

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON
PUBLIC UTILITIES AND NATURAL RESOURCES

Tuesday, November 14, 1989.

TIME — 10 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. Parker Burrell (Swan River)

ATTENDANCE - 11 — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Driedger (Emerson), Manness
Messrs. Angus, Burrell, Chornopyski, Evans
(Brandon East), Gilleshammer, Harapiak,
Patterson, Praznik, Uruski

APPEARING:

Mr. Jim Jones, Vice-President, Client Support
Services
Mr. Norm Shakespeare, Vice-President,
Operations Support Services
Mr. Gary Campbell, Vice-President, Corporate
Services
Mr. C. Jim Chalmers, President and General
Manager
Mr. R. Pennycook, Vice-Chairman, Board of
Commissioners

WITNESSES:

Driedger (Niakwa), Lamoureux, Carr

MATTERS UNDER DISCUSSION:

Manitoba Data Services

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Mr. Chairman: I call the Standing Committee on Public Utilities and Natural Resources to order to consider the Annual Reports for Manitoba Data Services for the fiscal periods ending March 31, 1987, and December 31, 1988. Mr. Leonard Evans (Brandon East).

Mr. Leonard Evans (Brandon East): Do we have a quorum?

Mr. Chairman: Yes, we have a quorum and there are Members of the committees—have we no Liberals this morning?

Mr. Leonard Evans: If we have a quorum, fine, we can proceed. I was not quite sure.

I have a lot of detailed questions to ask about the operations of MDS. The corporation has never been before the committee. I think it is good to have on record some detailed information as to how the corporation is operated. I think it would give the staff

an opportunity to explain and elaborate on their activities.

I had said earlier at the first meeting I have been very pleased with the MDS. From what I can see it has operated efficiently and has served the people of Manitoba well, but I would like to ask some detailed questions on its operations and to have this on the record. Then later we have questions more of a policy nature regarding possible divestiture and questions surrounding that.

To begin with I would like to ask through you, Mr. Chairman, to the staff, if they could elaborate on what has been happening. I am using the annual report which we are supposed to be reviewing as the basis of this question. If they could explain to the committee and to put on Hansard's record what has happened with regard to the province's health care initiative. As the report indicates on page 3, during 1988 MDS continued to support the province's health care initiative. I know this involves St. Boniface General Hospital. It involved the Brandon General Hospital, and I believe there are some prospects of implementing services to the Salvation Army Grace Hospital, as well as The Pas Health Complex. This is to be planned according to the report by mid-1989.

How have these have been established? Could the staff explain, whoever, either the President or maybe perhaps the Chairman of the Board would like to explain the extent to which they have now been implemented? I gather they have been implemented in St. Boniface and Brandon. How successful have they been? What has been the effect? Has there been any savings on the part of the hospital? Has it been more efficient on that account from your perspective as the supplier of these services?

Mr. C. Jim Chalmers (President and General Manager, Manitoba Data Services): As indicated in the report the intent this year was to implement both the Salvation Army General Hospital as well as The Pas Hospital. The Salvation Army General Hospital went live, went into operation in the spring of this year as scheduled, and The Pas Hospital complex is going into operation this coming weekend.

* (1005)

In respect to the question on cost savings, we are not involved in that aspect. That is a determination of the hospitals themselves and I would guess the Department of Health. Certainly the hospitals appear to be fully satisfied with the service that they are receiving through that program. We are continuing to provide services to look at the provision of services to additional areas both within the existing hospitals as well as hospitals that are yet to be automated.

Mr. Leonard Evans: I asked about the St. Boniface and the Brandon, as well as the Grace and The Pas. I wonder if Mr. Chalmers could elaborate. I guess he has made a general statement. I am surprised when he says he does not know what the costs are involved, because I would have thought that would be one of the factors that would have had some bearing on a decision to be made by these hospitals to implement this service, I am surprised that he has no idea of the costs involved in implementing this service.

Mr. Chalmers: I am well aware of the costs of the implementation service. I believe the question was savings, and savings of course are a function of the hospital's determination. We have full knowledge, of course, and it is included in the annual report of the Unisys Program and the cost associated with the provision of that service.

Mr. Leonard Evans: Could Mr. Chalmers elaborate on that?

Mr. Chalmers: There are two components to that service. One is for St. Boniface General Hospital and that entails the operation of a computer that is dedicated to St. Boniface General Hospital. They purchase the computer themselves and then contract with us to run it. We do that on a fee-for-service basis and they in turn do all of the programming and all of the determination of what areas in the hospital are to be automated.

The other hospitals are served by a computer that was acquired by Manitoba Data Services for the Department of Health, and which is being operated to automate additional hospitals that includes Brandon, the Salvation Army Hospital, The Pas Hospital, and potentially future hospitals. That component of the piece is a computer of the same size as the one that is serving St. Boniface, and is a machine that costs \$5 million.

Mr. Manness: I would ask that Mr. Pennycook also comment on this in the sense that he is also the Chairman of the St. Boniface Hospital.

Mr. Rod Pennycook (Vice-Chairman, Board of Commissioners, Manitoba Data Services): On the question of is St. Boniface Hospital satisfied with the services it is receiving from Manitoba Data Services or acting, as Mr. Chalmers has said, as the controller of the Unisys equipment that St. Boniface has purchased, yes, the hospital is very content with that. I think they could not have put the applications in place nearly as quickly had they also had to contend with obtaining the staff and expertise needed to run the equipment as MDS has given them.

In terms of the broader question as to cost savings that Mr. Evans has raised, I think it is a little early to be specific on that. This system, Unisys system, in the applications that are being applied at St. Boniface Hospital are being built from the ground up. It has just been over a year since that work has been performed and it is only in the last few months that major elements of the system have been up and running.

In most of these cases it takes some time before the new system is really operational and you can achieve

some of the efficiencies and savings that you intend to achieve. That perhaps is premature. In any case, I would back up Mr. Chalmers' contention that that is a matter for the hospital and the Department of Health to comment on rather than the MDS who are merely performing a contracted service with respect to that equipment.

* (1010)

Mr. Leonard Evans: I am sure the Chairman of the Board, Mr. Chalmers, is correct in that respect because the total savings picture is a function of hospital administration. I guess what I should have zeroed in on is really the cost as it relates to MDS. Mr. Chalmers has made a point of that.

I was just wondering, when do you think the—this is a bit of, it is not totally on MDS but it is related. I would ask the chairman when does he think St. Boniface Hospital would be in a position to know the savings realized as a result of connecting with MDS and obtaining MDS services? At what point is it another year, or half year, or two years?

Mr. Pennycook: Mr. Chairman, I would not have a specific answer to that question today.

Mr. Leonard Evans: What about the benefits side? Could cost or one thing—of course you undertake cost because you assume there will be benefits. Could you explain to the committee either the Chair or the president, explain for the public record what kinds of benefits will the public of Manitoba realize, not only at St. Boniface but the other hospitals: Brandon, The Pas, the Grace?

Mr. Chalmers: These systems are geared at improving the efficiency within the hospital providing better administrative control. The services that we are providing are in the patient administration component of the hospitals, not the financial management side of the operation of hospitals.

The intent is to provide efficiency and more effective administration of health care as well as ultimately provide cost savings in the operation of hospitals.

Hon. Clayton Manness (Minister of Finance): I do not know whether I will give greater clarity to the responses or not, but I can indicate to Mr. Evans that the Minister of Health (Mr. Orchard) and myself asked those very same questions here just over the last two months. As Mr. Evans may or may not be aware, the Unisys agreement is running close to its conclusion.

There have been some requests in some quarters to renew it in some respects. The Minister of Health and myself went on a tour of the St. Boniface Hospital to try and receive greater insight into the application as to how greater efficiencies to which Mr. Chalmers has just given some comment and what was meant by that statement.

I can indicate to Mr. Evans that we were directed into two or three different areas, not the least of which was the purchasing of items for the hospital including

drugs. Also, I can specifically think of menu selection which it was thought would decrease the amount of food that was wasted simply through a system whereby patients who have access to varying menus could have their requests provided. Therefore, there would be a reduction in the waste of food. That is one application I understand as to the greater efficiency and ultimately, hopefully, greater cost savings.

Mr. Leonard Evans: Do we have any indication from the other hospitals yet or is it too early? Is The Pas, for instance, it says mid-'89, so it may be a bit early to access this, but is The Pas or indeed the Salvation Army Grace Hospital satisfied with the services being provided by MDS or are they realizing some benefits, gains in med-benefits?.

Mr. Chalmers: They certainly are satisfied, they have given us clear indications that they are satisfied with the service that is being provided. I would assume that satisfaction entails a measure of determination that they in fact are getting benefits. They of course do not have to indicate to us what the benefits they are specifically getting, but it is our understanding that they are obtaining benefit and they are certainly satisfied with the service.

* (1015)

Mr. Evans: I guess the area of benefit is very difficult because there are two kinds of benefits. I guess one kind of benefit is in terms of actual cost savings such as the Minister made reference to in terms of food utilization.

The other benefit of course is in terms of quality of health care which is a little more difficult to measure, in fact, in some cases almost impossible. Nevertheless I think it would be useful at some time, maybe not for this Minister or this department or agency, but perhaps the Department of Health to do some overview analysis of the impact and whether or not any further computerization involving MDS is warranted, which brings me to my next question.

Is Mr. Chalmers satisfied that MDS is now providing a level of service that should be provided? Are there other areas that the hospital should be involved in utilizing the computer service of MDS?

Mr. Chalmers: Yes. The implementation of computers in hospitals is an evolutionary process. One of the first components of necessity that has to be done in the hospitals is the implementation of admissions, discharge and transfer systems.

Those systems have some small financial benefits, but the real benefits come from the supplementary systems that are implemented within the hospitals which are assistance in nursing control, charts, bed control and that sort of thing.

Those can only be implemented once you have an admission system operational in the hospital. There are layers of new applications that will go on in the hospitals which in fact have substantially greater, as I understand it, financial benefit as you move along through the

additional functional capabilities that can be implemented, and the base is record of the patients which is the admissions, discharge and transfer.

Mr. Leonard Evans: I would have hoped that throughout the province, we may see more computerization of records. We have many, many small hospitals and I would think that these small hospitals in the various towns and smaller cities of the province may very well benefit in terms of exchange of information between themselves and the two base hospitals, namely, the St. Boniface and the Health Sciences Centre.

Having mentioned the Health Sciences Centre, I would ask Mr. Chalmers to comment on the first point about the small hospitals. Also, what about the Health Sciences Centre, is it now utilizing the MDS services?

Mr. Chalmers: In respect to the Health Sciences Centre, the Health Sciences Centre has had its own computer facility for quite a number of years. It was one of the early ventures in automating of hospitals in Manitoba and has equipment from Digital Equipment that it is operating on.

In respect to the smaller hospitals in the province, in concert with the Department of Health, we are looking at new opportunities at Thompson, Dauphin, and hospitals throughout Manitoba where in fact there appears to be some opportunity to provide efficiency and more effective administrative service through the application of the health care service that is available from Manitoba Data Services.

