE, Bob</b>	St. Vital	LIBERAL
<b>STORIE, Jerry</b>	Flin Flon	NDP
<b>TAYLOR, Harold</b>	Wolseley	LIBERAL
<b>URUSKI, Bill</b>	Interlake	NDP
<b>WASYLYCIA-LEIS, Judy</b>	St. Johns	NDP
<b>YEO, Iva</b>	Sturgeon Creek	LIBERAL

**LEGISLATIVE ASSEMBLY OF MANITOBA**  
**THE STANDING COMMITTEE ON**  
**PUBLIC UTILITIES AND NATURAL RESOURCES**  
**Thursday, November 17, 1988**

**TIME — 10 a.m.**

**LOCATION — Winnipeg, Manitoba**

**CHAIRMAN — Mr. Parker Burrell (Swan River)**

**ATTENDANCE — QUORUM - 6**

*Members of the Committee present:*

Hon. Messrs. Findlay, Penner  
Messrs. Angus, Burrell, Doer, Driedger  
(Niakwa), Gilleshammer, Roch, Uruski

**APPEARING:** Mr. R. Bird, President and Chief Executive Officer

Mr. P. Thomas, Chairman, Board of Commissioners  
Mr. D. Wardrop, Executive Vice-President

**MATTERS UNDER DISCUSSION:**

Annual Reports of the Manitoba Telephone System

1. Period ended March 31, 1987
2. Period ended December 31, 1987

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**Mr. Chairman, Parker Burrell:** Does the Minister have a statement?

**Hon. Glen Findlay (Minister responsible for The Manitoba Telephone Act):** No.

**Mr. Chairman:** Then the committee is called to order.

**Mr. Gary Doer (Leader of the Second Opposition):** I have just a few basic questions dealing with the Telephone System. First of all, I would like to commend the corporation management and the chair of the board on the excellent job they are doing on behalf of Manitobans in the Telephone System, and the Minister as well. I have made public comments in Brandon about being the individual who was the star of the present Cabinet. I had hoped not to embarrass the Minister by saying that and my colleagues—but I have said that in Brandon and I can say it publicly in Winnipeg.

I have a few questions dealing with the Manitoba Telephone System. I know my colleagues have been asking others dealing with the whole area of projections, in terms of financial projections, dealing with surplus and loss of what that will mean for rate implications. As I recall correctly, there was an earlier January '88 prediction that there would be a \$12 million potential deficit in the Telephone System without a rate increase

in the '88 year. There was no increase except for the minor change in the proposal of the PUB with the City of Winnipeg numbers phone issue. There is now, without that City of Winnipeg phone issue, a projected \$11 million which is about a \$23 million swing.

As Government Minister who has to deal with the reality of any rate increase, how can we reconcile? I am glad it is on the positive side, let me say that first of all. Secondly, what in the rate projections would have led us to be off \$23 million? What will that mean for the proposal that is presently being contemplated for the PUB for purposes of both the operation of the phone system and rural improvement?

**Mr. Reg Bird (President and Chief Executive Officer):** The budget that was put together presented to our board for 1988 did in fact reflect on the \$12.5 million loss if a rate increase was not forthcoming in 1988.

\* (1005)

When it became apparent to us early in 1988 that a rate increase will not be forthcoming, the administration went back to the board of MTS with a recommendation that we would adjust some of our undertakings to ensure that a \$2 million profit would occur at the end of 1988. We were prepared to implement some changes to our cost projections to reflect that. We felt that (a) a rate increase would not be forthcoming; and (b) that we could not tolerate, as one of our goals of the organization, a financial loss. That was accepted by the board, I believe it was, in March of 1988.

At roughly the same time, there were some toll reductions in the long-haul toll being implemented by Telecom Canada. As I testified in an earlier session of this committee, we have been discovering in Telecom Canada that as you reduce toll rates, the increased demand, because of the elasticity of toll, was greater than Telecom Canada projected. Fortunately, that increased demand has reflected in higher than anticipated long-haul toll rates all across Canada through the fact that a toll usage has gone up greater than we projected. So we were fortunate, not only in Manitoba but in other parts of Canada to reflect higher toll rates than we had forecasted in our projections all across Canada.

So although we had approval from our board to do some major changes to our cost projections to ensure \$2 million net income, we could back off some of those changes because of the increased revenues to ensure that we have positive net income. As the year went on, those toll increases from Telecom Canada were maintained. We thought they might back off with the second or third month. They continued to be maintained, and we soon reprojected our income higher

than the \$2 million that we had told the board, and it increased to the present level of \$11.9 million.

In the process of doing that, when we were finalizing a plan for the individual line service, the five-year program, which I think is paramount in organizations to have long-range planning, we projected that income into our long-range rate requests and the proposal in front of the Public Utilities Board now, the numbers in front of the Public Utilities Board now reflect the \$11.9 million net income. The rate increases proposed of 5 percent on April 1, 1989, and the \$1 levy take that in consideration and show very positive net incomes for the following next three of four years, but they are consistent with the goals of the corporation and, I believe, the Government that we implement ILS, that we fund our pension deficiency over the next 15 years, that we address our debt-equity ratio, which was discussed at an earlier session of this meeting, and reduce it by 1 percent a year over the next five years at least.

So those types of net income allow us to accommodate that and, if you compare those net incomes with any other telecommunications corporation in Canada or for that matter any other private organization in Canada, the rate of return based on sales is well within all acceptable levels recognized anywhere in the industry.

**Mr. Doer:** Would the more positive forecast projections that had contributed to the surplus this year be factored into the five-year forecast and would there be any negative factors considered with the changing unemployment rate of Manitoba, the fact that there are 7,000 more individuals unemployed as of September of '88 over September of '87? Would that change your forecasting at all on the negative side?

**Mr. Bird:** We continually monitor the economy in Manitoba and have put into our long-range forecast what we expect the economy will be in Manitoba and, therefore, the demand for telecommunication services. Although I do not know it, I would suggest that if anything, we are probably a bit pessimistic in our projections therefore but are probably a little bit pessimistic as well in the increases that we will see in revenues from long-haul toll as a result of the reductions that we have asked for on January 1, 1989, and January 1, 1990.

So I think that the long-range projections we have tabled in front of the Public Utilities Board now are reflective of the economy as we see it in Manitoba in the future.

\* (1010)

**Mr. Doer:** The present Minister of Finance (Mr. Manness) has projected a 7.5 percent unemployment rate, which has unfortunately not been met in the first four months after the Budget has been set. I would ask the Minister, is he using the figure of the Minister of Finance in terms of the unemployment projections and its effect on the economy or is he using the actual figures in the Manitoba economy since the Budget was presented in July or August of this year?

**Mr. Findlay:** I would just say to the Member that I do not get involved in dictating anything to the corporation. I believe that they are quite capable of making their financial projections on the basis of the figures they have in front of them. Since those projections came out in July, there has been some degree of negative impact on the economy because of drought, which was beyond anybody's control. Hopefully the economy of the province does not suffer substantially from that in the future. My involvement in the corporation is not to direct them in any direction with regard to the statistics and the figures that they use in making their projections. They are responsible people and operate independently from me in that, and that is the way I like it.

**Mr. Doer:** Mr. Chairman, I guess my question then is to the Telephone System. Which projections are they using presently, the existing unemployment rates in terms of its effects upon the economy or the projection in the Minister of Finance's (Mr. Manness) Budget of August of this year?

**Mr. Bird:** Mr. Chairman, I cannot specifically answer that question off the top of my head.

**Mr. Paul Thomas (Chairman of the Board of Commissioners):** The potential of a worsening economic situation in Manitoba in the aftermath of drought and other conditions in the market and so on is one that our finance vice-president tracks regularly. We do not rely on any single source of statistics. We look at a number of the forecasting houses' reports, the banks and other forecasting agencies. As the president has already indicated, there were some fairly cautious assumptions built in in terms of growth and inflation into the five-year fiscal forecast that supports the Service for the Future Program.

I do not think it is so much in the short term that some of those assumptions might be out of whack or out of line with reality. It may be in the outside years of the framework, in which case the board and senior management of the corporation will be revisiting the document from time to time. We have indicated that we are looking at two years in terms of a rate proposal. We have given a sort of order of magnitude for the remaining three years in the five-year fiscal framework.

We are saying both to the Government and the PUB for those remaining years they will be in that range, but they will have to be re-examined in the light of our experience with the program and in the light of changing economic conditions. Economic forecasting, as you know, is a very imprecise art form and we are trying to keep on top of it. Most recently, the vice-president of finance, Mr. Fraser, has issued a document summarizing the prevailing assumptions of most of the economic forecasting agencies to keep us in tune with the changes in the economy.

**Mr. Doer:** Thank you. I will certainly look at those economic projections. We will certainly look at them as we are now as the economy continues, because we are most concerned about the discrepancy of facts over projections now in the economy. We think the effects of the drought will certainly—we hope we are

wrong—but will spiral the economy downward especially in the spring of '89.

\* (1015)

A new question to the Minister on a policy issue. Reviewing the correspondence in Hansard from years gone by, there was quite a bit of a disagreement between the former Minister of the Telephone System, Mr. Enns, and the former Minister of Consumer and Corporate Affairs, Mr. Filmon, on the issue of personal computers and the Manitoba Telephone System. Of course this was amplified in the committee hearings, as I recall, in 1987 in this Chamber, in this very room, the discrepancy between the two former colleagues, present colleagues in your caucus.

It is a very important policy issue. No doubt the Minister is tracking the whole situation. As data and voice become closer and closer together, he is watching the two giants, I am sure, IBM and IT&T, get closer and closer together in terms of their technology in the United States and in the world in terms of the implications of these two major corporations.

My question to the Minister is, in the private sector, there is certainly this whole development of policy areas. Has the Minister changed the policy consistent with Mr. Filmon's position on this area that the Telephone System should be completely out of the data area and the competitiveness in the data area, or is he maintaining the present position with the Telephone System which I defended at this committee meeting some time ago?

**Mr. Findlay:** We have not made any policy direction changes in recent months other than the Service for the Future announcement which took some time to develop. That Member was involved along with the Member for Interlake (Mr. Uruski) in terms of the round of meetings, and that is the major policy direction we are in right now. It is the delivery of service to all constituents of Manitoba, and in a reasonable, equal fashion over the years. In terms of the specifics you are talking about, maybe the chairman of the board or the president is more in a position to know the specifics of it, but we have had no discussions and any policy direction changes in that area since I have been Minister.

