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of the
Legislative Assembly of Manitoba

STANDING COMMITTEE
on
PUBLIC UTILITIES
and
NATURAL RESOURCES

39 Elizabeth II

REVISED

Chairman
Mr. Ben Sveinsen
Constituency of La Verendrye



VOL. XXXIX No. 1 - 10 a.m., TUESDAY, NOVEMBER 6, 1990



MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Fifth Legislature

Members, Constituencies and Political Affiliation

NAME	CONSTITUENCY	PARTY
ALCOCK, Reg	Osborne	Liberal
ASHTON, Steve	Thompson	NDP
BARRETT, Becky	Wellington	NDP
CARR, James	Crescentwood	Liberal
CARSTAIRS, Sharon	River Heights	Liberal
CERILLI, Marianne	Radisson	NDP
CHEEMA, Gulzar	The Maples	Liberal
CHOMIAK, Dave	Kildonan	NDP
CONNERY, Edward, Hon.	Portage la Prairie	PC
CUMMINGS, Glen, Hon.	Ste. Rose	PC
DACQUAY, Louise	Seine River	PC
DERKACH, Leonard, Hon.	Roblin-Russell	PC
DEWAR, Gregory	Selkirk	NDP
DOER, Gary	Concordia	NDP
DOWNEY, James, Hon.	Arthur-Virden	PC
DRIEDGER, Albert, Hon.	Steinbach	PC
DUCHARME, Gerry, Hon.	Riel	PC
EDWARDS, Paul	St. James	Liberal
ENNS, Harry, Hon.	Lakeside	PC
ERNST, Jim, Hon.	Charleswood	PC
EVANS, Clif	Interlake	NDP
EVANS, Leonard S.	Brandon East	NDP
FILMON, Gary, Hon.	Tuxedo	PC
FINDLAY, Glen, Hon.	Springfield	PC
FRIESEN, Jean	Wolseley	NDP
GAUDRY, Neil	St. Boniface	Liberal
GILLESHAMMER, Harold, Hon.	Minnedosa	PC
HARPER, Elijah	Rupertsland	NDP
HELWER, Edward R.	Gimli	PC
HICKES, George	Point Douglas	NDP
LAMOUREUX, Kevin	Inkster	Liberal
LATHLIN, Oscar	The Pas	NDP
LAURENDEAU, Marcel	St. Norbert	PC
MALOWAY, Jim	Elmwood	NDP
MANNES, Clayton, Hon.	Morris	PC
MARTINDALE, Doug	Burrows	NDP
McALPINE, Gerry	Sturgeon Creek	PC
McCRAE, James, Hon.	Brandon West	PC
McINTOSH, Linda	Assiniboia	PC
MITCHELSON, Bonnie, Hon.	River East	PC
NEUFELD, Harold, Hon.	Rossmere	PC
ORCHARD, Donald, Hon.	Pembina	PC
PENNER, Jack, Hon.	Emerson	PC
PLOHMAN, John	Dauphin	NDP
PRAZNIK, Darren, Hon.	Lac du Bonnet	PC
REID, Daryl	Transcona	NDP
REIMER, Jack	Niakwa	PC
RENDER, Shirley	St. Vital	PC
ROCAN, Denis, Hon.	Gladstone	PC
ROSE, Bob	Turtle Mountain	PC
SANTOS, Conrad	Broadway	NDP
STEFANSON, Eric	Kirkfield Park	PC
STORIE, Jerry	Flin Flon	NDP
SVEINSON, Ben	La Verendrye	PC
VODREY, Rosemary	Fort Garry	PC
WASYLYCIA-LEIS, Judy	St. Johns	NDP
WOWCHUK, Rosann	Swan River	NDP

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC UTILITIES
AND NATURAL RESOURCES
Tuesday, November 6, 1990

TIME — 10 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. Ben Sveinson (La Verendrye)

ATTENDANCE - 11 — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Cummings, Driedger, Enns,
Findlay, Orchard

Messrs. Alcock, Gaudry, Storie, Sveinson,
Mrs. Vodrey

* Substitutions: Mr. Martindale for Mr. Dewar

APPEARING:

Clif Evans, MLA for Interlake

Tom Stefanson, Chairperson, Manitoba
Telephone System

Dennis Wardrop, Acting President, Manitoba
Telephone System

MATTERS UNDER DISCUSSION:

Annual Reports of the Manitoba Telephone
System for the years ended December 31,
1988, and ended December 31, 1989.