Mr. Leonard Evans: Another question related to this is the fact that the corporation is now using a Unisys machine as compared with the IBM. I wondered whether Mr. Chalmers could comment on how the new machinery is working. Is it fitting in with the other equipment? I hope he answers yes, but generally speaking is this acquisition proving satisfactory?

Mr. Chalmers: The acquisition certainly is proving satisfactory. The two services from the original hospitals that were operating on the IBM service that we have continue to process on that service. They are not integrated back to the Unisys operation, but activities are going forward to provide a closer linkage between the two operating systems.

* (1020)

Mr. Leonard Evans: I was not sure whether Mr. Chalmers had touched on this before, but I will ask the question. Is the Unisys machine now nearly at capacity utilization, or what percentage is it?

Mr. Chalmers: The machine that is servicing the general health care area, not St. Boniface Hospital, but the Unisys machine that is for general usage is approximately half full at the present time. There is scope for additional hospitals and additional functional capability on that machine. The St. Boniface computer is more heavily loaded. It was the earlier one installed, and they have added functional capabilities that have

yet to be implemented in the rural hospital and in the Winnipeg hospitals that are on the other machine.

Mr. Leonard Evans: I assume there is some sort of incentive then to look for additional markets in order to be able to utilize the Unisys machine more fully.

Mr. Chalmers: That is correct.

Mr. Leonard Evans: Is the corporation undertaking any special efforts to do this?

Mr. Manness: Mr. Chairman, to Mr. Evans, let us keep things in the right perspective here. I do not think this Manitoba Data Services role, I could be wrong but I do not believe it is their role to go out and try and find greater usage for the second Unisys machine. I believe that is MHO's role because they were in part signatories to that agreement, as the Member is well aware, and they had undertaken that they were going to be involved in certain activities with respect to the contract. I ask the Members not to forget that aspect.

Mr. Leonard Evans: My memory perhaps fails me on this. I may not have all the information that the Minister may assume that I have in the past or now. My understanding is when the corporation acquires equipment, it may acquire it for some particular usage or new demand and new area of service. Yet, at the same time having acquired that equipment, there is nothing written in stone that that piece of equipment should only be used for one type of data, namely, hospital records.

Please correct me if I am wrong, I am not trying to muddy the waters or anything. I would have thought that machine and its capacity would be available for anything, other initiatives. Incidentally, I note in the report that the Minister announced, for example, a new market venture that is referred to also in this report.

Mr. Chalmers: In fact we do, with the concurrence of the Department of Health go to the hospitals and do what you would call marketing to the hospitals that are not implemented. The proposals that the hospitals make relative to the use of the services are approved by the Department of Health. In other words, Manitoba Data Services while they are in the process and do encourage use of the facilities, the determination is by the Department of Health of whether The Pas Hospital is to be implemented, whether the business case is suitable. The business case is not made to Manitoba Data Services, it is made to the Department of Health.

Mr. Leonard Evans: I want to get this clear. Is the Minister and the president telling me that Unisys machine, which has excess capacity, is only available for processing the Department of Health records?

Mr. Chalmers: It is currently only processing Department of Health records, but that was not a condition of the acquisition of it.

Mr. Leonard Evans: This is what I thought. I do not think it would be realistic to assume that if you obtain

a particular piece of equipment, particularly if it has a lot of capacity, it is only used for one type of data or one avenue of data, that surely if you have capacity you utilize it to get the most efficiency out of it.

Has the corporation purchased any other equipment? I thought I read it somewhere. Have you since acquiring the Unisys equipment purchased further IBM equipment?

Mr. Chalmers: There are components of equipment that have been purchased or acquired mostly through lease on both sides. There have been additional disk drives acquired on the Unisys side in support of the growing utilization and the need for storage. Similarly, on the IBM side of our operation, we are continually adding components to the plant to meet the workload demands from the clients.

* (1025)

Mr. Leonard Evans: Well, Mr. Chairman, is Mr. Chalmers saying they have added some components? I do not know, he says in a general way. I have no way of knowing whether we are talking about small additions or whether we are talking about large pieces of equipment. I cannot tell from his answer. If it is small pieces, are you adding also to the Unisys side as well as the IBM side?

Mr. Chalmers: Yes, we are adding to both sides.

Mr. Leonard Evans: Mr. Chairman, further in the report there is a reference to a statement made by the Minister for Data Services regarding a new initiative. That will see the corporation move into a market venture according to the report that will be quite unique in Canada.

In co-operation with several provincial Government departments and the Manitoba legal profession, a comprehensive on-line service is being made available, I am just reading from the report, to provide public access to a broad range of Government data bases. This new service is expected to be of particular value and interest to law firms and financial institutions. My question to Mr. Chalmers, I guess, is: has that indeed been put in place now?

Mr. Chalmers: Yes, it is fully operational now.

Mr. Leonard Evans: Could he elaborate on just how it is working? What is MDS doing for them and what is the success of it? I know he does not run these departments, but nevertheless he would have some idea as to the impact of MDS in this area.

Mr. Chalmers: Yes, since the implementation of the service in March of this year, in excess of 200 law firms have signed agreements to access the service and are actively doing so. I believe Mr. Manness indicated that the various services, earlier in the last week; that all of those services are now available to that client base.

Mr. Leonard Evans: Well, Mr. Chairman, is this through the Manitoba Law Society? Is this where the contract is made?

Mr. Chalmers: The Manitoba Law Society has incorporated a non-profit organization that is interfacing with the law firms in the provision of this service, and they are acting effectively as an agent of Manitoba Data Services in the provision of this service. They do not have an exclusive provision of it. We have other clients who do not go through the Law Society.

Mr. Leonard Evans: I wonder if Mr. Chalmers could tell the committee what kind of data is involved.

Mr. Chalmers: Certainly. The major component of data that is available at the present time is the Land Titles and the Personal Property Registry System. Those are the two most important ones. There also is available, and being accessed by the clients, the Corporate Registry; the Corporate Names Registry; the Court of Queen's Bench scheduling system; the mining recording system; that is all claims that are registered in the Province of Manitoba; Hansard and the Statutes of Manitoba are all available on this service.

Mr. Leonard Evans: That is very interesting. So if a lawyer wanted to get the latest information on a law passed that lawyer could access, if that lawyer had the proper software, through the service. I would imagine this is throughout the province. Certainly not just in the City of Winnipeg.

Mr. Chalmers: That is correct. In fact there are some clients that are outside of Manitoba that are accessing the service.

* (1030)

Mr. Leonard Evans: That is very good. Regarding the provincial Land Titles office, as I recall there were opportunities to have a far more efficient land titles service in Canada through implementation of a computerized system. This also involved of course the elimination of the need for Land Titles Offices in certain rural communities that have indeed been there for a long time. Of course, they did employ people. There are a few people employed. Certainly, small towns are very sensitive to losing jobs, but the fact is that through a computerized system you almost do not need any rural Land Titles Offices as such.

I wonder if Mr. Chalmers—maybe he does not agree, maybe I am not putting it properly. Maybe he could elaborate on that or could answer that. Do we really need with this type of service? It seems you could get by with one centralized Land Titles registry for the province and then make that data available through the software around whether it be Gimli or Dauphin or The Pas, Minnedosa, Neepawa, Melita, Napinka, Snowflake, Manitoba, or whatever. The fact is now, if you properly implemented this, you could have far greater service to legal firms, to the people throughout the province, and not just in the odd Land Titles Office, such as in Boissevain or Neepawa, or wherever they are in the province.

Mr. Manness: Mr. Chairman, this is where the thinking and the philosophy of the NDP, particularly, differs from

the present Government. One still has to go in and physically register.

So what Mr. Evans seems to be saying is, then that person, regardless of where his residence is in the province, should have to come into Winnipeg or Snowflake, Manitoba, wherever he chooses to put the whole new facility. I can indicate to Mr. Evans, and Mr. McCrae would give greater clarity to this point, that certainly Land Titles at this point in time is moving ahead very quickly with inputting all its registrations and making them in a form accessible by way of computer.

That process was initiated some two years ago. My understanding is that it may be complete, I would think, in the next 12 months because an awful lot of work has been done over the last year and a half since we have been in Government, and that process continues. So the point will soon have occurred where all Land Title registrations are captured by way of on-line computer.

Mr. Leonard Evans: Mr. Chairman, firstly I want to put on the record—I want to clear a misunderstanding, which obviously the Minister has. I am not advocating centralization for the sake of centralization. I am not advocating elimination of jobs in rural Manitoba; far from it. I spent 20 years arguing about balanced regional development in this province and the need for economic opportunities in all regions, in as many centres as possible, and I have worked hopefully effectively for that in some programs. So let the record be clear on that. I was simply observing what I understood.

I have a little bit of understanding of this, very little, but that there was a possibility of some savings and some efficiencies, and one should not neglect those. I think if there is an opportunity to be more efficient and to save money, then that should be pursued. Having said that, I am not running out advocating that be done for the purpose of eliminating jobs. That is not the point. I fail to understand why there has to be physical presence at registration. That I do not understand, because—maybe it is the way the law is written. I do not see why—through a computer, perhaps through a Fax machine as well, because I know contracts have been signed and transmitted by Fax machine to a point and have been accepted. So with the combination of Fax machines and all the other software we have for the life of me I do not know why a lawyer would have to, say, go from Virden, Manitoba, to Neepawa or wherever, Dauphin or perhaps Brandon. I am not sure where he would go to actually engage in that registration.

Mr. Manness: Mr. Chairman, obviously if Mr. Evans and I do not understand the present subtleties around the existing system, I think we are not really going anywhere quickly here. So I do not know whether Mr. Evans seeks greater response to the question.

I hear his argument with respect to centralization. There certainly are efficiencies that cannot be ignored. I fully understand that, yet I guess I make the point that our Government is very much wanting to see greater decentralization to the extent that through new

methods of telecommunication and movement of data that we would still like to use the new systems in places over a larger portion of our province. It is a philosophical point I suppose, and I do not know whether we are going to resolve it at all unless we have people here who can tell us specifically what is required under filing or registering an application for property ownership change.

Mr. Leonard Evans: There is always the problem of getting into the substance and the operation of whatever service MDS is providing. That is the operation of either a hospital or a law firm or a court records system, but I would submit that we actually have an opportunity for decentralization of legal activities.

Instead of a lawyer having to drive—I do not know what they do in the Interlake. I do not think there is any registration in Gimli, but I would think through this system a lawyer could do his work in Gimli. He would not have to drive to Winnipeg, for example. I use that because I believe the Chairman—no, he is from Swan River, okay, Swan River, I will use Swan River. Take any town you want. The lawyer can do his—I do not believe there is a Land Titles Office in Swan River. There is? Okay, fine. Well, suppose they let me take—there is not one in Snowflake, how about that?

An Honourable Member: There used to be until you closed it.

Mr. Leonard Evans: In Snowflake? Oh, no, come on. People laugh when we talk about Snowflake. They think it is a joke, but there is a town or village called Snowflake.

An Honourable Member: A thriving hamlet.