**Mr. Doer:** I am not interested in the Minister's position on this area, because the former Leader of the Opposition and now Premier (Mr. Filmon) was very emphatic at the committee here, I believe it was '87, in being very unilateral about getting out of any competitive area dealing with personal computers and data communication. I was wondering whether the Premier and his assignment of the portfolio of the present Minister has discussed his strongly held position in this area, and whether his instructions have been reflected in any change in policy direction from the Government to the Manitoba Telephone System.

**Mr. Findlay:** The answer is no, and no.

**Mr. Doer:** So I am to assume that the Premier's comments of 1987 are no longer held by the Premier

or there was just no follow-up with the present Minister in terms of direction?

**Mr. Findlay:** You will have to ask him that question.

**Mr. Doer:** That is my next question. The whole area of personal computers and the whole area of data versus voice, has there been any discussion with the Minister from the Telephone System from the other direction in terms of this whole area which, as I say, is one of the major developments besides deregulation in the communication industry, the whole merger of data and voice in terms of the technology and the soon-to-be inability to draw a line between the two technologies and the inevitable competition between the two areas. What does that mean for a public monopoly service versus a private system where the data is in place? What policy directions is the Minister considering in this very, very key area of moving into the 1990s?

**Mr. Findlay:** I would say that we have not had an opportunity to discuss where we are at and where we are going in that respect with either the president or the chairman of the board, but it is the general position of MTS, and I applaud them for it, to be competitive and aggressive in meeting the challenges of the future. It is an issue that certainly, yes, it is in front of us and maybe the president would like to comment on the technical side of it. But certainly, it is my belief and my desire that the corporation meet the challenge of the computer, the future in this area, as competitively and aggressively as they can. I think they are getting themselves positioned through the kind of financial statements that they are producing now and the way they are running the corporation to be competitive and aggressive when the time comes. Maybe the president would like to comment on the technical side of it.

\* (1020)

**Mr. Doer:** I am just concerned about the policy side. You said the Telephone System competing with IBM in the next year in terms of the data. If data and voice are being merged, how do you see the reconciliation with the changing and merging technology with the old assumptions that we were providing? The Telephone System was providing voice and the other group was providing data. As the thing moved together, how do you reconcile the monopoly? The public monopoly versus the private system certainly interconnects and those kinds of policy areas are tied to it. But I am just interested in the Minister's thoughts in that area.

**Mr. Thomas:** I might provide part of an answer at least. In the fall of 1987, as one of the internal reviews conducted within MTS, the position of the corporation in the field of the direct sale of personal computers was reviewed by the MTS Board of Commissioners. The decision was not to abandon completely that place in the market. It is not so much that we wish to compete head to head against small computer shops or even chains such as Radio Shack or things like that. But we are, as you say, increasingly in a merger situation of telecommunications with the computer, an integration

of the two fields, and the corporation has a mission to provide modern telecommunication solutions and superior products. There are clearly business opportunities for the corporation that involve the marriage of telecommunications with computers. So we do not want to back out entirely of the computer field for fear of losing a particular market share, a potentially lucrative market share.

So there will be companies coming to us looking for—and companies and Government departments and agencies of Government and so on, looking for local area networks which involve linkage between computers and telecommunications. It is an area where work on long-range strategy is being done so I do not see any inclination on the part of the corporation to exit that particular field of activity. On the other hand, I do not see us using our monopoly power to push the little guys around and force small businesses off, out of business.

**Mr. Doer:** Certainly, we look forward to that strategy. We do believe that the publicly owned phone system, Telephone System, which is now a massive communication system, should not exit that area. I think it would be a strategic error on behalf of Manitobans in that we have more control in this province, of course, with publicly accountable people with a head office here, as opposed to some of the other groups in this business that are multinational corporations. So we will support a fair involvement of the present system in this area. We certainly look forward to a tabling of the strategy from the Minister. We look forward to hearing the discussion of his Cabinet table when he tables that report in the Chamber in the House, because I am very confident of where the Telephone System feels and the chairman of the board feel this niche is and what it means to the phone system. But I have encountered questions of the opposite direction asking us to get out in past years and I look forward to your—

**Mr. Bill Uruski (Interlake):** From the big boss.

**Mr. Doer:** From the boss, as Mr. Uruski has pointed out. So I look forward to the presentation and the seal of approval from the Cabinet when it is tabled, hopefully, in the Legislature.

I have another question dealing with another area. I am just going to go through a quick list. The cellular area is one of the major areas of competition. Again, our subjective analysis of the cellular competition is that it is going well. It looks like the Telephone System is moving ahead, in terms of the service to areas outside of Winnipeg and an earlier projected date, which we applaud. Is the public sector beating the private sector in this one, in this fair competition? How are we doing with CanTel? I have a friend of mine who works for CanTel and complains that the Telephone System is too aggressive, and I say that is good. How are the rough surplus-loss projections? I know you are ahead of schedule, but what is it going to mean in terms of the balance sheet for '88-89? So those are my questions. How are we stacking up with the private sector? How are we stacking up financially? I know we are ahead of schedule and I applaud the phone system for doing that.

\* (1025)

**Mr. Bird:** Mr. Chairman, the cellular system is indeed a very exciting business to be in. I guess it is, other than Yellow Pages, the first major business that MTS has gotten into against a very, very well-organized competitor in the name of CanTel. We tabled with our board a five-year marketing plan, and it was agreed to by the board that marketing plan would be undertaken. We are doing very well as compared to that plan. As a matter of fact, we have expanded the service beyond the Winnipeg area, because we do feel we are Manitoba Telephones and not Winnipeg telephones, and have expanded at our initiative to cover the total east-west corridor in southern Manitoba between the Whiteshell and Brandon and down to the U.S. border and have caused our competitor to follow us. So, in fact, we are leaders in this business in Manitoba.

To get into specific numbers in an open forum such as this, I do not believe would be right because it is a competitive venture, but I can assure the chairman that MTS is doing very well against a very well-organized competitor and, in fact, at this point in time are ahead of our projections, both in total numbers of subscribers and in total dollars that we anticipated we would acquire at this time, as compared to our marketing plan.

**Mr. Doer:** As I understand it, I congratulate the MTS' management and board for this aggressive move certainly into other areas outside of the cell areas of Winnipeg.

Two questions, one is, in Ontario, I believe the market share is about 50-50 Bell-CanTel. It is the first six months of competition, without revealing the bottom line, could you give us who is winning and who is losing in this market? I know you are a competitive person, which I think is essential, but is that information available to us? Secondly, Mr. Orchard, in Telecommunications Estimates last year asked whether cellular phones—he was very strongly suggesting that cellular phones should be the way in which the Telephone System went in terms of individual line service, that this new technology may save all the problems in the billion dollar projections for individual lines. I disagreed with him at that point but I certainly said we would take a look at the technology. I do not believe it is an option in terms of cost, but perhaps to satisfy the Minister's colleague from Pembina, we can get the answer on that point as well.

**Mr. Findlay:** Maybe I will just answer that question, because there are certain numbers that should not be revealed when you are in a competitive business, but I can assure the Member that MTS is by the end of the year going to have 13 cell sites in place, which is not confidential. They will cover about 75 percent of the population in Manitoba, and their projection of number of cellular phones that they would have in their network, that target will be reached and probably exceeded. In terms of market share, as the president said, they believe that they have more than the 50 percent. Truthfully, it would appear maybe to be substantially more. So they are competitively doing

exceedingly well. The service is being well received. I have been out to two of the openings of cell sites and there seems to be a real strong positive reaction amongst the business community, particularly the people selling cars. It is another added attachment to a car that they can sell.

But with regard to cellular as a replacement for a telephone system, the cost of the units is somewhat prohibitive. It is around, I think, \$800, \$900 is the lowest price right now for a cellular phone. It has come down somewhat. I think the suppliers of the terminal units have done a good job also of getting out there and marketing the technology. So I think it has gone well. I think the corporation, through the MTS cellular, has done an exceedingly good job of aggressively trying to serve the public and meet the competition. I think the presence of competition has accelerated their activity in this area, and that has been to the betterment of the users of that service in rural Manitoba and the City of Winnipeg.

\* (1030)

**Mr. Doer:** Yes, thanks for those answers and continued success in this endeavour. I guess the answer to my question for Mr. Orchard's purposes, I guess you have talked to Mr. Orchard because he certainly raised that with me, and I know he would have raised it with you, and you conveyed that to him.

My question dealing with another project is project FAST. This was a project that was established in front of the St. Boniface Basilica by Mr. Orchard as Minister, Mr. Holland and Mike Aysan in 1980, I believe, '81. The Minister, Mr. Orchard, was there. I still have the press release, which I like showing him because of his enjoyment of being our critic for a period of time.

Mr. Orchard, having started the project, was very critical of the losses over time. Certainly the capital costs have meant in the short run there have been losses in the FAST program. Mr. Orchard had recommended last year that we get out of FAST, as the critic. Is the Minister planning on getting out of FAST, or is the Minister going to stay the course in terms of the return on the capital costs and an eventual surplus, potentially in the year 1998, I believe?

**Mr. Thomas:** As you know, the FAST system was one of the projects that were reviewed both internally within MTS and also reviewed by the management consulting firm of Coopers and Lybrand. On the basis of their findings and the internal report, the Board of Commissioners in the fall, October of 1987, reviewed the future of FAST.

We had decided that it provides a technologically suitable service and we had to increase rates and we have done that under the FAST system. The rates went up to the alarm companies. The announcements of the rates to the alarm companies that utilized the FAST system was made I think in the late fall of 1987, and the actual transfer of those rate increases forward to the customers took place in the summer of '88.

There was some negative public reaction at the time but we cannot continue to support a losing venture.

We had to recover our costs on FAST and so we passed the additional rate increases on to the alarm companies. They in turn pass them on to their customers. We continue to provide the FAST service, but we are cautious now about not expanding it without having a justifiable economic analysis of any particular offering.

**Mr. Doer:** My question then is to the Minister, his colleague recommended, having started the project, that we get out of it. Last year when the Coopers and Lybrand Report was tabled, he said that we should turn it over to the private sector totally, sell it, get out. Is the Minister rejecting that advice from the former critic when they were in Opposition in terms of getting out of this totally and turning it over to the private sector, or is he going to continue on with the plan that has been put in place for the Telephone System, as opposed to the public statement of the Member for Pembina, the present Minister of Health (Mr. Orchard)?

**Mr. Findlay:** As the Member has just heard from the chairman of the board, we are analyzing the opportunities that exist for the Telephone System to continue to supply the service. The Coopers and Lybrand Report has indicated that the charges have to be increased and they have been increased. We will continue to analyze it and look at it as to whether it is economically viable to continue with it. We will take it step by step.