* * *

Clerk of Committees (Ms. Bonnie Greschuk): Will the committee please come to order. We must proceed to elect a chairperson to the Standing Committee on Public Utilities and Natural Resources. Are there any nominations?

Mr. Harry Enns (Minister of Natural Resources): I would like to put forward for consideration the Honourable Member for La Verendrye, Mr. Ben Sveinson.

Madam Clerk: Mr. Sveinson has been nominated. Are there any other nominations? Since there are no further nominations, will Mr. Sveinson please take the chair.

* (1005)

Mr. Chairman: I call the Committee on Public Utilities and Natural Resources to order to consider

the Annual Report of the Manitoba Telephone System for the fiscal years ending December 31, 1988 and 1989.

I would invite the Honourable Minister to make his opening statement and to introduce the staff present today.

Committee Change

Mr. Jerry Storie (Flin Flon): Mr. Chairperson, before we proceed, another Member of the committee could not be here today, so I would like to make a committee change, the Member for Burrows (Mr. Martindale) for the Member for Selkirk (Mr. Dewar).

Mr. Chairman: Okay, so Mr. Dewar is not on the committee, Mr. Martindale will be taking that position and you will be making that substitution in the House today.

* * *

Hon. Glen Findlay (Minister responsible for the administration of the Manitoba Telephone Act): Mr. Chairman, it is indeed a pleasure to have the opportunity to talk about the Manitoba Telephone System this morning in the Natural Resources and Public Utilities Committee.

I have the Acting President here, Mr. Dennis Wardrop; Chairman of the Board, Mr. Thomas Stefanson; Vice-President of Finance, Mr. Bill Frazer, and some other staff who may need to be called on during the course of the meeting.

It is a pleasure for me to be able to make a few comments about the Annual Report of the Manitoba Telephone System. When I presented the last report to this committee last November, I advised Members that it contained a lot of good news. I also announced that MTS was back on track. It is now making significant money each year and being able to deliver the service to the residents of the Province of Manitoba.

I was able to say that this significant progress was

made possible because the Government had encouraged MTS to adopt and pursue a very businesslike approach to its operations. The report before you shows that this progress continued in 1988 and 1989. The facts are clear. Going from the significant losses between '86 and '87, by the end of 1988 MTS reported net earnings in 1988 of \$15.4 million; in just one more year, net earnings rose to \$35.6 million which is a jump of over 130 percent.

Approaching operations in a businesslike fashion has resulted in MTS being able to show significant and rapid results. This approach has been particularly prudent for MTS which is working to adopt a more competitive environment while it proceeds with major programs to improve service in the Province of Manitoba.

MTS performed well in the competitive environment with residential telephones and cellular services in the past. Only last week I announced a new policy that will allow Manitoba businesses to purchase or lease their telephone equipment from private suppliers to connect to the public network. I also announced the policy to allow businesses that need private, intercity lines to have the choice of using Canadian carriers other than MTS.

This step was taken because many Manitoba businesses have been asking for such freedom of choice, that is, to be on a level playing field with other businesses across the country. In addition to providing opportunities to make Manitoba business more competitive, these new policies will eliminate important barriers to attracting new enterprises to the province.

MTS, which will compete with other suppliers in these markets, is confident that there is room for other companies to participate. In my report to the committee last year, I also noted that the federal Government had taken the legislative initiative without consultation, to bring MTS under its regulatory jurisdiction. Manitoba and other affected jurisdictions were deeply concerned that regional perspectives would not receive sufficient weight under the present terms of federal regulation.