Mr. Leonard Evans: Yes, hamlet, okay, near the border. The fact is that there are a very limited number of Land Titles Offices, this is my point, where lawyers do register and they have to travel. In some cases they travel many miles, and what I am suggesting is through this set-up—this is perhaps why I am advocating it be extended—it actually enables the lawyer to do his business in his own area. Therefore, you can compute it to be centralization of activity. Maybe Mr. Chalmers would like to comment on that?

Mr. Chalmers: That is correct. This new system allows law firms, and others—as financial institutions are equally interested in the data that is available. It allows them to conduct reviews of records maintained by the province for the public benefit from their own office rather than having to send a clerk or have themselves go a few blocks to the registry office, or quite a few miles in many instances. But the system—I believe if you talked to the various agencies that have data on the system it is in a formative stage, and right now it only provides the opportunity to look at the records. It does not provide lawyers with the opportunity to input information into the system. It just gives them ready access to the current data relative to these eight services that are available.

* (1040)

Mr. Leonard Evans: Is it beyond the realm of possibility or practicality for at some point the lawyer or what other client to actually register documents at his place of business as opposed to going to a Land Titles Office?

Mr. Chalmers: That would certainly be possible to do. Whether the department found that beneficial or desirable, I could not comment on. But technically, yes.

Mr. Leonard Evans: Yes, okay thank you. Well, the answer is positive then, and I think the Minister of Finance (Mr. Manness), who is always concerned about efficiency, should welcome that. I think looking at it from the consumer's point of view the person who is using the law firm to engage in transactions should be very satisfied that service has been improved and can be improved. It is to the benefit of those people, those citizens.

I would like to go on and ask if the president or the chairman could comment on the rate reductions. There have been references to rate reductions over the past several years. I was quite impressed with it, yet I got the impression from our discussion last time that perhaps this was not really as good as what was occurring in the private sector. Is the rate reduction of 5 percent for the past year good enough? If it is not, why not?

An Honourable Member: Did you want to split up the times here more? Is that okay?

Mr. Leonard Evans: Well, okay, I am sorry.

An Honourable Member: As long as everyone is happy I am happy but I thought you might have something on that other line of questioning.

Mr. Leonard Evans: Well, just on a point of order, Mr. Chairman, I have a number—what I have been doing—just to enlighten all Members of the committee. I have been using the annual report and asking some detailed questions about the operations of the corporation because this is the first time that it has appeared before the committee. I think some of these items should be on Hansard for the public's information, and so on. At some other point either later today or perhaps next week or whenever, we have some very hard policy questions to ask the Minister regarding this whole question of divestiture of MDS. There are a lot of serious questions that we have surrounding that, but we would like to reserve those for later.

At any rate, I thank Mr. Angus for that. I can go off for awhile and maybe he would like to come in at some point. I would like the president to comment on that, or maybe the chairperson, on this question of rate reduction.

As I said, I was quite impressed looking at the report that since 1981 the corporation has announced nine rate reductions. As a result a computing unit which cost clients \$1 in 1981 now costs them only 45.6 cents. That to me is very significant when you consider, particularly, inflation. Usually it is going the other way around, 4 percent or 5 percent inflation a year. Even

with inflation the corporation has been able to reduce the costs of service. As the report says, it is a reflection of the growing demand for the services, so I guess you get better utilization.

Second, the number of initiatives that have been taken by Mr. Chalmers and his staff to bring about cost-effectiveness and I compliment him on—and I thought it was a great record. My impression was that maybe compared to the private sector, and I do not know which companies to compare with, but maybe we could be enlightened on that, too. How does this 5 percent compare with what has been going on in the private sector?

Mr. Chalmers: I have no direct comparison to provide relative to any particular company. Generally in the industry though, there has been a record similar to what Manitoba Data Services has been providing. It is a function of improved efficiencies that are introduced within the operation of the computer centres, the functional capability of new computer equipment that is being announced, efficiency and effectiveness of new computer equipment, and to the growth and demand of service. As the workload increases the marginal benefit that is obtained from each additional dollar is significantly greater.

Those have all contributed to Manitoba Data Services' opportunity to reduce its rates by a significant amount during the last nine years and absorb inflation, I might add, at the same time. Many aspects of the business of course are subject to inflation. We have not escaped inflation, the staff costs and so forth. I think it is fairly comparable, as I understand it, to what has been going on in the industry.

Mr. Leonard Evans: Are there no industry bulletins or magazines or technical documents which give you information as to what has been happening in regard to rates in the industry in Canada let us say, or the United States, or more specifically if you had information on Manitoba, are there no figures in there, in that source?

Mr. Chalmers: Not in respect to the overall operation of computer facilities. The information that generally is available is the improvement in computing power that is being generated per dollar by the manufacturers, but that only measures one component of the operation of a computer utility.

You certainly hear of cost improvements of 15 to 20 percent per year in the computer hardware itself. To deliver service clearly requires an infrastructure to be housed around the computer itself. You do not see anything like 15, 20, 25 percent cost efficiency improvement per year. You do in that component of your operation, and that is in large measure where the rate reductions come from, from those efficiencies. There are, as I indicated, other matters such as the growth of the corporation. The revenue earned dollars as well as efficiencies that we introduce in the operation facility itself help to reduce the cost.

Mr. Leonard Evans: Mr. Chairman, what weight would Mr. Chalmers give to the equipment improvements

versus the other efficiencies? Is the equipment improvements, the technological improvements say 50 percent or 75 percent of the basis of cost reductions, or is it like 10 percent? Is it a marginal amount?

Mr. Chalmers: We have not analyzed it, but if I were to guess at it I would suggest that the improvement in equipment has contributed well in excess of 50 percent to the opportunity to reduce rates.

Mr. Leonard Evans: As I heard Mr. Chalmers, he said, well, in excess of 50 percent. Well, I would then draw a conclusion, and he can correct me if I am wrong, that generally speaking technological change is the key to reduced rates ultimately.

I appreciate there are many, many factors in—as Mr. Chalmers said, you bring in a new piece of equipment here, it is a very marginal thing, it is very significant here. You have to look at the entire ongoing operation. It does contribute to your reduction of rates, and I appreciate not all companies are bringing in pieces of equipment at the same time. I suspect that the industry as a whole is moving toward technological change and technological improvement. Therefore to the extent that you are using more or less the same kinds of equipment—I think that is no big secret, IBM dominates the market—generally the rate reductions should be in line.

* (1050)

If the equipment itself is 50 percent-plus in terms of determining what happens to rate reductions then surely you should see some sort of uniformity, a pattern of rate reduction in the industry related to the introduction of machinery. Presuming that all main line data companies are continually innovating, continually being persuaded by IBM and others to buy new equipment you would see something of a similar pattern.

Mr. Chalmers: The degree to which any particular operation is getting the efficiencies is to the degree that it takes advantage of new functional capabilities that are available from manufacturers, not necessarily IBM. There are products that can be acquired to run on the computers that improve the efficiency. The measure of any given organization's operating efficiency is generally related to how far in the forefront it is in respect to the technology. If it has maintained a high degree of currency, is a forerunner in the application of new announcements, new technology and so forth, it is going to get the most significant financial opportunity. As with all things there are all shades of companies. Some are quite antiquated, some are kind of average so-so companies, and some are very, very advanced. I would suggest that Manitoba Data Services is in the forefront of advanced technology and therefore is accruing to the province the highest level of opportunity in respect to taking advantage of the benefit.

An Honourable Member: I think Mr. Angus wants to interject for a minute.

Mr. John Angus (St. Norbert): Mr. Chairperson, may I just try and pick up and maybe paraphrase what I hear on both sides to make sure that I am on track.

I hear Mr. Evans asking in relation to the effectiveness of the rate reduction and the 5 percent, that was the general gist, and whether or not that should have been or could have lower or higher or whether it was reasonable. I think it is somewhat analogous to an individual having a car, and after he has considered all of the costs, capitalizing the car and the travel expenses, he arrives at a figure of \$100 a trip, and that is with one driver driving the car. If he has two individuals in the car, then they are theoretically anyway \$50 per passenger. If there are three of course it is \$33, and four is \$25, and five, then it gets down to \$20 per passenger. You get to a point of diminishing returns where you cannot put a sixth passenger in the car so then you have to expand your capital expenditures.

I think that it is an analogy that can be utilized in the service bureau industry, where you buy a big main frame and you have the programs and as you have one user, there is a fixed cost. You have all of the startup costs and the administrative costs, the program costs, the learning curve, if you like, and as you add more users, the individual per user rate decreases.

I am not sure that I agree. It has been my experience that hardware prices are generally coming down; software prices are generally going up. So there is somewhat of a trade-off there. I am not sure of the explanation that was given by the corporation in relation to the justification for the 5 percent reduction as to why it was not 6 percent or 7 percent, or how do you arrive at an arbitrary figure of 5 percent, Mr. Chalmers, and is that the general gist of what we were talking about?

Mr. Chalmers: Yes. Certainly, the provision of rate reductions has not been arbitrary. Our goal is to operate the most efficient and effective computer operation, meeting the service level requirements of our clients. So there is a balancing act there. We cannot provide less than satisfactory service and therefore maximize the opportunity for rate reduction so we have to keep that in balance.

Once we have established, as we have, what the performance level requirements of our clients are and what our clients tell us their performance is, that sets one side of the piece. The other side is the determination of what it is going to cost in order to deliver that level of service, and that is the starting point.

What falls out of that is the opportunity for rate reduction. We do not start with the objective of a 5 percent rate reduction. We have had rate reductions that range from 12 percent down to 5 percent. It has been anywhere in that—12.5 I believe is the highest. So it is not a target that we set out for in the first place. It falls out of the process of determining what level of investment we have to make in order to deliver the service that our clients require.

Mr. Leonard Evans: I think it is useful information. To make a decision on acquiring another piece of equipment, large or small, there has to be some process of analysis that goes on.

I wonder if Mr. Chalmers could explain how that decision is arrived at? I mean to buy or not to buy.

Every time you buy you have to engage in an expenditure.

Mr. Chalmers: Our clients provide us with an indication of what their expectations are in the next 12-24 months, and new applications, new utilization that they anticipate will be running on our facilities. We then take that information and establish what level of capacity is required or to deliver those forecasted new application.

Having done that, we then establish what the options are, what sources of supply we have for increasing the capacity. As we indicated, our service is IBM-based and that limits you to really three possible sources of supply, those being, Amdahl, NAS, and IBM. We then take a look at what is available from each of those vendors. We send out requests for proposals to each of those suppliers of computer equipment and analyze those proposals and bring those before a committee of the board, which is known as the Equipment Procurement Committee of the Board.

The management makes recommendations on the most effective manner in which to meet the requirements of our client and the Procurement Committee takes that forward to the board. Ultimately, with the approval of the board we acquire additional capacity. That is the mechanics of the process.

Mr. Leonard Evans: Who is on this Procurement Committee of the board, Mr. Chairman? Would it be just any member? Does the membership vary all the time, or do you have some people who have special expertise, from the board, who serves on that committee?