**Mr. Doer:** To the Minister, the Member for Pembina, having read the Coopers and Lybrand Report and having started the project FAST, had made the public statements in criticism of this project and of the Telephone System and said we should turn it over to the private sector, after reading the Coopers and Lybrand Report. The Minister has obviously read the Coopers and Lybrand Report and received advice from the Telephone System. Is he going to proceed with the advice of the Coopers and Lybrand Report and the board of directors or is he therefore abandoning the public position of the Member for Pembina (Mr. Orchard) when he was in Opposition?

**Mr. Findlay:** As I said, we will continue to analyze the position that the corporation should be in with regard to the information that is presently available and as it comes available and we will respond on the recommendations from the board as time goes by. I will not say that we are abandoning the position of anybody but we are trying to, as time goes by, continue to make responsible decisions relative to the issues of this nature that are before us as the facts unfold.

**Mr. Doer:** The Minister is known as a straightshooter. He just sounded like Allan MacEachen in the House of Commons which is a good debating skill but not a very good management skill. I know he is a straightshooter and therefore I am suggesting that I can interpret from his—on the one hand, on the other hand—that he is rejecting the advice from his critic, Mr. Orchard, and taking advice from the Telephone System based on the facts, not on the ideological rhetoric we heard last year. Can I assume that?

**Mr. Findlay:** You can assume what you want. We will continue to analyze it as the information—

**Mr. Doer:** You have made no changes?

**Mr. Findlay:** We have made no changes.

**An Honourable Member:** Therefore, you are staying the course as recommended by Coopers and Lybrand?

**Mr. Findlay:** We are at present staying the course given the information that is in front of us and it is not something that I say we are definitely going this way or that way, but we will determine as time goes by where we stand, and the corporation will recommend to the board, and the board will recommend to me.

**Mr. Doer:** Given the fact that the FAST program relies also on partners in the private sector, do you not think that the business partners in this venture require some certainty from the Government? After six months, do you not think you can provide them with some certainty in terms of a definitive position on this?

I understand the awkwardness of the political situation, of having to subtly disagree with your former critic and present colleague, but I think the business partners in this venture require some kind of certainty in this area. Could you be more definitive in terms of your six-month analysis? It seems to me to indicate that if you are going to stay in the business, you are going to use the private sector partners. Can we assume that from your answer today? I think it is important for the businesspeople who rely on this carrier to know where you stand in terms of the Government policy.

**Mr. Findlay:** At the present, we are going to continue to supply the service as it is being supplied at this point in time.

**Mr. Chairman:** Mr. Doer, if you—

**Mr. Doer:** One last question and I will leave, I will get out of everybody's way. Just the last policy area, the Province of Saskatchewan changed the way in which cable television lines were carried. They sold, I believe, some of the components of the publicly owned cable television, the Devine Government did at least, and made some ideological statements about it. We were also criticized again, even though the Minister's former colleagues established a certain policy on cable television. In the latter years, we were criticized for the role of the publicly owned corporation with the cable television.

Has the Minister reviewed the policy of cable delivery in this province in terms of its basic philosophical and policy direction, not talking about which community should get which lines, etc.? Is he satisfied with the present policy of the Manitoba Telephone System and is there any plan to change it somewhere to the Devine Government in Saskatchewan?

**Mr. Findlay:** As I recall right now, the cable television is available to some 65 communities, I believe. We put the lines in and then somebody else supplies the actual cable television service and this has sufficed to get service into larger communities, I guess, to put it mildly. In terms of if private enterprise is prepared to look at

supplying cable television service to smaller communities in some fashion, we are prepared to look at their proposal and there may be a change in the process that will serve those smaller communities. We are prepared to look at any proposal anybody brings forward, but there is no decision has been made at this time as to how we will be involved in servicing those smaller communities if some entrepreneur has a method that he wants to use to serve them.

**Mr. Doer:** Well I think the statement of—I believe it was Harry Enns in years gone by—that this was the public highway was the comment used on cable television. I am just recalling my briefing, that the Telephone System briefed me well on in my former location. I recall, it was some comment about the public highways, in flowery terms, about cable television made by the Minister's own colleagues. That kind of public highway was rejected by the Devine Government when they sold off the actual cable delivery to the private sector and got out of that business, i.e., the cable area of the cable television. Does the Government contemplate abandoning or looking in a philosophical basis at the public highway concept that they articulated in previous years?

\* (1040)

**Mr. Findlay:** The only thing I can say is that we are going to look at any proposals either from MTS or from the private sector that will serve the public need of being able to deliver TV in that process. No decision has been made. We are not going to just carbon copy what Saskatchewan has done for any ideological reason. We will analyze the options and, say, if options are available to deliver Pay TV or this kind of TV to the smaller communities through MTS involvement or through the private sector, we will look at all that. I think service delivery to the public has got to be the bottom line.

**Mr. Doer:** The ADAD system, I received correspondence from again, the former Leader of the Opposition, now the present Premier (Mr. Filmon), asking us to change our policy on ADAD, which I rejected because I thought the Telephone System had the proper policy on the automatic dialing systems for solicitation. The Minister is looking at me. One of these telephone's terms, the millions they give you, these monsters they create. The automatic dialing system where you get solicitation, we had a disagreement with the Premier when he was Leader of the Opposition on that policy that was in the Telephone System. Has there been any review of that? Did the Premier ask you to review that policy? Has there been any follow-up or any change in the existing policy of the Telephone System that was challenged by the former Leader of the Opposition?

**Mr. Findlay:** There has been no change.

**Mr. Doer:** Mr. Chairman, I do not want to take up any more time of the committee. I am just curious to see some of the major areas, such as project FAST, such as data versus voice, some of these other areas where



there was quite vocal criticism of the policies that we had implemented on behalf of Manitobans. We see that there has been no change in those policies. I am pleased that there has not been, because I did not think that the position articulated by Mr. Orchard, when he was critic, or Mr. Filmon, on the voice data, was consistent with the best interests of Manitobans. I am pleased the Minister has reviewed those policies. We can always improve. We certainly will look to working with the Manitoba Telephone System to improve the system. I am pleased to see that there is not any major departure on major policy issues, notwithstanding some of the rhetoric that has gone on in years gone by. Thank you, Mr. Chairman.

**Mr. Gilles Roch (Springfield):** In 1987, Mr. Doer, the then Minister, said that all telephone systems are moving to a more competitive environment and, quite frankly, we have to get leaner in the Telephone System in the years ahead. Is the Telephone System moving towards getting leaner?

**Mr. Thomas:** In terms of getting leaner, I am not sure what the individual being quoted was referring to. In the sense that—

**Mr. Roch:** In the employee sense.

**Mr. Thomas:** In actual fact, because of the requirements of the Service for the Future Program, there will actually be an expansion in the number of MTS employees, a slight expansion. You could also talk about getting leaner in the sense of—

**Mr. Roch:** They were talking about leaner in terms of employee size per thousand telephones.

**Mr. Thomas:** In actual fact, in terms of the employees in relation to number of telephones, the ratio has actually reduced slightly. But as I say, there will be a slight bulge in MTS employment to carry out the Service for the Future Program. In terms of internal management and financial controls, I think we witnessed in the last year and a half or so some significant improvements in that area, partly as a product of the requirement over the summer of '88 to manage to a \$2 million bottom line when the rate increase was not forthcoming for the corporation.

So that I think we have made strides in terms of improving productivity and we have a productivity measurement program under way within the corporation. We have always had productivity measures but we are trying to strengthen that aspect of the corporation. So presumably, that would mean that we will be able to do more with less in some sense. Clearly, there are limits to that, but we should be able to do more with less personnel and less financial resources, partly as we benefit from technology but partly as we improve our routines of doing things.

**Mr. Roch:** So that if I understand you correctly, there will be a slight bulge while the installations that we all want to Service for the Future and after that you expect the ratio, because of technology, to go down. So the

questioning at that time was being done by Mr. Manness to the then Minister, Mr. Doer, and I was just wondering if there was an acceptable ratio. How could the corporation get any leaner if we can present all these plans, but you have essentially answered that question.

I take it the plan which is in place right now, have there been any basic changes in the plan which was going to be implemented by the previous Government or is it essentially the same one?

**Mr. Thomas:** I am afraid I am going to have to take refuge in I guess what would be described as Cabinet confidentiality. We have given advice to two Governments and, in the course of discussions with both Governments on the Service for the Future Program, all sorts of possible options had been discussed. I guess I can go so far as to say that the plan was not finalized before the last election and so we did not have a completely finished version of it, and we had looked at a number of different scenarios on both service side and on the financing side.

**Mr. Roch:** Mr. Doer said on July 7 of '87 there was a plan really to take us to the year 2000, the next 12 years in terms of improvements to technology, Capital spending and tariff which has to be filed with the PUB. It sounds virtually identical.

**Mr. Findlay:** All I can say is that the corporation over a period of time has developed a plan that was taken to the previous administration and they were involved in a round of meetings of some 17 or 21 meetings and received input from the consumers across the Province of Manitoba. A plan was then brought to the Cabinet of the present Government. Back and forth discussions occurred as to the implementation of a plan and naturally different angles are discussed to both administrations. Where the plan is identical or to what amount it varies, you will see when it is tabled in front of PUB if you have the copy of what was presented before.

But I do not think the corporation should be in a position of saying whether they recommended this or that to one administration or another. What has evolved is considered to be the best proposal that can be given to the people of Manitoba at least cost at this time, and then it will be analyzed publicly in front of the Public Utilities Board when the hearings are held. I would like to assure the Members that a copy of that will be given to them immediately at the time it is done. We will give one copy to each caucus, it will be probably sufficient, or to the critic in this case.

**Mr. Roch:** I would like to know who are the members who sit in the PUB and who appoints them? Mr. Robertson is the chairman, I believe?

**Mr. Findlay:** I cannot honestly tell him who the members are. I do not have the list in front of me on the members on PUB. That could be obtained if you would like that—Ed Robertson. Beyond that, I cannot tell you.

**Mr. Roch:** How are these members appointed? Who appoints them?

**Mr. Findlay:** It is a Cabinet appointment.

**Mr. Roch:** The Cabinet as a whole or one specific Minister or is it the First Minister or—

**Mr. Findlay:** I would think that it is from the Minister of Finance (Mr. Manness) or the Attorney-General (Mr. McCrae). I am not sure which one. It would be the Attorney-General.

**Mr. Roch:** Can that information be found out and made available? I mean, it does not have to be now.

**Mr. Findlay:** As to who is going to recommend to Cabinet, yes, I can find that out for you.

**Mr. Roch:** Given the fact that Mr. Chairman was the acting CEO of MTS prior to the appointment of Mr. Bird, was Mr. Robertson also not involved in the study or participated in the study dealing with criteria for rural services?

\* (1050)

**Mr. Thomas:** Mr. Robertson, as you know, filled in as acting president and CEO of the corporation for a period of just over six months. He was on leave from his position as Deputy Minister of Industry, Trade and Technology, I believe was the department.

During that period, MTS in collaboration with the Government, I believe, commissioned a study to be conducted by criteria and research and it dealt with the preferences of rural Manitobans for different types of solutions to their telecommunication needs. It inquired into things like individual line service, exchange area boundaries, and their willingness to pay for different types of solutions. That study was conducted. It was actually, I guess, concluded about the time that I arrived in August of '87 and it was the subject of a special board meeting in October of '87. A summary, an executive summary, of the Criteria and Research was made public through all the regional offices of MTS. The document became public and the full document in great volume was available at the MTS Information Resource Centre on the Empress Avenue headquarters of MTS. So the document is public.

**Mr. Roch:** Maybe I missed a part, but what exactly was Mr. Robertson's capacity in that whole field?

**Mr. Thomas:** At the time that the study was under way, Mr. Robertson was acting president and CEO, and would have been involved with the then board of the commission in terms of deciding to undertake the study and presumably having the study reviewed by MTS staff. The representatives of Criteria and Research came before the board, I believe it was in one of the October meetings of the board, to review their findings and answer questions from board members so that he would have knowledge of the study and would have contributed to the development of the study.

**Mr. Roch:** So essentially the services as proposed now came from that study, from the various recommendations?

**Mr. Thomas:** No, I would not say that. This plan does not really flow directly out of the study. In a way, it was an attempt to measure the preferences of rural Manitobans and to see how sensitive they were to cost factors for different types of solutions to their telecommunication needs. But much more than that went into the development of the plan. Former Ministers, two former Ministers travelled the province to 17 or 18 locations to talk to rural Manitobans. There was a great deal of staff work done within MTS and several, many meetings with Governments, both past and present, before the plan was finalized. So it was one element in the development of the Service for the Future Program.

**Mr. Roch:** How much of an element was it overall?

**Mr. Thomas:** It is hard to attribute a weight to it. You had numbers there and you could look at the relative preference for particular types of things in the order of priority. I think maybe that is where it had some significant impact in terms of did rural Manitobans want, first and foremost, extended calling areas or were they more interested in having party lines removed. There are 46,000 Manitobans approximately who are still on party lines.

I think if you look back at the results of the survey, you will see that ILS came first, individual line service came first, extended calling areas came second, and the questions of the commutership came third. I think both Governments that I have had the privilege to work with were following the priorities as reflected in the opinion survey and I believe the priorities reflected in the round of public discussions that took place. I think there has been unanimous agreement on what the priorities should be. Certainly, both boards that I have had the privilege to chair have been in agreement that the individual line program should come first.

**Mr. Roch:** So you do not perceive any problems. This one might be better asked of the Minister. Given the fact that there are several people in rural Manitoba who disagree with some aspects of the Service in the Future and they will be making presentations at the Public Utilities Board, there is no potential perception of conflict given the fact that Mr. Robertson was a former CEO of MTS and is now chairman of the PUB, that he may have a bias towards the MTS plans as proposed, as opposed to those concerns raised by citizens.

**Mr. Thomas:** I might volunteer an answer. Mr. Robertson has been sensitive to the potential appearance of bias or preference for MTS solutions. For that reason, he has not sat on any regulatory hearing involving MTS. I am not certain of his intentions with respect to the hearings on Service for the Future, which likely will take place now in February of 1989, I understand. There are preliminary hearings beginning this week. He has for some period of time absented himself, a sort of cooling-off period to divorce himself from his past MTS association.

If he was to become involved now, I think part of the protection for those citizens who are interested in

getting a completely fair and objective hearing is that it is not an individual who makes the decision. The chairman of the PUB does not act alone. I forget the entire number of members on the PUB, but it will be a panel of people hearing the MTS application, so that Mr. Robertson will be one among several if he decides to sit on the Service for the Future application.

**Mr. Findlay:** I will just add a comment or two. We would have to perceive that these are professional people and they will make decisions as a group basis on the technical information that is presented and the ability of the interveners to present a situation that they believe is just and fair. We have to respect their ability to analyze both sides of the picture and come down with a decision or a recommendation that is unbiased as can be. I guess it is safe to say anybody who is going to sit there is going to have some degree of background information or feeling that you could foresee that they might be biased. I think Mr. Robertson will do the right thing in terms of how he handles the situation.

**Mr. Chairman:** I think Mr. Uruski has a comment.

**Mr. Bill Uruski (Interlake):** Just maybe a point of information, just on this one topic, I think it should be pointed out that, although Mr. Robertson was in the system at the time of the survey that was being done, he was out of the corporation when the public meetings were going on which were submitted to us as Ministers. He was out of that corporation at the time and he would not have had any direct input in the finalization of the plans that are now being submitted. You have had a new chair, a new board and a new CEO who were in the process of developing the plans, notwithstanding having seen one component of the decision making. Now perception is, of course, part of the problem but, in terms of his actual hands-on position, I think it would be safe to say that his involvement was peripheral at best in this application.

**Mr. Roch:** I am surprised to see the NDP critic come to the defence of the Minister. I fully understand what Mr. Uruski is saying and Mr. Findlay is saying. I did say in my comments at the beginning and in my question that it was the perception. That is where the concern has come from, from citizens who are to appear in the—as I said, there is a concern out there. It may not be a valid one, as Mr. Uruski and the Minister and Mr. Thomas have pointed out, and I fully respect and expect Mr. Robertson to be a man of integrity, but there are some concerns that, because he was a chief executive officer of MTS prior to being chairman of the Public Utilities Board, they may not get a fair hearing.

Despite the fact he is only one out of several, that perception does exist and if perchance the interveners may not win their case, so to speak, it could leave a bad taste in their mouth. I realize that Mr. Robertson is fully entitled to sit in the hearings if he wants, but it may be in the best interest that he does not.

In any case, when somebody makes an application to appear before the PUB to make a presentation, the time line seems to be quite long. For example, to appear

by the February 20 meeting you have to appear at the pre-hearing conference by November 14. So you are looking at several months of preparation and appearances and several other factors, which is quite a lengthy process for the average person who is out there working, trying to make a living and has to do all these things in the meantime, unlike the people responding who do it for a living and are being paid to prepare. Is there any way that the red tape and the length of time can be shortened for the general public?

\* (1100)

**Mr. Thomas:** Yes, I think it is recognized that the formalities of the regulatory process can be intimidating to the ordinary citizen. What I would offer Mr. Roch is that there are two types of interveners. I am not sure that I have the technical description of both types correct but there is a formal intervener who must show up at the pre-hearing conference and indicate their intention to file a formal brief with the Public Utilities Board, but there is also opportunity when the hearings are under way for informal presentations to come from the floor. So citizens who simply appear at the location where the PUB is holding its meetings, if they wish to get up and speak from the point of view of consumer of telephone service in a particular region of the province, they are allowed to do so. There is an opportunity for consumer involvement before the PUB which does not require all the expertise that the lawyers and other representatives of large organizations possess.

**Mr. Roch:** What then is the purpose of having this time line as supplied by the Public Utilities Board, or suggested timetable I should say?

**Mr. Thomas:** The idea is partly to allow the PUB to manage its agenda for these hearings and it is also to allow for the interested parties who have registered in advance to exchange information. You are required to file interrogatories or interventions and then the system gets to respond to those, you get to see what the system says and so on. It is intended to ensure that complete information is available to all parties who are present in the hearing process.

You are probably taking me beyond my area of expertise somewhat. These are questions perhaps that more appropriately are address to representatives of the Public Utilities Board. The board, as I have observed it over recent years, has tried to adopt a more positive consumer orientation. I think you would find the Secretary of the Board, Mr. Gerry Barron, quite forthcoming in terms of explaining the hearing process to you, if you wish to contact him.

**Mr. Roch:** So if I understand you correctly, if somebody wishes to intervene, make a presentation, it is not a hard and fast timetable. They can do so up until the actual meeting date?

**Mr. Thomas:** That is correct, that is my understanding.

**Mr. Roch:** That is what I wanted to clarify.

On other matters, in regard to the modernization, there has been no talk in the announcements lately of fibre optic expansion? Is that project still continuing?

**Mr. Bird:** Fibre optic expansion is going ahead full bore. As a matter of fact, Telecom Canada has just completed a cross-Canada fibre optic cable system through Manitoba. It is not complete all the way across Canada, but they are in a process of completing it. We are completed in Manitoba and we have several fibre optic systems in place in Manitoba. As we put in more of our modern switches and more of our remote offload switches and the host remote systems, we will be hooking a lot of those together with the fibre optic systems. So you will be seeing a continual utilization of fibre systems not only in Manitoba but in Telecom Canada as well.

**Mr. Roch:** Is MTS looking at reviving Telidon?

**Mr. Bird:** No, we are not looking at reviving Telidon.

**Mr. Roch:** What about Prestel?

**Mr. Bird:** I am not familiar with the term Prestel. Perhaps Mr. Wardrop knows.

**Mr. Dennis Wardrop (Executive Vice-President):** The Manitoba Telephone System has no plans to introduce Prestel into the province at this time.

With respect to Telidon, Telidon was really a protocol, a technical protocol or the language that was used in provision of certain types of service. That particular language of protocol is still utilized in the Grassroots Service within Manitoba. There is no plan to expand it or to introduce it into a new service offering at this time.

**Mr. Roch:** For the benefit of committee Members, can you give us a brief of what Telidon and Prestel are, especially Prestel?

**Mr. Wardrop:** Prestel is a service which was introduced in Europe. It was one of the Videotex services, as they were called. A Videotex service is a service that permits customers to receive images on their television screen over a connection to the telephone line. Another form of Videotex is what we know as Grassroots in Manitoba where, by using the telephone line, one can receive certain images on their television screen. Prestel was simply another technology that accomplished virtually that same thing.

**Mr. Roch:** So therefore, at this time or in the future, there is no thought being given to introducing such a Prestel system?

**Mr. Wardrop:** There is no thought of introducing any new services of this type in Manitoba. Grassroots, of course, continues as a service at the present time, but there is nothing at the present time being planned to introduce any new services of this type.

**Mr. Roch:** Will MTS be providing the video and datagrade lines to handicapped persons as part of their basic service?

**Mr. Bird:** To be sure I understand that question, video and datalines to handicapped individuals as part of our service?