Mr. Pennycook: Mr. Chairman, I happen to be the Chairman of the Procurement Committee of the Board, and two other members of the board serve on that Procurement Committee, Mr. Murray Fraser -(inaudible)-

Mr. Leonard Evans: Who is the third person, Mr. Pennycook, Mr. Murray Fraser?

Mr. Pennycook: Mr. Wardrop from the Manitoba Telephone System. That combination of individuals provides the expertise and also, since two other members of the board are from our very largest customers, he has a good sense of growth patterns and things of that nature, and as for the equipment requirements—

Mr. Leonard Evans: Does the board always accept the recommendations of the Procurement Committee, Mr. Chairman?

Mr. Pennycook: In my short experience with Manitoba Data Services, I can answer, and I will call upon the president to confirm the answer for longer periods. I have been on the board for approximately a year, and the recommendations of the Procurement Committee in all cases have been accepted.

Mr. Leonard Evans: I believe Mr. Pennycook suggested that Mr. Chalmers might wish to elaborate on his answer.

Mr. Chalmers: The executive works with the Procurement Committee until the Procurement Committee is satisfied with the course of action that they are prepared to take forward to the board. So the answer is yes, all the recommendations have, without exception, been approved as brought forward by the Procurement Committee, recognizing that the Procurement Committee does not take the recommendation forward until they have satisfied themselves that all possible options have been dealt with. In fact what they are bringing forward as a recommendation is the most effective solution to the capacity requirements of the corporation.

* (1100)

Mr. Leonard Evans: I understood that from a previous answer there were three main sources of supply—IBM, NAS, and Amdahl. I wonder if Mr. Chalmers or Mr. Pennycook could—I obviously know of IBM, but where are NAS and Amdahl? I wonder where Unisys fits in this, or is Unisys under one of the other two? I am just trying to get a clarification of the companies that we buy the equipment from. Who are Amdahl and NAS, and where does Unisys fit?

Mr. Chalmers: There are IBM computers, and NAS and Amdahl sell IBM compatible computers. Unisys and various other vendors do not sell computers that are compatible with IBM. In respect to who are NAS and Almdahl, NAS is a Japanese manufacturer of computer equipment. Almdahl was started by a former employee of IBM, but now they are essentially marketing a Japanese computer which is compatible with IBM computers.

Mr. Leonard Evans: It seems then whoever you buy from, it is either IBM or IBM compatible. That is the message I think I understood. Is that correct?

Mr. Chalmers: It is correct in respect to requirements of clients who already have a base of business on the IBM computer. If there was a net new requirement such as the word processing in the Department of Finance or the office system in the Department of Finance here, then the market becomes broader and there are opportunities for other vendors. I think that also is demonstrated in the Unisys acquisition. There are niches for all vendors in the process, but the major component is IBM as it exists right now.

Mr. Leonard Evans: Specifically what percentage of the procurement in the past year, let us say this past financial year or past calendar year, whatever. In the past twelve months, what percentage has been directly from IBM?

Mr. Chalmers: I do not have percentages. I could not tell you. Not all equipment that is attached to the IBM computers comes from IBM. We have a significant amount of equipment from Storage Technology and a significant amount of equipment from Memorex that is on the IBM computer, so there are other sources of attached equipment to the IBM. We kind of talk about IBM generically but it is really not all IBM. There are other manufacturers' equipment in the piece as well.

Mr. Leonard Evans: What I am concerned about is surely you have various bids to look at. I would presume you have some options, you have the type of equipment and you have a price, and one would presume that there is some differential in price and of course the quality of the equipment and that a decision of course is—that is the basis of decision, the price and the quality. I would assume that you have at least three if not more bidders, if I may put it that way, available for the Acquisition Procurement Committee of the board to consider.

Mr. Chalmers: That is correct and in fact in all instances where the Procurement Committee has been assessing the request for information that will come from the vendors, there have in fact been three vendors who have submitted proposals. The facts are that for various reasons IBM has been the successful bidder because they have either had the right equipment available at the time or in fact had the best pricing available.

As it relates to other equipment I talked about Memorex and Storage Technology, those vendors' equipment have been acquired in competition with IBM. In other words we have gone out to tender for disk drives and other equipment, and in fact IBM has not won those. They have been won by other vendors who have offered suitable equipment at a lower cost.

Mr. Leonard Evans: Just to give the committee an idea, what would be the value of procurement in a given year, say, in this past year, or take the past 12 months or any period you wish?

Mr. Chalmers: In the year we are in currently, that is to the end of September of this year, the total expenses in the purchase of equipment has been \$2.5 million, so that is an eight-month period.

Mr. Leonard Evans: Mr. Chairman, is that a typical expenditure or is that an unusually low or high amount of money to be spent?

Mr. Chalmers: I think that is fairly average. There have been times when we acquired the Unisys equipment, of course, where we purchased a \$5 million computer in one year, but that is a fairly representative year on average.

Mr. Leonard Evans: Mr. Chairman, on the Unisys equipment, what was the price of the second Unisys piece of equipment? The first was \$5 million, I understood. What was the second piece?

Mr. Chalmers: The second machine was purchased by the St. Boniface Hospital, it was not purchased by Manitoba Data Services. I believe it was the same price though.

Mr. Leonard Evans: Oh, I see. I thought there was a reference in the report: installed a second Unisys Model A 12 computer to support the provincial Government's health care automation initiative.

Are you referring, therefore, just to the fact that you helped to install it rather than purchase it?

Mr. Chalmers: The St. Boniface Hospital purchased the computer, which we are running for them. Right beside that computer we subsequently acquired a second computer which we purchased, which is the one that is servicing Brandon and so forth. The two computers are sitting side by side operated by Manitoba Data Services, one we purchased and one we did not purchase.

Mr. Leonard Evans: Mr. Chairman, I thought there was one purchased previous to this so you actually had two. There are only two in existence, one is owned by the hospital and one is owned by MDS, even though they are sitting side by side.

I was wondering—you were talking about clients, really trying to respond to the clients and that the demands of the clients had a bearing on the kind of equipment you were going to add or change—have you ever lost clients.

Mr. Chalmers: Yes, we have had clients who, for reasons of their own determination, have decided to put in their own computer. An example of that is crop insurance.

Mr. Leonard Evans: Would that have been reviewed by the Committee of the Treasury Board, that move by the crop insurance people, because this is always a source of inefficiency, I would think from my brief experience in this area.

There is always this competition among departments and agencies to move in with their own equipment and, therefore, underutilize that which is available from MDS. Hopefully there is this efficiency by having it done by the—this was the intent years back when Premier Lyon was involved in this, of having the centralized service for all departments and agencies. Would that have been a backward step, therefore, to allow the crop insurance agency to move into this field?

Mr. Manness: Mr. Chairman, I am sure it was reviewed by Treasury Board at the time, five years ago. Indeed Mr. Evans may have been part of it, because we were not.

Mr. Leonard Evans: Well, the fact that it was five years ago is immaterial as far as I am concerned. I was not trying to suggest anything political. If anything, if there are any politics involved, they are bureaucratic politics, not big people—the fight of bureaucratic empires.

What about recently? Is that the only example that the president, Mr. Chalmers, can come up with?

Mr. Chalmers: The Department of Highways has installed equipment to run a roads design system that was formerly on Manitoba Data Services. The reason for putting in their own computer was there was a product available that would only run on computers other than those installed at Manitoba Data Services. It seemed appropriate, from our perspective, that for this dedicated requirement that was an appropriate vehicle of operation.

* (1110)

Mr. Manness: Mr. Chairman, I am sorry for interjecting at this point, but I think Mr. Evans has come across one of the major dimensions of the problem that we have when he talks about the small “p” political problem as amongst the bureaucracy versus maybe the larger “p” problem that he and I had to deal with when we had various responsibilities as executive councillors in the Province of Manitoba.

When we sit around Treasury Board, the major committee of Cabinet, and are trying to make these determinations, not wanting to put into place an edict saying that all Crowns and all departments shall deal with Manitoba Data Services, but continuing hearing from various officials in our departments particularly, who have I suppose good arguments from their point of view as to why maybe they should be allowed to purchase in-department, in-branch equipment, it is hard to know what is right or what is wrong.

Since I have been on Treasury Board I just do not really have the capacity to make the decisions as to which is the right or the wrong way to go and yet we are charged with making those decisions. Recognizing that one looks at unit costs and listening very carefully to the analogy used by Mr. Angus, which is so correct, and recognizing also that there are great efficiencies coming to bear in the cost and the provision of hardware, and recognizing that new technology in a much smaller confined lower cost product can do so much more today, it is hard to know what specifically is the right way to go.

It is one of the reasons why when one becomes knowledgeable and one realizes that growth, per se, has a great impact on the per unit costs that ultimately are offered within the industry or by MDS to the Government and to the Crowns, that at this point in time the Government senses it is very wise to try and say: well, let us look at Manitoba Data Services, let us see what it is worth within the industry, let us see what value it really has.

That is one of the reasons why those of us who are involved in making decisions on behalf of the taxpayers of the Province of Manitoba sensed that it wise to see what value we had in Manitoba Data Services and possibly offer it for sale.

It is only because of many different questions put forward by Mr. Evans—and yet we took a different light on it and said: well, maybe it is time, other than just saying to Manitoba Data Services you have a monopoly in place for many years to come because what you have done in the past is good and there is no question on that. We have decided to put in a different interpretation on many of the questions he has posed, indeed many of the conclusions that he has reached per his review of Manitoba Data Services after having watched it for many years.

Mr. Leonard Evans: Mr. Chairman, I have a number of other questions. I do not want to monopolize the morning, but I have a lot of other operational questions. I could maybe just follow up quickly on this and then perhaps yield the floor to Mr. Angus, if he wants to proceed at this point. Otherwise I—

An Honourable Member: I want to just follow up on the comments the Minister just said.

Mr. Leonard Evans: Let me just respond and then you can interject and then we will carry on. Okay, thanks. When the Minister throws up his hands, well, who am I say? I am just a layman on the Treasury Board. I mean, how am I to decide?

I would remind him that there is expertise in the Department of Finance who can take an independent view and who have over the years taken an independent view as to the legitimate requirements of the departments and Crowns vis-a-vis the possibility of expanding MDS and requiring MDS to provide that service. I have forgotten the individual's name but there are some people who -(interjection)- Mr. Lussier. I believe that was his role, and from my experience he has done a very good job over the years.

So you get that advice and that is what you do in all kinds of areas, whether it be in the area of law, agriculture policy, or highways or whatever, you have to depend on a lot of expert advice and weigh the pros and cons and make a decision. So I would trust that this is happening here.

I do not want to get, at this point, into a discussion of divestiture, et cetera, but I cannot help but point out to the Minister when he wants to look at the value of an organization such as the MDS, or indeed, any organization, you have to look at the market that organization has, the share of the market that it has, and will continue to have.

I would suspect that a private company who would be interested in acquiring MDS would want to have some assurances of some kind of a market so, therefore, the value will vary depending, in the minds of the would-be purchaser, depending on the amount of sales that purchaser thinks the company, his organization, will acquire.

That is what make this very difficult to value, in my judgment, and the last thing I would want to see is to have this organization privatized and then be given a monopoly as a private sector organization, or a quasi monopoly, with Government departments and agencies. I would think, however, that private company would indeed want that as part of the terms of sale and I think that would not be in the best interests of the people of Manitoba to guarantee a level of sales to any privatized organization, that would not be in the interests of the taxpayers in my judgment.

But that, as I said, is a political debate that I wanted to get into a bit later so I yield the floor to Mr. Angus, who wanted to interject at this point.

Mr. Chairman: Just before Mr. Angus, Mr. Chalmers has a comment to make.

Mr. Chalmers: I was just going to comment on the question of the computer, whether it should be a computer that is run within an organization, or whether this service should be provided from a central facility. The answer to that is that both options are appropriate, it depends on the circumstances. Many computers,

small desk-top computers, are certainly appropriate for many areas of endeavour and require no data processing from the mainframe computer. In some years past the mainframe was the only game in town and so there was no option, but we are fully in agreement with the fact that there are a great many uses of data processing that are not well served by being on the mainframe computer.

I think an example of the relationship between the two is that the service that we talked about before, to the lawyers and so on, could never have happened had the lawyers not already acquired these small computers in their own offices to undertake work relative to their law practice. They now are able, with that same computer, to access the larger computer to get additional beneficial data and information in order to run their business, and that is what is happening throughout the entire environment. There are certain applications that are invariably resident on the host computer because they are large applications, cover the scope of the jurisdiction, have a lot of access to it, need to be maintained in a central repository for security and currency of data and so on.

(Mr. Harold Gilleshammer, Acting Chairman, in the Chair)

There is the other extreme where there is no need to interface. Between that the computers are often tied together to facilitate the operation. Some mainframe computing at the workstation and some of the work at the workstation is stand alone. There is a whole series of solutions nowadays that did not exist a number of years ago.

Mr. Angus: Mr. Acting Chairman, I am coming in on only one portion without sort of the opportunity to develop a case. I have a certain degree of empathy with the Minister in relation to the difficulties that he has. As he indicated at the last meeting, there is a perception of a captured market within the Government Services that MDS gets the business and it is not difficult to recognize that these monopolistic tendencies would stifle local initiative and local growth. They would simply say, why bother to even try and compete on segments, components of the business, i.e., accounting, payroll, inventory control, or specific packages of that nature, when a senior representative from Manitoba Hydro sits on the board and a senior representative from Manitoba Telephone System sits on the board.

When the real world of the entrepreneur sees that Manitoba Telephone System is in fact in the business of selling computers and somewhat competing with MDS, it becomes an extremely complicated situation.

* (1120)

I can imagine that if the Minister says, well, let us let the market determine and let us make it a clear policy that there is no preferential treatment, that there is no specific direction, that the Crown corporations and/or Government agencies should, and do have to deal, with MDS, that MDS now has to be competitive with the marketplace, that is a first step, but it may also be the first nail in the coffin of a profitable business.

If he starts to release the contracts and give individual corporations the opportunity to look at the bottom line and, as I have said before, with standards, it is very important that you have the communication standards, that you accept the ability to have information flow from departments in some concise fashion, as long as they meet those standards it certainly can be done, but that would lead not to the proposed sale of MDS, but to the dismantling of MDS, and it would be almost a dismantling through a self-destruct, a potential self-destruct.

That whole analogy suggests that they may not be able to compete and I do not know that is in fact the case. I have not had the privilege, as Treasury Board has, of looking at two different and distinct proposals to provide specific services to the same Crown corporation.

The thing that frightens me, Mr. Minister, is that you may not have seen these direct comparisons yourself and you may not have asked those questions, to look at those specific questions, to see those bottom line proposals from private corporations, agreeing, making contractual arrangements to provide those services to Telephones, to Hydro, or to MPIC, or to any of the other organizations, versus MDS.

This is Treasury Board and I have had no experience at Treasury Board of making those decisions. It frightens me a little bit, the admission that you are not comfortable—comfortable perhaps is not the best word—that the technological changes, the advent of 386 machines and 486 machines that are as powerful and as capable as the mainframes in a lot of areas and definitely very much less expensive, puts you in a dilemma.

So I guess, Mr. Acting Chairman, I would encourage the Minister to try and identify what the mission statements, or what the goals, what the objectives of MDS are. If they are to generate a profit, to be taken back into the revenues of the provincial Government then they have to go one way. Then you have to go that way to try and maximize those profits and it invariably becomes a hidden form of tax in a captured market, and if you want more revenue you can simply, instead of reducing the price by 5 percent, keep it at the same thing and maximize your spread.

If, on the other hand, you want to run a non-profit organization, then perhaps you would be reducing these prices even further. It seems to me that the cost of delivery of service and the most efficient delivery of service combined with the best cost should be the criteria and, in that regard, in order to keep the "level playing field," it is important that you seriously analyze options that are available to provide those services.

Again I have no basis for the decision to use the Wang processing equipment. I have not seen the technological reports that supported the evidence that you should go with Wang, I do not know if it was a business decision or a political decision, but that decision was made. The decision has been made also to have MDS support it, and that means that they have to get technically competent people geared up to run that particular program, and it is somewhat of a captured market.

It is an in-house market, and sitting from the outside and looking at it, notwithstanding the apparent difficulties and the apparent change in direction that Wang is taking, I question the cost benefit to the taxpayers of Manitoba in a decision of that nature.

I have a great deal of empathy. I believe that the corporation can be sold. I believe that it can be sold and run effectively and that there can be not only job security but greater job growth, not only in MDS but in the private sector in developing competitive markets and competitive expertise in the private sector. I think that it would be a good thing.

To dismantle the organization before you sell it would be foolhardy. It is almost like tearing your house way apart and then trying to put it on the market, you generally try to paint it up or fix it before you try to market it. I equally would have concerns, as expressed by Mr. Evans of Brandon East, that any sale that ties the Government business to MDS would not be in the best interest of the people from Manitoba.

With those few comments, hitch-hiking on the vein that Mr. Evans has started, I will turn the floor back to him unless the Minister wants to respond.

Mr. Manness: I think I should, Mr. Acting Chairman, because certainly Mr. Angus has put a lot of food for thought on the table. He makes the point that Government business should not be tied to a potential MDS divestiture. Let me say that long-term that would not occur, unquestionably. I mean, who knows where we are going to be five years from now or 10 years from now, who knows what equipment is going to be available? Who knows a lot of things?

I think it would foolhardy, in all honesty, to enter into a divestiture whereby a monopoly was granted to the acquirer for time immemorial. That will not happen, as I have said from Day One.

An Honourable Member: How long negotiable?

Mr. Manness: Well, that is of course part of the negotiations that are taking place. I would dare say in fairness it would be more midterm, short to midterm.

Notwithstanding that, the Government is not interested, as we have said many, many times and I will state for the record once again, in taking a Crown corporation that is working reasonably well, quite well in the minds of some, and just to turn it over to somebody who has some capital to invest for the purposes of selling back those same services to the Government. There is no rationale in it and certainly there is no politics in it, and I am a politician. There is no politics in it.

* (1130)

I say to Members opposite, particularly the Member for Interlake (Mr. Uruski), who seems to be very exercised over this and who likes to use the word "baloney," at this point that will not occur. He will have to wait and see. Should there be a decision to sell, he will have to wait for the details associated with them. Then I am sure he will applaud them, and he will congratulate the Government.

Calling for dismantling, Mr. Acting Chairman, I say to Mr. Evans, no, we are not dismantling the Manitoba Data Services in any respect. As a matter of fact, in my view it is business as usual. That is the modus operandi that has been given to the board of directors, indeed to the management.

There is one qualification on that, and that is to deal with the building. The Government will not provide an opportunity for Manitoba Data Services to enter into any agreement with respect to a new facility until we know specifically where we are headed. That is good management, but with respect to dismantling Manitoba Data Services or making decisions at Treasury Board that are somehow impacting on its efficiency or its present avenue of activity, I can say no.

We are still having departments come to us particularly and asking in some cases that they have an opportunity to do their own thing with in-house.

We make that reference to a branch within my department, ISSB, referred to by Mr. Evans, headed by Mr. Lussier. We ask that branch for some particular backup comments as to the wisdom of allowing greater autonomy or lesser autonomy within a division, and we make our decision accordingly, the same way as it has been done in the past. We are not dismantling Manitoba Data Services.

(Mr. Chairman in the Chair)

Let me say again with respect to divestiture, it will only occur if we are totally convinced that security of information is guaranteed. I think we have addressed that in no uncertain terms at the last sitting of this committee, secondly, that the human resource base at Manitoba Data Services, their best interests are maintained, and thirdly that economic development occurs as a result.

Again I say to the Member for Interlake (Mr. Uruski), who seems not to want to accept the fact, that we are not interested in divesting of MDS just for the sole purpose of having somebody invest capital and sell the services back to us, if we do not have or do not believe that somebody, a potential acquirer, is coming forward who is going to take that tremendous human resource base and build upon it and provide for this province, something it desperately needs, that is, a technological base beyond that serving Government but also reaching out to the world to provide greater opportunities for our graduates from universities and from community colleges to put to work their knowledge base in the Province of Manitoba, then there will not be a sale.

Some can say, well, that is philosophical and so on and so forth, but let me believe, let all Members believe that is what is driving the divestiture of Manitoba Data Services to a point of decision as to whether or not it occurs.

Let me say with respect to Wang, was it a business or a political decision? Obviously it was a political decision, it was a political decision because it was made at a political level, it was made at Cabinet.

We decided to engage in a contract with Wang again because of economic development, and I am sure, and

hopefully the Member for St. Norbert (Mr. Angus) will pose those specific questions to the Minister of Economic Development (Mr. Downey), because obviously we did have a business plan which showed where there would be significant net benefits. We would not have entered into this without that.

Now he may want to take some criticism with the business plan. So be it, but they should be and they will be presented to him on the basis of which Government made the decision, purely on the business front for purposes of economic development.

The final point I think I should respond to is the non-profit aspect of Manitoba Data Services versus the maximum dividends to Government shareholders. I do not know how we factor in the fact that Manitoba Data Services in those years when there are greater efficiencies in place in that there is a net dividend payable to the province, indeed to the users, i.e., the Crowns, how one factor is adding comparison to potential outside service agencies, who would find themselves paying taxes in today's sense, a payable tax, in other respects naturally, corporate income tax. How does one take that into account?

One has to take that into account, whereas Mr. Evans may not want to and I am putting words into his mouth. I can say that as a Member of this Government I think that is something I have to take into account because philosophically I believe that there are those outside who may be competing, who in fact are having to make that commitment to society by way of their economic activity.

Mr. Chairman, I do not know whether I have shed more light or indeed more cloud on the whole situation, but I think it is important that all those facts be put on the record.

Mr. Angus: Just on the sale, what you have to sell are in a lot of cases the people's skills that you have developed, that is the understanding of the computer programs and the technological ability to deliver and solve problems for people that becomes a very valuable asset. You also have the contracts that you have, that is the iron-clad agreements with your client base that are assumable or be able to take over, and to a lesser extent you have equipment that oftentimes becomes obsolete the day you install it and sort of runs downhill. It has a very low return of recovery in terms of resale.