**Mr. Roch:** We have talked about the announcement of services to the disabled and we have talked just now about Grassroots and other such types of services. Are any of these types of services being thought to be offered to handicapped persons as part of their basic service, as opposed to an extra?

**Mr. Bird:** Not as part of a basic service. The program for the handicapped primarily is that we have introduced already a message relay centre where the hard of hearing or the deaf can relay their messages to the world at large. Secondly, we are going to implement a special needs centre where individuals with physical handicaps can go in and deal with telecommunications experts to come up with a telecommunications mechanism which will allow them to communicate with the world. If that involves a touchtone system, if it calls for something that is voice-actuated, we will, as our mission states, through telecommunications solutions come up with a mechanism to help them communicate with the world.

But there is no overall comprehensive plan to provide them with video terminals or terminal ISTN networks or anything such as that as part of their basic service. There is also a reduction in long-haul toll for any hard-of-hearing individual who has a special TDD unit to use toll where they presently get, I believe, a 50 percent discount on their toll rates for that. So other than that, there is no specific, comprehensive plan for video systems, either in the form of terminal equipment or in the form of networking that will be part of their basic service.

\* (1110)

**Mr. Roch:** Can you tell me more about—you mentioned in your answer about the discount for the deaf. I think it is a common statement of fact, it may take longer for them to hear a telephone conversation. What kind of discounts are we looking at and for what kind of—are we talking about intra and inter, or any kind of long distance?

**Mr. Bird:** That is basically correct and it is fairly well consistent across the country, although there are some jurisdictions that perhaps do not have it, but I know that CRTC has either approved or is approving Bell's offer of the system that, because it does take them so much longer to communicate with these devices. They receive a 50 percent reduction in their toll bills for all long-haul, that is interprovincial, toll and I believe it is intra-toll as well. Yes. So in Manitoba, if you have one of these devices, your long-haul toll bill and your intraprovincial toll bill will be reduced 50 percent when you get a licence.

**Mr. Roch:** I have only a couple more questions and I believe Mrs. Charles would like—I just want to ask, how does Teleplus Manitoba differ from Between Friends? I am not quite sure.

**Mr. Bird:** Between Friends is a Telecom Canada offering which is only available I believe at certain times and for only a certain amount and only for I believe it is up to 30 minutes. It was somewhat confusing to the subscribers as to exactly when it could be used and where it was used. The Teleplus system is a more user-friendly system in that for a certain monthly fee you would get a 15 percent reduction in your toll bill up to a certain maximum. I believe it is, for \$2 a month, you get a 15 percent reduction up to \$50; for \$4 a month, you get a 15 percent reduction up to \$100; for \$10 a month, you get a 15 percent reduction up to \$400.00. Depending on your toll usage, you would subscribe whichever one of those that best met your needs, and it is independent of the time or day or where the call went as long as there was a long-haul call, whereas Between Friends has specific time limitation and so on. Both systems will be operational and be available, but we believe the Teleplus one is more user-friendly system.

**Mr. Roch:** So then Between Friends is not being phased out and they are going to be operating, or they will both be available, I should say.

**Mr. Bird:** Mr. Chairman, at the present time, Between Friends will not be phased out but, if usage drops because of the other system, then we will look at it and then perhaps phase it out.

**Mr. Roch:** So there is a possibility that it may be phased out and just be replaced entirely by Teleplus Manitoba?

**Mr. Bird:** That possibility always exists, yes.

**Mr. Chairman:** Mrs. Charles, is that how you want to be addressed?

**Mrs. Gwen Charles (Selkirk):** Thank you, Mr. Chairperson. I have just a scattering of questions and I apologize because they are sort of over the realm of everything. First of all, it has been brought to my attention, as the Minister well knows, that there are fibre optics being laid in Manitoba and I wonder what is your procedure is in linking up the fibre optics, what the future plans are for the fibre optics.

**Mr. Bird:** That is a fairly major question. Fibre optics are a transmission mechanism whereby you utilize the lines through a fibre, you can transfer information. It is almost—basically has almost unlimited capacity, and it is very easy to install. We in Telecom Canada and in Manitoba, basically all of our long-haul routes or routes between exchanges within the city or outside the city, are being linked now with fibre as opposed to copper, which was in the past.

Copper uses an analogue signal to go down it, fibre uses digital signals. Digital signals have much more capacity, are free from noise and have other major advantages, are cheaper to install, easier to repair, easier to splice. So I would say the plan is for more and more use of fibre and less and less use of copper as the future unfolds. Less utilization of microwave as the future unfolds and, as a matter of fact, less and

less utilization of satellite as the future unfolds. I think you will find that over time, because of the clarity of signal, the reliability and ease of maintenance, that the fibre systems will take over a majority of the long haul message transmission in Canada and as a matter of fact in the United States.

**Mrs. Charles:** Is there a policy then on this or is this just a new system you are getting into? I am wondering whether you are planning on replacing or whether this is just as you put our new lines, you will be putting in fibre lines.

**Mr. Bird:** We will not be going out and digging copper and taking it out of the ground and replacing it with fibre, because we spent a lot of money putting it in there and it is still acceptable medium. But as a general rule, any new transmission mechanism we place in the ground will probably be fibre unless, because of certain specific requirements, it is necessary to be copper. There is still a major use for copper but the general policy is that if it can be done by fibre, we will do it by fibre as opposed to copper because of the price, the ease of the installation and the capacity of the system.

**Mrs. Charles:** You mentioned the satellite again and I just had one question on that, as to whose satellite is it we use or do we use Telecom Canada? Do they have a satellite or is this off of another country or where?

**Mr. Bird:** Telecom Canada is composed of all the major telephone companies in Canada plus Telesat Canada, and Telesat Canada has a mandate for the Canadian satellites and has four or five satellites now in orbit. We get our circuits through Telesat. We utilize the services on Telesat Canada. International traffic is carried over international satellites through an organization called Teleglobe Canada who has international traffic. So there are really two major areas in Canada that we can get satellite usage from. The United States on the other hand has several satellites up and their traffic carries through their satellites. Any linkage between their satellites and our satellites and international traffic is generally negotiated through Teleglobe or else through the administration of Telecom Canada.

**Mrs. Charles:** Yes, I have heard, and these are in the line of rumours, that there are problems with WATTS lines price differentials between Ontario and Manitoba in that, as you have mentioned before, people will call down to Toronto to ask them to call them back because their WATTS lines are cheaper calling out of Ontario to Manitoba. Can you tell me if this is true or what the difference would be in pricing, if there is any?

**Mr. Bird:** Well, Mr. Chairman, there is a difference in price in some of our services. We try to minimize those prices or keep them the same. As you know, there are several regulators in Canada. Bell Canada answers to the CRTC. We answer to the Public Utilities Board and Saskatchewan to their own. Telecom Canada has generally in the past gone in with rates and proposals, on a unified basis, to set rates across Canada the same

so the situation, as you describe it, does not exist. Just recently, however, the CRTC in a hearing with Bell Canada ordered Bell Canada to drop their rates significantly, the long-haul toll rates, and to do it almost immediately. The rest of Telecom Canada had to react to that and, as it was discussed earlier in today's session, it takes a long time to get some things to the Public Utilities Board.

Also as mentioned, we have in front of the PUB two rate reductions for long-haul toll, one in January 1, 1989 of approximately 10 percent and one January 1, 1990 of approximately 14 percent which will bring our rates exactly in line with the rates with the long-haul toll that are in place now at Bell Canada. If in the interim the CRTC orders Bell Canada to do something different, we may be out of phase with them again. So it is kind of a catch-up basis. As a general rule, the rates are the same, but there are occasions where the rates may in fact differ based on regulatory dictates.

**Mrs. Charles:** Thank you for that answer. Before I get into some direct areas, I was wondering, I myself have great cooperation with this department and I appreciate the Minister's response to any of my questions as well as his assistance. But it continues in Selkirk and I do not think it is unique that people have telephone problems. If you phone up the telephone company in Selkirk, you are put on hold for days. I do not know if you can come off hold in Selkirk and I suspect that is somewhat similiar. But I am wondering in overall circumstances whether you have a service, a general number in Winnipeg, or if there is a free number that people can phone for complaints to the Telephone System.

**Mr. Bird:** Mr. Chairman, you have hit on a matter that is very close to us. We are moving to improve our service by accenting or focusing our attention on what we call accessibility to the corporation. One must bear in mind that we have come through a long tradition of solid monopoly and in a solid monopoly we are regulated by cost and we have basically kept our costs very low and at an expense of perhaps accessibility to the public. We are changing that to increase that accessibility, in the sense that we are putting more staff in place. We are easing up on some of our rules.

\* (1120)

For example, we have a plan in place now that we will answer 80 percent of the calls within 20 seconds, which is four rings. When you implement a plan such as that, you determine the number of calls you get and you trip that back into the staffing and we have increased significantly the staffing in those areas that require accessibility, such as the front line customer areas. In addition to that, we have printed in the front page of the phone book at the bottom an all-trouble number you can call which is basically almost an Ombudsman-type function, and we are getting great public acceptance of that to the degree that we not only have one person working full-time in that area, we have an assistant who fills in part-time as well.

Our Public Relations Department also handles an awful lot of direct calls that come into them from the

public. So we are very cognizant of the fact that our accessibility must be approved. We have implemented the plan, as I have outlined, and also the listing in the telephone book which has been well received by the public.

**Mrs. Charles:** Is that a free line to call? It is. I am receiving a nod, yes. Thank you.

I really appreciate that. I think it is a great step forward. Little things can really irk customers. As much as any of us as MLAs want to receive any questions, we certainly would encourage the people to be able to answer their own questions and be able to get the service themselves. Just to point out one item that we dealt with that it took about a week to get some solution on is that a telephone line was down over a pasture area and a pregnant mare tripped over it, twice she managed to. Fortunately, they did not lose the foal and nothing came of it other than trying to get this line raised up and put in place. Out in the rural areas, it is not just the matter of my phone has a buzz on it but it can be great matters.

So I compliment you on that. I would maybe even encourage a better listing, maybe a little bit of an explanation at the front of the telephone book to encourage people to use that number rather than just to sit back and complain. I think, as we all agree here, the system is for the people. They should have great availability to it.

As to that, and I have discussed this with both the Minister and Mr. Bird previously that we have issues just north of Selkirk and indeed all around Selkirk with party lines where there are private lines running past, because they have been put in place due to development but have not been brought up to the houses. I understand there is a number—I forget whether it is 17 houses—before that have to pay close to \$500 to put on-line and then the 18th or whatever the magic number comes on-line and they get it free.