In relation to the contracts, it is important to notice that the contracts, as has been indicated to us, have been decreasing over the last eight years by 52 percent. That is the costs to the consumers. So that where they were charged \$1 for the same service eight years ago, now they are only charged 50 cents.

There is no assurance that type of decrease would continue in terms of a sale of a specific contract unless that was written into it. I agree, and I agree if you do sell the organization, that those contracts would undoubtedly continue with some form of a sunset clause. It is either an agreed-to term to terminate the agreement or this contract expires at a certain period of time and then I would presume that it is renegotiable. If a private corporation has picked up and been able

to deliver the service and offers a better package than the private sector, hopefully they will be able to continue with the business.

I think that it is important to recognize that there have been reductions on an ongoing basis to the clients—you are indicating no. Perhaps I should just get that clarified then, Mr. Chairperson, because that seems to be the indication.

Mr. Manness: No, hopefully the Member did not take the wrong interpretation out of my head movement, but certainly I agree with him. I mean, last week or at the last sitting of this committee we documented specifically what has happened as a result of growth and the impact it has had even though costs increase, because transaction numbers increase at a greater percentage. That has allowed for a reduction in per unit cost and so growth has been a major factor in the reduction of the unit cost.

I also made the point last time that, is Government going to be able to continue, given the very real restraints upon it? Is it going to be able to continue to call on greater transaction requirements, knowing its own imposed restraints, and that is put forward as a rhetorical question. So I do not disagree with what the Member is saying.

Mr. Angus: The 5 percent price reduction per unit cost that was passed onto the consumer again is something that would be of concern on a continuing basis.

* (1140)

I identified last week when we were talking about my thoughts and concerns of the centre of excellence concept and the centre of the country, and the opportunity because of the relatively stable environmental circumstances, i.e., we are not faced with earthquakes and we do not have a lot of tornadoes whipping through that they have in places like Silicon Valley.

We have an excellent geographical location from time zone differences to deal with both ends of the country during normal business hours and with data communication being the way it is, it is an excellent opportunity. I have already identified again the growth that I think would and could occur, given the opportunity of not having to deal with a monopolistic situation.

I am in tune with having this market be exploited and developed to the best interests of Manitobans and firms, there is no doubt about that. As far as Wang is concerned, the only concerns that I have about Wang—and I will address serious concerns about the whole operation at the appropriate committee or budget review time as I can because I have some serious concerns about that, and I think the Government should have some serious concerns about that too. I think they may have made a mistake, but politics being what it is, we will have to perhaps wait and see.

The concerns I have at this committee are only as it applies to the costs directed to MDS, and then their ability to recover those costs from a captured market. If I am dealing with a particular product, and I say to

Mr. Uruski, it is going to cost you \$100, and he is told to go to MDS and deal with it. They come back and say, well, we have to recapture our costs and that is going to cost you \$125.00. He does not have any choice in who he deals with because they have the agreement. The taxpayer ultimately is paying more than he has to, or should be paying.

So it is the underwritten ability to recover their costs that the private marketplace does not have and because of the lack of ability to challenge what you have done with the Wang decision, there is no ability. So you are caught in a switchbox that there is virtually no control of it. The costs are going to be what they are. I am not going to suggest they are going to inflate their costs, but they say these are what our costs are that is what the costs are going to be to you with the Government and because of that political decision those costs are often hidden in administrative costs. We just do not know or are never able to find out what they are. So I have some concerns beyond the MDS interaction with Wang, but I also have some questions for Industry, Trade as to why they got into that.

I think, Mr. Chairperson, I have certainly discussed this philosophically and there will be some specific questions. I will give the Minister the last word, and then try and bite my tongue if he does not bait me.

Mr. Chairman: The Honourable Minister, and then we will get back to Mr. Evans.

Mr. Manness: Mr. Chairman, I am not going to try and bait Mr. Angus, but he makes two very important points and I think he realizes he made them. It is the continuing monopoly, at least it is the perception out there, that Manitoba Data Service has. Even though I did not find it, indeed our Government has not in any way proposed that it be there, as indeed the former Government did not propose that.

In reality, because you have such a large organization that has provided service for the Government over a period of years, good service that they, by almost natural birthright, continue to have the first claim on providing the service to the Government, let us say, in support of the Wang agreement. I think it is good from time to time to sit back and decide whether Manitoba Data Services or any of our Crowns should be given a monopoly mandate for the next period of time forward. So that is an important point.

Secondly, with respect to Manitoba's location, it will never become the Silicon Valley of California. It will not. That is a given, but I believe that we have a role to play, location-wise, yes. Some basic expertise here, yes, we have it. But we are going to, in my view, lose if we do not do something. The Government cannot go out and buy that industry by just offering millions of dollars for somebody to come here and deliver it. It cannot do it. It has one high card, and the high card is the human resources that are built into Manitoba Data Services. That is the one high card it has. That is why this Government is saying maybe we should make the high card available—show it to the industry for the purposes of economic development and, again, providing for Manitoba a niche in that incredible market

of growth, see what value it has, and that is all we are attempting to do. I agree with the points you have made.

Mr. Leonard Evans: Well, at this point, I did not want to get into the philosophical debate on sale, giveaway, divestiture, whatever term you wish to use, or some of these other questions. Indeed we have a lot of questions surrounding that issue. I have a lot of other detailed operational questions, which was my intent this morning, but having had this question raised, I guess by Mr. Angus and responded to by the Minister, I cannot help but make a couple of points and maybe ask a couple of questions.

It seems to me that the Minister has hinted that surely you cannot give a long-term guarantee to any private buyer, but nevertheless left in that response is the question, well, what kind of a guarantee? I would submit that, without some guarantee, I would not be surprised that no private company would be interested in buying it.

Now I can be wrong, but certainly it would not be very attractive if the Government of Manitoba said to a potential buyer, sure, here is a great staff, a great organization, the equipment is all together, it is an ongoing enterprise, it is a going concern but, sorry, we are not guaranteeing you one dollar of business with Government agencies. You are strictly on your own, and knowing the very competitive nature, knowing the fact that other departments and agencies constantly are trying to do their own thing at the expense of taking potential business away from MDS, it would seem to me that in short order the sales level, if I can use that term, of MDS privatized, would shrink.

I would think that the private sector is not interested. They want some kind of a guarantee. They want to know that they are going to get some return for their money invested. They want to minimize their risks. It is only natural that they will ask for some kind of guarantee. I think that is a serious question, whether in the long run, therefore, the taxpayers are better off, because once you have a guarantee you are at the mercy of a privatized organization. You have no assurance that you are going to continue to benefit from the rate reductions that MDS has been very successful in passing on over the years.

You know what creates a monopoly in many ways? A monopoly can be created for various reasons, but one reason you create a monopoly or it is created naturally is because of the heavy amount of capital investment involved.

You get a railway or you get a gas line. Sure you have a monopolistic situation because you cannot have a dozen gas lines. You cannot have a dozen ICGs running pipeline up and down the streets to sell natural gas to customers. It is efficient to have one company do it. It is efficient to have one rail line between point A and B, not 25 rail lines. The fact is that these are natural monopolistic situations, and I submit that this is the case with MDS and this type of organization. You have a heavy amount of capital investment in computer equipment and, therefore, it tends to be naturally monopolistic.

* (1150)

If it is privately monopolized, then you want to have a Public Utilities Board, or some regulatory agency to ensure that the taxpayers are not being ripped off. If it is owned in the public sector, you should not have that concern because presumably, if there are indeed any profits, they do accrue eventually to the Treasury of the Government, or indeed they could set the rates, as I believe has been the pattern of MDS, set them in such a way that they are really not interested in maximizing profits, yes, some profits, but let us pass on the benefits of these efficiencies of these new technological improvements back to the clients, namely, the departments and agencies and anyone else who happens to use them. So we have been getting, I may be wrong, really a philosophy of service at cost, which was the philosophy of Manitoba Hydro for so many years.

So I, for the life of me, cannot see any private corporation wanting to buy MDS without having a guarantee. As I say, once you give them that guarantee then you open the door to a rip-off situation for the taxpayers of Manitoba.

The Minister hangs his hat on the great and he waxes eloquently about the great spin-off effect that we are going to have, a technological base here perhaps, and we can reach out to the world and supply computer services and so on.

I remind him there have been other efforts made, and perhaps they are still ongoing I am not sure, by the Department of Industry, Trade and Tourism with regard to promoting the use of computers. There was the InfoTech Centre, I believe it is still going.

There are all kinds of initiatives that can be made and have been made. Indeed, there have been spin-off effects by MDS alone, I believe, through the acquisition of Unisys. There was some consideration that there would be jobs created at the Unisys factory, so there is a possibility of spin-off effects as a public organization. They have occurred in the past, and they can occur in the future.

I, for the life of me, do not see the case that the Minister is making. He talks about it. We have not seen any analysis. We have not seen any evidence, and if he does have a report perhaps he would be kind enough to share it with Members of the committee, so we can look at this report on the great economic development that might occur in this field if this agency were privatized.

I submit again, Mr. Chairman, that there would be a price to pay with a privatized company having some guarantee. The sad part of it is we may not even know the price that we are paying. We may not even have that information as to what rates we could have had, what low rates we could have had, compared to perhaps rip-off rates by a private company.

There seems to be some suggestion that the departments and agencies are totally captured by MDS. I do not think we should demean the efforts of MDS in this way. They have been successful over the years in selling their services, and I would trust that

departments and agencies, Crown agencies, would look very closely and very seriously at the best level of service for whatever agency and at the best price.

I can tell you, from my experience when I had some responsibility for the provincial welfare system, known as social allowances system, we introduced a computerized system. Believe it or not, we had 22,000-plus clients in this province at any one point in time, scattered around the province from north to south, east to west. Believe it or not, all this information was on little cards, so if a welfare client moved from one town to another it would be an interminable amount of time to transfer the information, to make sure that person was serviced adequately and to make sure there was no abuse. We were back in the middle ages, well maybe the 18th Century. In terms—

An Honourable Member: I always thought the NDP were in the middle ages.

Mr. Leonard Evans: Listen it was like that for decades under Roblin, Weir, Lyon and everyone else.

The fact is we had made no progress. So finally we did get approval, with the services of MDS, to computerize these records. We retained our own computer expertise to begin with, and the advice I got, well we should go with MDS—I did not say, go with MDS, this was their suggestion. I mean, they naturally felt, logically based on the advice of the experts in the department, that MDS was the organization that could deliver this service and we have implemented it. I think it is very successful.

I recall the staff, shortly after it being implemented, how out in the field, in Portage la Prairie and elsewhere, they were very pleased with the information they could now get, not only that, in terms of servicing clients, in terms of minimizing welfare abuse, but also in terms of being able to get data on the operations of that very huge expenditure, which the Minister should realize, the social allowance expenditure is a fantastically large expenditure in this province, and that we were finally able to get some data to analyze to make it even more efficient, more effective. That was based on a competitive situation.

I am not so sure that Government agencies and departments just automatically seek out MDS, which leads me to a question I had with regard to the fact—I want to look at the other side of the coin. We were told the other day that the bulk of the customers of MDS were Government agencies, a very large, heavy percentage.

Could I ask the other question? Maybe Mr. Chalmers will throw up his hands and say, well I do not have all that information, but you must have some idea. What percentage of computer service in the Government, of the type that would normally and could normally be done by MDS, that kind of service, what percentage of those departments and agencies use MDS, or what percentage of the total Government mainframe type of service is now done by MDS compared to outside companies?

You see it is not the same question that you were put before, what percentage of your business is with

the Government. I am saying, what percentage of the Government business is with MDS?

Mr. Chalmers: I suppose theoretically you could suggest that no equipment would be acquired by any agency in the Government, that would all be done on MDS, all word processing and so forth. One could argue that 100 percent could be done on MDS. The practicality is that there are operations that logically should be done on stand-alone computers, they should be done on computers that are somewhat stand-alone, somewhat connected to the host, and some applications like the one you just alluded to in the Income Security, that lend themselves well to a mainframe, a large computer such as MDS.

I think that the mix is probably reasonably appropriate within the public sector at the present time. Sure, one could argue that the Department of Highways could have continued with what they felt was a less than satisfactory road system and run it on MDS rather than put in the digital equipment they put in. I think that is a decision the department has to make, and I think in that particular instance it was probably quite correct.

Mr. Manness: Mr. Chairman, I am sorry I have to interject again at this time, because before Mr. Evans asked a very detailed question. He went through a whole host of areas and left them sitting there begging for some response, and I will respond.

There must be an election coming, because I hear smacks of "corporate welfare bum" ringing out from the Member from Brandon East (Mr. Leonard Evans) when he talks about rip-off rates and he talks about giveaways. Of course, as we all know, that has been a rallying cry of socialists for the last 20 years when it has come to election time. Maybe Mr. Evans knows something that I do not.

Let me say, with respect to what it is we are attempting to do—and Mr. Evans talked about InfoTech. InfoTech was a showcase of products. It has worked well. Unfortunately, there is not quite the activity from our Manitoba businesses, not quite the interest. In the showcase over on Ness Street that was once the case. Nevertheless, that was a showcase of products from the industry.

We have Unisys, yes, certainly they have maintained some significant jobs as a result of the contract entered into by the former Government, but that is in the manufacturing side for the most part. When the Member says, well, "what are you contemplating, what is it we are going to do here in Manitoba under this scheme of yours," I put that in quotations because maybe he did not mean it in quite that context.

* (1200)

I have to say that if we cannot develop human resources that are going to be involved in systems integration in providing services outside of the province in essence exporting the services that we have, bringing the net economic benefits of that knowledge base back to Manitoba, if we cannot be part of that, and if we are saying we have no hope to be part of it, then we

have problems, we have big, big problems. I am saying to the Members that is what is contemplated with respect to the divestiture of MDS and economic development surrounding that.

The Member for Interlake (Mr. Uruski) can say, what do you mean by that. I am saying, if we cannot give Manitobans an opportunity to practise their chosen career path, being located in the Province of Manitoba, selling those services to users outside and yet living here, then we have a problem. I believe, right today, that we have that potential as a human resource capability within Manitoba Data Services, and it should be acted upon.

The most unbelievable argument that I heard coming from the Member for Brandon East (Mr. Leonard Evans) was with respect to the guarantee. I know he is asking these questions today and, ultimately, wanting to take these discussions over a number of sittings, because he is concerned about the guarantee of job activity to the employees of Manitoba Data Services. Yet, when he comes back to me and says, I know you must have guaranteed those rip-off artists, potentially, you must have guaranteed them some activity with the Government, I say to him of course I have, and of course we will. The question is, why would we do it, because it is the jobs we want to guarantee.

How is it you can guarantee the jobs when you sell a business, which is, right today, developing 100 percent of their revenues virtually from supplying Government and then turning that over to an acquirer without that guarantee and at the same time as Government wanting to secure those jobs?

The way of securing those jobs for the next number of years is providing some business to that company, because then there is no acquirer to agree with the Member for Interlake (Mr. Uruski), there is no acquirer that is going to be able to come here, take over the human resources of 200 and some people and have a business bank there ready to turn to. That is not the real world.

So if he chastises me for providing some guarantee to a potential acquirer, with respect to Government activity, Government work, I say yes, we do that because we want to provide security of jobs to the very same people that he is interested in.

Mr. Leonard Evans: I find something wrong with his logic. There is nothing better than to protect the jobs of the employees of the corporation with a status quo. If he is interested in protecting jobs, surely the status quo protects the jobs. I mean, if that is your objective—is that your objective?

Mr. Manness: He asks is that my objective? What guarantee does anybody have when you are a Crown corporation or a monopoly providing services to Government and Government only? What guarantee is there when it is required, as Mr. Chalmers has said here today, that they come before Treasury Board for the supply of all their equipment, for loan authority, for supply of all their authority, and for provision of more loan authority with respect to a new building?

Those are all political decisions. I say then, what guarantee is there under that type of philosophical system? Well, I would say that there is no more a guarantee there than maybe turning, in some respects, to the private industry and making sure they have an opportunity to provide the greater guarantee to jobs.

I guess we are both concerned about the activities and the jobs of those present employees of Manitoba Data Services. The NDP would say their greatest provision of that is to make sure that, forever and a day, that Crown corporation deal with Government without challenge. I say maybe a better way of guaranteeing those jobs is to make sure they have to join now the mainstream of economic activity and that they have to be constantly under the challenge of providing, under the test of the market, their greater value.

Mr. Leonard Evans: There is something faulty about that logic, Mr. Chairman. On the one hand the Minister says, well, there is no guarantee with the present set up, yet on the other hand he seems to infer, he does state "privatize it and we are going to ensure that they have a certain level of sales with the Government in order to ensure the jobs." Those are political decisions as well. I do not follow the logic at all.

He is making a case saying that these jobs are not guaranteed now. Of course, no jobs are guaranteed in Government or Government agencies, it depends on a lot of factors but generally the staff of the corporation is doing a good job. There is a demand, there is need for these services, there is technological improvements being made, and therefore those facts in themselves guarantee the jobs. The work there is to be done, the staff can do the job, they have the equipment to do it and they are de facto, the jobs are guaranteed.

What the Minister is suggesting though is that the guarantee is really based on political decisions, and then he goes on to say, "but if we privatize it, we will have to ensure that these jobs are maintained because we are going to guarantee them a certain amount of Government business." Well, that is implied.

At any rate, he wants to guarantee the jobs, privatizing it, but he is also guaranteeing to the investor the profits. I mean, the people who are going to put up the money to acquire the company are not only looking at jobs. In fact, they are not looking at the jobs surely for their shareholders, they are looking at the profits, and that is what I am concerned about. What you are guaranteeing is a quasi-monopolistic situation to guarantee a rate of profit.

I would submit, Mr. Chairman, you are not going to have any way of knowing really the degree to which ultimately the taxpayers in Manitoba are going to be ripped off. As I said, I did not get into this debate today, but we seem to have slipped into it. I have a lot of questions surrounding this question to put, and probably they will have to be done another day, because I did have other questions on the operations.

The Minister seems to hang his hat on this whole business of an economic expansion in the computer servicing industry that will occur if this is privatized,

and my question is why cannot the private sector do it now, what is preventing private enterprise? Nobody is stopping them, there is all the equipment in the world, there are entrepreneurs out there, what is stopping them?

I mean the Minister seems to infer that we have to take some enterprise that has been developed under the public sector and privatize it rather than say to the private sector and encourage them, as we try to do it through the Department of Industry—I was Minister of Industry for eight years in the Schreyer Government. That is what we did day in and day out, try to encourage the private sector, small and large, to get out there and try to help them in every way we can. I am sure that department is doing it today.

There is nothing preventing the private sector from servicing the world right now, so I do not simply buy that argument, but if the Minister has some great insight as to the economic development that will occur then he should share it with this committee. That analysis should be made public, I do not see what is so secretive about that type of an analysis, and it should certainly be made available to the Members of the committee, ultimately to the public of Manitoba, because he is talking about great benefits.

As far as I am concerned what we have right now is rhetoric, nothing but rhetoric and ideology. I do not see any hard facts that would demonstrate that the people of Manitoba, that the economy of Manitoba would benefit by what the Government is now entertaining. He still has not shared with us the level of guarantee. I would say I bet you a dollar to a doughnut that the private sector, if it would be interested in buying this corporation, wants to have some guarantee and the longer the better. I am sure that is what they are trying to negotiate right now, and I think that to me is where this whole thing falls down.

I have some other questions I wanted to ask with regard to confidentiality, et cetera, unless the Minister wants to respond. I see him putting up his hand.

Mr. Manness: The Member does it again. He moves into a speech mode and then asks the hard question which is legitimate, but I would like to respond.

The Member talks about economic development. I guess that is the different view that we have of the world, coming into Government. We believe that some of our good entities should be used as catalysts to provide some meaningful development.

I can indicate to the Member that, should there be a sale, I would not be part of it unless it did represent the business plan, did represent a significant increase in a short period of time as to the number of jobs that would be involved in Manitoba Data Services. To me, that is what I mean by economic development.

* (1210)

There has to be a benefit to the taxpayers of this province to undertake a sale. That is what I mean by economic development, guarantees, the longer the better. It may surprise him that there are some

proponents, acquirers, that are not looking for long-run guarantees with respect to Government activity. Quite the contrary, they are looking for short-term guarantee of Government activity, but beyond that they believe that there is such an incredible value, not with the machinery, not the equipment which could be bought here, there and everywhere, but with respect to the human resources, if they can parlay that into the industry and move away from the guarantee and indeed the requirement of Government.

I say to you, Government has to safeguard itself that it is going to have access to those types of services, so he is wrong again, he is wrong on both counts, Mr. Chairman.

Mr. Leonard Evans: Mr. Speaker, I do not believe I am wrong, but I want to ask the Minister, have you had any companies who are prepared to make a bid on MDS who asked for absolutely no guarantee?

Mr. Manness: No, Mr. Chairman, if we had we would not have dealt with them, because we as a Government have to have a guarantee that we are going to have access to service for some number of years.

Mr. Leonard Evans: Well, Mr. Chairman, I believe that knowing how things work you would find very soon that various departments and agencies will ensure that they are obtaining the computer services they require. Highways Department is a case in point. They made a case to bring in their own computer equipment and so on. The Minister puts it around and says, well, we have to be sure that we are going to get the service, and as I say, if he wants assurance to get the service which he considers to be valuable, then the status quo is the best way, the ultimate way to guarantee that service.

Well, Mr. Chairman, I have other questions to raise on this whole matter of divestiture, but I was not planning to do it at this time.