Understanding that there is always going to be, if some pay, somebody down the line is not going to pay. It does not seem right and fair for those people, especially with being such a large amount of money. Has the Minister or has the department discussed whether it could be a refundable deposit these people put on their lines and then spread the cost over as people come on? Is there any other system been discussed as to bringing private lines rather than this amount that they pay and never receive back, understanding that the 18th person on the line will have it free?

**Mr. Bird:** I believe the plan you are referring to is our Extended Base Rate Calling Area. I would like to defer to Mr. Wardrop to elaborate on that program. He knows it in better detail than I do.

But before I do, I would like to state that our Individual Line Service Program, which we have announced, is going to overcome that. We put high priority on that individual line program because of the very issue you raise that people want to have their own telephone and have it at a reasonable cost. Before that is fully

implemented, this other program, which requires so many people per mile before it is implemented, is one that has been utilized by quite a few Manitobans. It was in place long before I got here. Perhaps Mr. Wardrop could elaborate more on the details of it. I am not clear on the 18th one being free, if that is a true statement.

**Mr. Wardrop:** I believe the reference being made is to the criteria that the Manitoba Telephone System has used in the past and still uses today for establishing whether an area would get a private line or single party service versus a four-party rural line. This of course, as Mr. Bird has pointed out, will all change with the Service for the Future Program.

The system recognizes that what we have done in the past was a compromise and it was not all that we would have liked to have done but, because of the resources available at that time and the technologies available, it seemed to be a practical balance. Fortunately, with Service to the Future, that era will end. However, regarding that era and the latter stages of it now, the criteria was set in order to control costs to a level that was commensurate with the resources the system had. It was based on the premise that the larger centres and more concentrated populations would be first eligible for single line service or one party service. The reason for this predominantly was because it is less costly per customer in a more dense area to provide the service than it is in a very sparsely populated area.

That level has been set for a number years, going on to 20 years now, at 15 customers within a mile of one another. So, if there were 15 customers or more identified within a mile of one another, we would include it in a program in which we would upgrade to one party service, and that would be provided at basically standard rates that you would get in a town, with the proviso though that anything below that would be on four party service.

Now, if you fell below an area that had 15 customers per mile, you qualified for four party service. However you had the option to obtain one-party service at a premium cost and this premium cost was a two-part cost. One was associated with the construction or the installation of the line and it was a one-time charge. It varies from basically \$5 or \$10 upward to \$560, depending upon the mileage and the length and the cost of that construction, so the further you are from the one-party area and the more costly the construction, you could go up to \$560.00.

That cap was put on in recognition that it had to be something at least within the reach of a reasonable number of people. In some cases, that construction has cost more than \$560, but we have put a cap on the fee to that level.

In addition to that, there was a premium charge per month on that type of customer that was below 15 per mile, and it is approximately \$3 a month. It varies from community and size and community and so on but roughly for talking purposes it is in the order of \$3 a month.

Now, with the coming of Service for the Future, the first thing that will happen is customers in that category

who are below 15 per mile will see a discontinuation of the \$3 a month charge immediately on start of the program which is on January 1, 1990. The one-time construction portion would continue until such time as their area comes up for one party service.

However, in the intervening time, as in the past, it is quite possible that, say, a customer who is in an area who perhaps had three or four people within the mile would opt for the premium service, make the payment of up to \$560, and find at some later date, a year or two or three later, that a community had developed around their location.

\* (1130)

Two or three years downstream, there were 15 people or more per mile and at that time the area would then be reclassified as a one-party area, and one-party service would be given to that whole area. It would then appear, as has been indicated, that an individual who had paid \$560 two or three years before finds now that some of their neighbours who stayed with multiparty service for two or three years longer now are included as a one party customer without the construction charge.

That whole criteria has been examined many times pro and con about sharing and not sharing. There are many sides to that question. For example, those who chose to remain with multi-party service for three or four years until one party grew around them would tend to voice a strong opposition to now having to have forced on them a sharing of a one-time construction cost that their neighbours would appear to have imposed on them two or three years before because they chose to have advance one party service. You get both sides of the argument.

Over the years, what has been found and what we have consistently felt is that the most workable system with people generally feeling that it is equitable is to proceed as we have with the criteria that says that if it is before the 15 per mile, one is assessed a construction cost. If it is after, they are not assessed the construction cost. I would not want to suggest that has been universally accepted. It is a problem. It is a difficult problem and fortunately we are going to overcome it with Service to the Future, and it will be a thing of the past.

**Mrs. Charles:** Just to go on with that understanding that Service for the Future will be up to nine years and being in place, the monthly amount of \$3 premium will come off but this will continue. The people having to pay up to \$560 will continue until their area has been designated?

**Mr. Wardrop:** Mr. Chairman, I would first like to comment before I answer the question on two aspects of the question. The first is that while Service for the Future in total will run approximately nine years, the individual line service portion of it is scheduled to be completed within the seven years, by the end of 1996.

Secondly, I would point out that we are hoping to do a considerable number of one-party service areas

fairly early in that six-year or seven-year period. Mr. Bird made reference at the last committee meeting that the first year is a start-up year and will be lower than the average for the number of years, but the second and third years are very, very heavy construction years. So by the time the first three or four years are over, something in the order of 70 percent to 75 percent of the program will be completed. We are going to try and move that much faster than even the seven years for the majority of people, although it is true some people will in fact beef up to seven years.

In direct answer to the question however, yes, during that seven years a community that has not yet come up for this schedule of construction in one party service still could get one party service, or an individual in such an area could get one-party service. It would be at paying the up-front construction premium rate but not the \$3 a month thereafter.

**Mrs. Charles:** Just to add to that, the three people I have had particularly anxious to get private lines and claiming that they really cannot afford—I think theirs was around \$450 to put it in—all have health problems in their household that they need the private line to be assured of access to a line. I am assuming that within the three years that you are saying 75 percent of the population would be covered. Those are obviously around communities with denser population occurs and more likely with people with ongoing illness will live closer to those communities. Is that a reasonable assumption to be made?

**Mr. Wardrop:** I really cannot give assurances on all those points. We have no knowledge really of the distribution of people who have the medical conditions that are more urgent. Certainly we are sensitive and sympathetic to that situation and it is for this reason, one of the many reasons we think Service for the Future is in fact a good program, but I could not give assurances that those individuals who happen to have a medical condition would necessarily have a priority over other people within that community or something like that at this time.

**Hon. Jack Penner (Minister of Natural Resources):** I will be very brief, Mr. Chairman. I just want to pursue the issue that was raised here in regard to charges for the installation of private services in rural areas. Did I understand correctly that those, if it were feasible and possible, a private line could be installed and that the outside maximum charge was \$560.00?

**Mr. Wardrop:** That is correct plus, of course, the approximately \$3 a month assessment that would continue each month thereafter, up until of course January 1, 1991 when that will be discontinued.

**Mr. Penner:** Does that mean then that the \$500—or any charges would only be levelled if there was extra added construction required?

**Mr. Wardrop:** No, it is assessed on the costs of the construction at the time it was done. It is assessed on everyone. Even though the construction may have

occurred a year or two before there was a cost associated with it and the cost is assessed on everyone proportionate to the distance and so on. It is a shared system across the whole of the province.

**Mr. Penner:** In other words, if I live 10 miles from town, I might be charged \$560 and somebody who lives a mile from town might be charged \$100.00?

**Mr. Wardrop:** That situation is quite possible, yes.

**Mr. Penner:** That answers my question in that regard. Is there any consideration given at all to rural areas and individuals in rural areas who are in business, have their own businesses, that are involved in a party line, recognizing that business is very often done by telephone? Is there any consideration given at all to prioritize the connecting up of a business, or privatizing, private-lining a business over and above others in the community?

\* (1140)

**Mr. Wardrop:** No, that is not done. The business is offered of course the option of applying for a private line at the premium rates, just as a residence is, but there is no specialized treatment because it is a business over a residence.

**Mr. Penner:** I guess I would suggest that there should be some consideration given to those that operate business in rural areas and are dependent on doing on telephone part of their business that there be some consideration given to those who need a telephone and a private line, that there be special consideration giving them some priority.

I think it is important to recognize that businessmen, wherever they are, need the privacy of their office to conduct that business and it is very often impossible to put in place private lines into areas, unless substantial construction does take place. If you are suggesting that for \$560 a person they can get that private line, regardless of what kind of construction is required, I accept that. If not, however, then I would suggest that there be some consideration given to the needs of entrepreneurs in rural areas.

**Mr. Wardrop:** Mr. Chairman, I really have not got a comment on that. I have noted the request and the concern and that is all I can comment.

**Mr. Findlay:** I think the best resolution to the Member's comments are in Service for the Future, which in the next six to seven years you will see resolution of that concern for farmers and for businessmen in the rural areas and some areas, of course, will be sooner than others and, as Mr. Wardrop has said, the majority, some 75 percent, will be dealt with in the first three to four years.

**Mrs. Charles:** Yes, I hate to be kind to the Government in pointing out where they could really make big gains and votes, maybe they will need them the next time. But door after door after door, almost I would think



up to 80 percent of the doors I went to expressed—I cannot use a strong enough word because they used words that are not parliamentary—to me about the 7 percent tax on the phone bills, long distance calls, especially over top of the federal tax. Can the Minister explain to me his policy on this taxation, whether there are any changes?

**Mr. Findlay:** I guess really that is an issue you should take up with the Minister of Finance (Mr. Manness). The Minister of Finance of the past has levelled that tax as part of the revenue base for the Province of Manitoba, and whether it is fair or unfair, I guess, if we have to not take it on telephones, I would ask the Member where else it would be taken because it is the responsibility of the Minister and the Government to raise the funds necessary to deliver the services. You can always get in the conundrum of how do you have the services without the revenue to pay for it. It has to come from somewhere.

**Mrs. Charles:** But I always call this a rural tax, as I have said in several speeches, because the rural is making the most long distance calls in their areas and we are being taxed every time we do. We are being taxed to call our ambulance, to call our fire, to call our police, in many cases, and I doubt that the City of Winnipeg people would put up with these 10 percent plus 7 percent on calling their ambulance services. I do not think it would last long if it were the City of Winnipeg people. We, in the rural areas, tend to put up with it because we do not have the opportunity to gather together and fight it.

If the tax has to be—and this is not a policy statement of my own, nor of our Party's, but has there been any consideration if this tax has to be, of putting the tax aside to provide better service for rural members to speed up the system. Can the tax be funnelled not into general revenue but strictly into Telephones?

**Mr. Findlay:** I would not think that we would want to tax specifically for a telephone, the purpose of the tax is for the general revenue base of the province. But I would just mention to the Member, I appreciate your concern that, yes, it could be perceived to be a tax on rural people because they have more long distance calls. Service of the Future will, to some degree, reduce their cost because of larger calling areas, No. 1 and, in the commutered area, the 50 percent off or up to \$50 a month.

Just for the Member's information, I have some figures in front of me here showing the average bill that is paid: in Winnipeg, \$33.80; Morden in Rate Group Four, \$35.67; and Cypress River, a very small area, Group One, \$33.95. Strangely enough, the average bill in the city and outside the city comes out to about the same dollars per month, although the component parts of that bill between long distance toll within the province, long distance toll outside the province and the local costs vary between the bills, they come out to be the same. So when the tax is assessed, the total bill or the average bill is strangely similar between the different areas.

**Mrs. Charles:** Yes, I have had some of those figures. Often those figures are taken from communities far

away from the City of Winnipeg. Coming from Selkirk, being in the commuter area, I have had many businesses, in particular, bring to my attention that their cost of doing business in Selkirk, as an example, is overwhelming. Telephones do not help it any. They have to pay freight to Selkirk. They have to pay long distance charges to order that freight, to track their customers often because not far out of our Selkirk area it is long distance. On top of that, they have federal tax; on top of that, they have provincial tax. And then they are told to compete with the City of Winnipeg. We do not get grants in order to bring us up to competition levels with the City of Winnipeg.

The big fight in Selkirk, as I am sure it is in other areas around this city, is trying to get a residence to buy in Selkirk. But why should they when Selkirk businesses cannot offer these incentives for people to buy there by discounting any prices? The overhead, because of telephones, because of freight shipments, which again is in telephones to order the freight, is substantial for rural people, in the commuter areas in particular. I imagine it is around Brandon as well.

I do not know if the Minister has any comparative charges for business but I would suspect, and I imagine he would tend to agree that for those areas around the City of Winnipeg, competing because of telephone adds an additional burden to their margin.

**Mr. Findlay:** Yes, certainly in terms of telephone costs, there undoubtedly is a higher cost of doing business in Selkirk as opposed to Winnipeg if you are making calls back into Winnipeg. But never lose sight of the fact that those businesses located in Selkirk have undoubtedly located there because of some other costs that are lower. Maybe the property costs are lower; maybe the service costs are lower; maybe the housing costs are lower; maybe the wage costs are lower. So in balance, I think that there is probably an attraction to locate out there as opposed to the city in terms of the cost of setting up the business. The telephone side of it, yes, it is somewhat more expensive at this point in time. The Service of the Future will to some degree address that. The figures I gave you were for residences not for businesses. So the business is a slightly different picture.

The cost of Winnipeg-located businesses to call back to Selkirk, they have that same cost. There is not always a quick and easy solution to it because you always come down to when you are running a Crown corporation of this nature or a business, you have to be able to have enough revenue coming in to pay the bills. It has to come from somewhere. Maybe the method of getting that revenue can be argued about. The purpose of this committee is to look at different angles. I thank her for her comments.

**Mrs. Charles:** I just have to comment on that and then I will ask my last direction of questioning.

One, the overheads in Selkirk are reasonably comparable to Winnipeg. Our taxes are basically the same. Land costs are going up, although right now there is a saving. If Winnipeggers have to phone up to Selkirk, there are far fewer people they are phoning in

Selkirk than Selkirk is phoning Winnipeg. I think we have to realize that Winnipeg, by population, is sort of self-sustaining and gets the benefits because it is and, because it is, it gets the benefits. It is the circle that I hope we and all of Government can break. I think if we are going to get the future of Manitoba growing, it has got to be all of Manitoba and not just Winnipeg.

On to my last set of questions, I am wondering about the PUB hearings. First of all, what type of advertising has been done or is going to be done for the PUB hearings? I will ask that question first.

\* (1150)

**Mr. Findlay:** I will just comment on your earlier part of the question. I will let Mr. Thomas talk about the PUB. Certainly it is our desire, where and when possible, to stimulate decentralization, not to cause more centralization. So on that basis we agree in principle what needs to be done, and the method of doing it is not as quick as you like.

**Mr. Thomas:** On the Service for the Future hearings, the filing by the Telephone System and the announcement of the preliminary hearing with the PUB taking place tomorrow, I believe, appeared in newspapers of general circulation, a big large-sized ad. The Minister and MTS representatives will be visiting with representatives of rural municipalities next week at their annual conference and we will be pointing out to them the fact that the Service for the Future Program is going before the PUB. So local elected representatives will be aware of the fact that there will be an opportunity for them to examine how their communities are going to fit in the program and the fact that they have an opportunity to appear before the PUB.

Beyond that, I am not sure whether there is a subsequent notice published by the PUB in newspapers. I am really out of my depths now. I do not chair the Public Utilities Board, so I cannot give you a direct answer to that question.

**Mrs. Charles:** I am hoping, I actually expect that it will be on the telephone bills as well for the people to know about it because certainly there is some—I can think of four groups that would want to appear before the PUB and they are not that organized. Some are more organized than the others, but some are just residents on blocks that want to know what they can do to raise their questions, have them answered. So I hope that they would be in the tax bills as well. I was wondering if—I do not know if there is anyone here who could give me an overview of what the process for the PUB hearings is or how it will come about.

**Mr. Bird:** I do not know the specific process. What I do know is that it is a fairly rigid format and, once we table with the Public Utilities Board, it is in their hands and they establish when the hearings will be held, where they will be held, and how they are advertised. I would think it would not be right for Manitoba Telephone to superimpose its will on that. We are prepared to do anything that we can to assist this, but for us to start

advertising for Public Utilities Board's hearings would be going beyond what we are allowed to do. It is a fairly rigid process they have. You go in front of the board, they have lawyers there, your testimony is taken down, the procedures are laid out and so on.

So we do not violate any of their rules and, once it is filed with them, they take over and they have a fairly specific procedure to advertise and inform people of it.

**Mrs. Charles:** Just to that, I understand that Mr. Robertson is the board chairperson, and I think I am correct and I guess that is my question, he was an Acting CEO of MTS at one time, was he not?

**Mr. Findlay:** Yes, we have already had some discussion on that previously this morning and as Mr. Bird has indicated, the PUB is in some cases a power unto themselves and we are not allowed to interfere and whether Mr. Robertson wants to sit, whether he can explain, or whether he does or does not have a conflict of interest is clearly out of our hands and we have no say, nor should we have a say because they are the intervener on behalf of the public.

**Mrs. Charles:** I apologize for that. I have a Youth Parliament from Selkirk and I had to step out for awhile, so I did not realize those questions had been asked.

**Mr. Findlay:** Okay, no problem.

**Mrs. Charles:** That is in general the questions I would ask of this meeting. I understand that our critic will want to sum up, but I would just say that I appreciate the cooperation of this Minister, and that you cannot move too quickly out there to get the individual lines into rural Manitoba. I firmly think that we have to have a better proposal of how we are going to do away with long distance calling areas, certainly in commuter areas, because Selkirk—and I use my hometown because I understand it, but I speak for all the commuter area—is suffering because of the service that we have right now. Our in-home businesses cannot use computers and I suspect that they are going to have them within the four-year time frame that you are having your 70 percent in but, even given four years, that is a long time to be without having that service.

I think for Selkirk to develop, for us to get away with this centre location of populations as is in Winnipeg, we have to support communities around Winnipeg and then further out from that. If we are going to support them, we have to do it through telephone service because right now what they are hanging their hopes on is to get equal telephone service as all Manitobans. I would urge, whatever you are doing now, do it faster because they are not happy out there.

We are all going to be held accountable at the next election for the telephone service because they are not even happy with this proposal of what I have heard. I do not know what we can do, whether perhaps the Minister of Finance (Mr. Manness) can dedicate some of the taxes towards increasing staff funds to put this service in, what can be done, but it is a brewing issue

out there and unfortunately this initiative has not solved the feeling of the people that they are not being treated fairly. Maybe it is an advertising promotion that has to be done to extend to them what is available, how they are or are not equitable with city folks as well.

I would just stress that people are not happy with their Telephone System as the rate system. The servicing, I think, as to when they have their telephones installed, the technicians, the engineers, the staff, they are wonderful people. They are treating us very fairly if you can get through off your hold. I understand you are going to solve that, so I appreciate that. They are happy with the actual telephone service. It is the system they have in place they are very unhappy with, and I cannot stress that any more strongly than to say that we are watching and we hope you solve it because that will make the people happy and that is what we are here for. Thank you very much for being here, all of you.

**Mr. Angus:** I echo the cooperation we have received, and I would like to also suggest that the corporate targets and the Mission Statement and the goals are very well-thought-out and very positive. If you can come close to achieving these, it would be an excellent investment of time and resources, both people and money.

My question is first of all for confirmation. Do I understand from the financial statements that were around that approximately 12 percent of the total expenditures is for the retirement of debt or debt charges? Is that an accurate assumption?

**Mr. Bird:** I believe it is closer to 17 percent, but we are in a ball park here.

**Mr. Angus:** No, we are not. Five percentage points in debt retirement of a billion dollar corporation's expenses is a drastic change. I am looking at the financial statements and on the last page, the bottom line in the last column, 1987 was, I think, 12.1 or 12.2. That was the book I was looking in, on the very last page. I think you have under Other General Information, Mr. Bird, at the bottom.

**Mr. Bird:** Okay.

**Mr. Angus:** Is that long-term debt percentage of total capital investment 91 percent?

**Mr. Angus:** No. The bottom figure, I think. I am going from memory now. I have put my books away.

**Mr. Bird:** Only effective average debt rate is 8.3. That is the average percent of debt we have. I mean, the percent we are paying on the money we borrowed, on average, is 8.3 percent.

**Mr. Angus:** It is the average debt. I see, okay. So the debt ratio, then, is about 17 percent? That is, approximately 17 percent of your total expenditures go to offset—

**Mr. Bird:** Pay off the debt.

**Mr. Angus:** Pay off debt.

**Mr. Bird:** That is what I figure—

\* (1200)

**Mr. Angus:** That was the figure I was looking for when I made the wrong assumption, so I am glad I asked that question. Thank you.

My second question, Mr. Chairperson, through you to the Minister or to the people, it was unclear in Mr. Doer's questioning as to whether or not you were in or are out of the microcomputer business.

**Mr. Bird:** As reflected in our missions and goals, we are a telecommunication service providing telecommunication solutions and outstanding service and we are, and feel we should be a total telecommunications entity. Having said that, we will offer to all our subscribers as great an array of telecommunication products as we can adequately and capably handle. At the present time, we are not actively pursuing individual personal computers but we have them available as part of a telecommunication solution to a subscriber.