I wanted to get into the matter of confidentiality and—(interjection)—Okay, I would be pleased to yield the floor to Mr. Angus, because he has been sitting there more or less all morning patiently. Perhaps he has a line of questions he would like to ask. Then I want to ask some questions or just put on the record Mr. Angus, Mr. Chairman and others, that I have some questions with regard to confidentiality and the question of ethics that I want to pursue. I will do that after your line of questioning.

Mr. Angus: Mr. Chairperson, the Minister has been dangling the carrot of opportunities and the divestiture of MDS for a number of months now. It was in the Throne speech that led us to believe that it was closer than it obviously was at that time. Is there any indication of how much longer you need to conclude this opportunity one way or the other so that you can—the reason I ask this is quite simple. The uncertainty of a massive decision of this nature creates a certain amount of insecurity in people. I think that in the best interests of the corporation's continuity and continuance of business some indication should be forthcoming as to when we would hope the process could be concluded.

Mr. Manness: Well, the question is fair. I have a date in my mind. I am reluctant to share it, because I have shared that date with the public before and I have not been able to deliver. I will tell you why. First of all, I never contemplated we would have in the first instance 10 potential acquirers. I can also indicate that once we had closed the time line a major, major concern came forward and asked us to give them some small amount of time. I use these as examples why this process has taken longer and obviously caused greater confusion, and in some cases anxiety, than I would have wished.

We are to the point of taking some of the very limited number of the proposals, I will not say how many, but a very limited number, and taking them to a draft buy-sell agreement. That is where ultimately all of the uncertainties as to the discussions have to be removed on both sides. We are committing at this point, onto paper, potential agreements.

Mr. Angus: I appreciate the difficulty of the Minister fixing a positive deadline because of the circumstance of negotiation, but are we speaking a month, the end of the year, the end of the first quarter, 1990? Again, I would emphasize that it would seem to me that it would delay, not only beyond causing insecurities and uncertainties within the staff complement, it would delay decision-making to a certain extent.

If I was sitting back analyzing my options as to where I might be investing my computer work, I may want to hang on until I found out what in fact was the decision that faced MDS one way or another and what those options would be. While I appreciate the difficulties of pulling a whole package together and those sorts of things, is there not some deadline that can be attributed?

Mr. Manness: Let me say that progress has been made over the last two months, significant progress. Where I am running into trouble is that there are always new dimensions coming forward having indirect but very important consequences on this.

I can make the argument, and I will not, that the federal decision to deregulate telecommunications, for instance, when we became involved in this process was never even a consideration but that potentially has some impact on this. In fairness to Manitobans, and to this process, that has to be taken into account.

That requires some additional time. I still think the question is fair, and I still fully expect to be making some public announcement as to exactly where we are, not the decision, but where we are in a time sense by the beginning of December.

Mr. Angus: This is a question based somewhat on innocence of procedures within the Legislature. There was no opportunity to have any form of a committee review, the Wang Initiative, there may be at the appropriate budget review aspects—the only opportunity that we got to review the Manfor-Repap opportunity was the fact that the sale became public in the United States and became available to us, and coincidentally we had a committee meeting, as the Minister well remembers.

Is the agreement, once you have entered into it, once you have signed it, is there a vehicle to bring it back to a committee of this nature for analysis, for explanations, for interpretation, things of that nature?

Mr. Manness: I probably can give this very same answer to Mr. Angus that I did when we went through this whole process with respect to the Manfor divestiture. I do not know how it is that Government enters into an agreement on a commercial basis with an outside entity, in essence conditional upon it receiving some type of review and therefore support by all Members of the Legislature. I do not know how that system works, because as the Government we are ultimately responsible in our executive position to make those decisions. I would say at this point nothing will have changed.

The rules of democracy as I understand it indicate that those of us that sit around the Cabinet Table ultimately are charged with making that decision. We have to live or die accordingly as to how the public sees that decision. I do not see today where that process will change.

Mr. Angus: We propose a different scenario, and I will use the Repap opportunity as a good example. Government entered into that agreement. I had certain concerns and still do about specific sections of the agreement. They have not been altered to date. The contractual arrangements that you have entered into in relation to the divestiture of any Crown corporation is ultimately Cabinet's decision and the Executive Council's decision to make and implement.

* (1220)

What I am asking for is an opportunity to scrutinize, review, and discuss intelligently with factual information and with people that have the answers available to answer the questions? It seems to me, and this obviously would be after an arrangement has been entered into, but again there are opportunities that are entered into on a regular basis by the Cabinet. The only opportunity we get in fact to even see the agreement is, if we can see the agreement, a five-minute rebuttal to a ministerial statement in the House. I think, if I may make myself clear, that certainly Governments can divest themselves and make those decisions, and ultimately they will be judged by the electorate as to the wisdom of their decisions and things of that nature, and I appreciate that.

What I am suggesting is that, is there no opportunity in the Legislative Review process to sit down and have you say, this is what we have done and this is why we have done it and this is how it works and this is the cause and effect, so that we can say, okay, that is good and this could have been different or better and look at the opportunity to—even in its past tense?

Mr. Manness: No problem with that. That is what we did with Manfor. We reached an agreement and we laid out the technical briefing, and then we have sat on several occasions at which time Members of the Opposition said, well, this part is good but this part

could be better. We do not like this, and we wish you would have done it differently. That is fine. No problem with that.

Mr. Angus: I will take that as a commitment of sorts for the Minister once the deal is consummated to try and facilitate some sort of an opportunity for the Opposition to sit at a table in an intelligent, gentlemanly fashion and discuss the pros and cons and the merits of the arrangement, if indeed it is concluded.

Mr. Chairperson, I am going to suggest that we rise, and I will tell you why. There are five minutes left in the meeting time right now, and I wanted to get to questions on the financial statements, but it is a totally new line of questioning away from the divestiture. I identified some of those things that I would have liked to have seen explanations on, giving a comparable 12-month comparison. It just does not seem to make much sense to get into it with only a few minutes left. I throw that out to the table. Is that a reasonable suggestion?

Mr. Leonard Evans: No, I do not have any problem with that, although I did have one question.

An Honourable Member: Next time I will get here on time and go first.

Mr. Leonard Evans: Yes. One question, maybe it would take a minute or two to answer, but if I could do that, I am quite agreeable to rising now.

If I may, Mr. Chairman, then Mr. Chalmers I believe last time explained that there was a backup facility in Chicago. I wonder if he could explain that to the committee. Why do we have to have a backup facility in Chicago?

Mr. Chalmers: At the time that we initiated the program to provide security to the province in the event of a disaster, there were very few options available, and certainly the only viable options were in the United States at that time. The facts are that as of a few weeks ago that particular company has opened a disaster recovery facility in Toronto, and we are now being serviced through that site and not through the Chicago site.

Mr. Angus: It should be clarified, just for the Member for Brandon East, that when I asked these questions last week, there is a big difference between storing data, that is global files of personal information on a backup computer anywhere and storing the program files, that is the shells of the programs that do not contain the basic information. It is a standard practice in data processing to in case of an emergency, that is if the building burned down or was hit by lightning, you have to be able to become operational as quickly as possible.

Traditionally what you would do is you would take the tape cartridges of the private, confidential information that Mr. Chalmers indicated are stored in a Brink's vault overnight, you would take those over to Unisys or to IBM. They would dial in to the computer facilities in Toronto, in this case, or Chicago in the former

case, bring back the global shells if you like and reload the data and be up and running in a very short period of time. There is an awful opportunity here for somebody to get the impression that confidential information is stored in a vault in Chicago or on a mainframe in Toronto, and I did not get the impression that was the case. If I am wrong, I would like that clarified.

Mr. Chalmers: No, the data is stored in Winnipeg. The only time that any data from Manitoba is at a disaster site is to facilitate demonstrating the disaster capability can be fulfilled.

Mr. Leonard Evans: There is no data in Chicago, or in this case, if you are moving your service to Toronto, servicing company to Toronto, there would be no data there. You have a contract for that organization to process the data that you would send to them from your secure place such as a Brink's vault?

Mr. Chalmers: The supplier in this particular case called Sunguard has a computer that is of a size. An IBM computer of a size that meets the requirements to fulfill the processing of the province in the event of a disaster. In the event that there was one, they do not process it. We take over the facility, we run the computer to invoke the disaster recovery program.

Mr. Leonard Evans: Maybe Mr. Chalmers can enlighten us, is he aware of others, say, in the private sector, who are in competing business with MDS, whether they actually store data outside of the province?

Mr. Chalmers: No, I have no knowledge of that.

Mr. Angus: Mr. Chairman, on that point, may I make it absolutely clear, is any data stored on any of the computers outside of this province for data recovery purposes?

Mr. Chalmers: None.

Mr. Angus: Okay.

Mr. Leonard Evans: My question, and I appreciate Mr. Chalmers is not all-knowing as to what goes on in the private sector, and I am not trying to put him on the spot, but I thought perhaps from his knowledge of the industry that he might have some inkling whether the private sector, because they may not have the equipment or whatever, store data outside of Manitoba.

Mr. Chalmers: No, I do not know the answer to that.

Mr. Pennycook: Mr. Chairman, it of course depends on the company. If the company is a multinational company and is operating in more than one country or if it is a national company operating in more than one province and has more than one data centre, of course it will have whatever data is associated with the processing at that centre in that location which could be just about anywhere.

The traditional practice, and one that I know my company follows, is that for data that is processed on

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the mainframe in Winnipeg for Canada and the United States, all that data is stored in Winnipeg. We also have a contract with Sunguard Philadelphia because it is a larger site and we need the capacity of Philadelphia. We do the same thing. If there was a disaster we would take the data that we have stored in Winnipeg offsite and take it down and operate the facility to all our branches and so on.

Mr. Leonard Evans: Mr. Chairman, I can see what Mr. Pennycook is saying, but he is talking about a company that may be national or international in scope who happens to have a built-in computer facility and works in that way. I can see the banks doing that, I can see Eaton's, Sears, et cetera. When you pay your bills now they are usually processed in Toronto, if you have bills with those companies, rather than here, which is regrettable. I am talking I guess about a common carrier if I can use that term. I mean, to talk about the trucking industry, there is an analogy, you could have Safeway own its own fleet of trucks but then you also have common carriers, public service vehicles that do nothing but carry goods. What I am asking is about comparable organizations in Manitoba if there are such, privately owned common carriers in Manitoba who may store data out of the province.

Mr. Angus: The answer is somewhat technical, but private corporations will take backup and store it generally in Manitoba. If they have a facility to recover within Manitoba they will use that facility because it is less costly to transmit the information back and forth within Manitoba. If they have a capacity requirement beyond what is able to be provided in Manitoba then they will be forced to go to a larger main centre and larger corporations. This one may or may not do it, can sell time on their computer for that very purpose.

In effect if there was a large user in Thunder Bay, a municipality as an example, they may in fact buy backup space and backup time either on MDS or at Great-West Life on their mainframe if there was capacity and ability to function there. I am not trying to suggest this is a new vein of business they should get into but that is generally the way it works.

Mr. Chairman: Thank you. The time being 12:30, what is the will of the committee?

Committee rise.

COMMITTEE ROSE AT: 12.30 p.m.