**Mr. Angus:** How do you determine whose product you are going to handle and market? Do you represent a number of different suppliers, through you, Mr. Chairperson.

**Mr. Bird:** When it comes to a regulated product, when it comes to all products, we look at various suppliers. We look at the options they offer us and then we go to our board and suggest that we purchase from Manufacturer A or B or C. We buy from a variety of manufacturers and a variety of products from those manufacturers.

**Mr. Angus:** I do not want to belabour this. I understand there is some sort of a report and a marketing report and a direction coming forward that will perhaps clear up some of the directions that you are taking. I would make this editorial comment that the telephone company can provide the communication apparatus by providing an outlet and asking people to meet specific standards in the equipment they buy and allow the market to fulfill those specifics.

Getting into providing technical services, of making local area networks work, making specific software packages work, making and servicing specific different types of computers is an area that I believe you would eventually regret getting involved in. Those are my comments at this particular stage, Mr. Chairperson.

Two last questions, and you may take these as notice if you give me assurances that you will attempt to provide this information. Further to Mrs. Charles' questions in relation to the 7 percent, could we get a breakdown between calls coming into the city versus calls going out from the city, the total amount of dollars that the 7 percent tax raises, what the payment through your corporation is, and then the breakdown of the dollars between rural and the city?

The thrust of the question is so that we can get an idea of the dollars and cents that we are talking about that are going into general revenue. Through you, Mr. Chairperson, to the Minister, if the 7 percent is raising \$10 million, as an example, how much of that is coming from the city when they make calls from the city to the country and vice versa? Perhaps you can take that as notice. As I say, that is a comprehensive question.

**Mr. Findlay:** No, we would have to get that information because how much revenue is going between the city and the rural—you do not have that figure.

**Mr. Angus:** Just let me make sure that I have it clear. What I am looking for is the 7 percent provincial sales tax on long distance charges, the total amount of revenue collected, the breakdown of how much of that is collected from the city people phoning to the country, and how much of that is collected from the people in the country phoning to the city. Mr. Thomas, do you want some clarification on it?

**Mr. Thomas:** I am not sure what the analytical requirements are to answer that question. You are looking for the incidence of the tax, Winnipeg/non-Winnipeg, because the tax is imposed not only on long distance calling within the province, it is also out of province and on the basic bill. So whether we have the analytical capability and whether the staff time involved would be useful, I have some question about that. I am sure we can collect the information in that way. We have aggregate figures on what is paid on the tax and we can probably give you a Winnipeg/non-Winnipeg breakdown, but then to break it down into components of the bill might be a little trickier.

**Mr. Angus:** I appreciate the difficulties you may have in separating out those calls that went to Selkirk versus those calls that went to Vancouver and the tax. So with that proviso, as nearly as you can, I think what we would like to look at is the amount of money that is collected on the 7 percent from outside of the urban centre, or I would anyway, versus the amount of money that is collected inside the urban centre and see if we can equate it.

**Mr. Thomas:** Non-Winnipeg/Winnipeg, is that the split you want?

**Mr. Angus:** Yes, please. Let me cast my net, Mr. Chairman, wide enough so as to give the chairman of the board and the chief executive officer liberty to provide me with any and all information that they feel would be relevant to the quest that we are on. I do not want to belabour the committee meetings but I do not want to be restricted in the flow of information because I am not asking the specifically right questions.

I would like to know how many dineros we are spending from the province in terms of 7 percent taxes being collected. How much dollars and cents are we collecting and where does it come from? We are looking for a challenge to offset that and provide alternative forms of funding and raising that money to General Revenue, as the Minister had indicated. We would just

like the specific information of how much dollars and cents we are talking about.

**Mr. Thomas:** Let me just say I will undertake to get you an answer to where I think you are going in terms of the question. If the answer is not satisfactory, you could follow it up and ask for additional explanation, if that would be agreeable?

**Mr. Angus:** That is more than reasonable. Thank you very much.

A final series of questions, and you may want to take this as notice as well. I am, as you can appreciate, relatively new to the table and to the committee structure, so I am not sure how these work or what information you can provide me. I would like to know whether or not you have any wholly owned subsidiaries. I would like to know about partnership agreements. I would like to know of the names of companies that we have partnership agreements with, the nature of the relationships, the exposure for liability in those partnership agreements, the percentage of investment either in dollar, service, manpower, and how we are making that investment. What sort of assurances of protection of the investment do we have?

Again, without betraying any confidences from the board, I believe that if the deals or the opportunities that you have entered into with private corporations are legitimate ones, then you should be able to say that we have a 50 percent ownership in XYZ company under these terms. We have invested this amount of dollars and this is our protection. This is the nature of the business. We then can draw a rationale as to why you are in that business and quite rightfully perhaps give the Minister some suggestions as to how he can better be invested or not be invested in the corporation's funding.

**Mr. Thomas:** I may have to refer back to the list of questions that you just posed, Mr. Angus, when we get the transcript of the hearing to get the full range of information you are looking for. I guess I could say, as an initial response, that the only wholly owned subsidiary that the corporation had was MTX and it is in the process of being wound down and should be dissolved late summer or fall of 1989. Really, it is a shell of a company. It is only existing in order to fulfill the final requirements of collecting royalties from some technology we sold and some payments that are owing to us. In terms of other partnership arrangements, to the best of my knowledge, I do not think we are an equity holder, a minority partner in other ventures, but I would have to take that under advisement and get answers for you.

**Mr. Angus:** Okay, I would appreciate that, and actually the MTX relationship is what has caused or spurred these types of questions. I do not know if you have any relationships or investment with Northern Telecom as an example. I would like to know. If they are more than just a supplier, I would like to know that, those types of things.

**Mr. Thomas:** Mr Wardrop has just indicated to me that we are participants in Telsat Canada, along with

a number of other telephone companies. But we will give you a written answer to your query.

**Mr. Angus:** I appreciate your consideration. Thank you, Mr. Chairperson.

\* (1210)

**Mr. Harry Harapiak (The Pas):** One comment or question, the Member for Selkirk (Mrs. Charles) was raising the questions about services to the community of Selkirk and I can appreciate that, but I wanted to mention something about the remote services to areas like I just came back from Easterville. People there are troubled with many interruptions in their service and noisy service and the difficulty with getting operators. I know it is a specific area so you cannot—I do not expect you to have the information today, but those people require the telephone for all their services, be it contacting their doctor or any service they require. They do not have any of the services right inside their community so the telephone is essential to them, and they are having great difficulty especially in the area of Grand Rapids and Easterville.

So I would hope that can be looked at to see if there can be any improvements made to that area. I would like to thank, on behalf of my colleagues, you for the information. Your comments have been very cooperative with them in the committee, so they appreciate the cooperation you did give and we look forward to the information you promised to give us in regard to the PUB hearings and, I guess, wish you well in delivering telecommunication services to all Manitobans in the coming year. With that, we are prepared to pass the report.

**Mr. Roch:** I too would like to thank the Minister, Mr. Thomas, Mr. Bird, Mr. Wardrop and the others who have been here for their cooperation. I certainly would like to give credit where credit is due, because the individual line service is certainly one which has been long overdue for rural Manitoba. I am certainly glad to see it coming onstream despite the fact that there are some inequities in terms of who will get it first and how they will be paying.

I do have to, once again, say that I am disappointed, on the other hand, for the people living around the Cities of Winnipeg and Brandon that they will not be getting the long awaited and promised extended toll-free areas. I refer to Mr. Downey in Opposition, who said and I quote: "I would have thought that when we are continually asked to pay more money and with modern times, one of the things that could have been done is an increase in the size of our exchange rates, not to have to pay long distance to go with the communities of interest."

That is my argument. We have many communities of interest that have to phone long distance throughout the province. Over half the people can phone without long distance in the City of Winnipeg without any charges. The other half have to pay long distance to phone their neighbour a half-mile down the road, if that exchange rate happens to lie between them or that boundary.

Also, while in Opposition, Mr. Derkach said: "I am not indicating that there is a priority to go to single-party line as opposed to extending the long distance area." Unfortunately, that seems to have been a reversal positions there vis-a-vis the commutersheds, and I hope that in the very near future the corporation and/or the Government will reconsider and, hopefully, the people who live in the commutersheds can become part of the Winnipeg and Brandon exchanges.

Having made those comments, I think that overall the Service of the Future is essentially a good one, with the provisos that I have given, and I too am prepared to pass this report as are my colleagues, I believe.

**Mr. Chairman:** The Minister will make a comment.

**Mr. Findlay:** I thank all Members for the supportive comments that they have made to the corporation and to myself. You know, the corporation is caught in a bit of a dilemma. They are trying to be fiscally and financially responsible as a corporation and they carry a heavy debt load. When they supply additional services wherever and in whatever fashion, whether it is ILS or larger calling areas or the commutershed or any of the other services that were talked about here today, it has to be done within the capacity that they can pay for. The corporation has expenses of paying salaries, buying supplies and so on, and there is no way of avoiding those expenses, so they have to be paid for somehow.

The Member for Springfield (Mr. Roch) mentions promises made in the past, comments made by individuals, or comments on their own behalf, and I do not think they should be construed as promises. They were made when they were in Opposition and we, as a Government now, and I will say personally, I operate as Minister responsible and I believe wholeheartedly in the ability of the corporation, through its presidents, its executive and the board, to operate itself in a responsible fashion, and I do not intend to be involved in terms of manipulating from within or anything like that. I think what they brought forward and what they will have to defend in front of the PUB will demonstrate that they have done the best they can with the resources available at delivering the most needed service as quickly as possible.

I know it is not going to meet all the needs as fast as they may like to be met, but the costs associated with delivering those services restrict them somewhat and they are required to fund the pension and I think they have to address the debt-equity situation. At 91 percent, it is particularly high. They are trying to balance all those things in a responsible fashion. I think they have done an excellent job of turning the image of the corporation around in the past year and a half and I think are progressively moving and continuing to do that, and I congratulate them for it.

**Mr. Roch:** My one final comment, if I may, Mr. Chairman, I would just like to mention that I realize that the corporation has become financially responsible and has a cost attached to all these matters but, as I pointed out when we first went into the committee to study

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these reports, the people out there are not expecting the service for nothing. They are willing to pay for it, and I would just like to reemphasize that. Having said that, I am ready to pass the report.

**Mr. Chairman:** Shall the Annual Reports of the Manitoba Telephone System for the periods ended

March 31, 1987, and December 31, 1987, pass?  
(Agreed)

Committee Rise.

**COMMITTEE ROSE AT:** 12:15 p.m.