In the light of the rapid changes and trends in this industry, we felt it was essential to get the ground rules straight before such a major step was taken. I told Members that an effective lobby brought together between Manitoba, Saskatchewan and Alberta had succeeded in forcing Ottawa to hold its proposed Bill. I explained that our goal was to

persuade the federal Government to enter into discussions to address desire of the prairie provinces to ensure that regulation continues to be responsive to regional needs and circumstances.

I am pleased to report that these discussions have proceeded, and have proceeded relatively well. It is increasingly clear that MTS must generate sufficient net income to ensure that it has the financial strength and stability to meet the force of these new and inevitable developments. The corporation also needs to maintain the integrity of its finances to meet its ongoing public service obligations.

Last year I announced a far-reaching program to improve telephone service in Manitoba. Just to remind Members of the committee, that six-year initiative which will affect virtually all telephone users will cost nearly \$800 million, and take over six years. In that course of time some 47,000 multiparty residential business customers will be converted to individual line service. Telephone users can obtain toll discounts in the province on long distance calls in a number of programs, including the Teleplus Manitoba, Teleplus Winnipeg, Teleplus Brandon, Between Friends, and by January 1, 1992, adjacent exchanges around the cities of Brandon and Winnipeg will have access to Urban Unlimited.

* (1010)

Many Manitobans with physical disabilities now have access to a Special Needs Centre that will assist them in their telecommunications requirements. Exchanges throughout the province will be upgraded to modern digital switching technology. Over this period of time, over the past two years, long distance rates have been reduced some 48 percent.

There is another component of the program that has been introduced in a number of communities in various parts of the province. This is the piece of the bigger service improvement program that has been the focus of attention with a number of Members and is likely the subject of some discussion this morning. The service is called Community Calling. It was designed to respond to a long standing demand by rural subscribers for flat-rate toll calling to wire calling areas.

When I spoke to you about this element of "Service for the Future" last November, I told you that it had undergone the close scrutiny of nine days of PUB hearings and 10 volumes of testimony. I also prodded the PUB and asked MTS to go back to the

drawing board with the Community Calling program. In response to presentations that they had received during its hearings, the PUB wanted MTS to look at options that would enhance the original proposal. MTS did exactly that, and at last year's public meeting I was able to report that MTS had reapplied to the PUB for approval of these enhancements.

Another set of hearings was held and another mountain of testimony was given, and in March of 1990, the PUB approved MTS's proposed enhancements. Based on that approval, MTS moved forward with implementation. There is no question that some customers have reacted negatively to Community Calling in a number of affected communities, and I would also say that a number have reacted very positively to that program.

Certain Members of the Legislature have raised the negative elements with me, MTS has received a number of complaints from its customers, and I myself have received calls from people who did not understand what the program was all about. These concerns focus largely but not entirely on the level of rate increases for this service even though the telephone subscribers are only paying 60 percent of the real cost of implementing the program.

Nobody likes rate increases even when they are associated with improvements in service. Therefore, we naturally expect to receive some complaints from telephone users. In certain areas the degree of complaints has exceeded expectation.

As announced by MTS yesterday, they have delayed the continuing implementation of Community Calling until it completes a review by its staff to determine the pros and cons of the program as presently constructed.

I do not want to anticipate the outcome, but I think that it is important for all of us to keep some important points in mind about the realities of telephone service improvement. First, we have to remember why Community Calling was started. The point was to introduce wider, flat-rate, toll-free calling areas. Many rural customers told Members on both sides of the House that they wanted to be able to call more places farther from their homes and businesses without incurring long distance charges. To achieve this, MTS has limited choices. If it replaces long distance rates with flat rates while maintaining its same level of revenues, the

inevitable result is higher flat rates. I do not think anyone is suggesting it is possible to provide fundamental service improvements without incurring additional costs or shifting cost burdens.

The essential problem is that no two customers use the telephone service the same way. Customers who use a lot of long distance will be happy with the result of Community Calling, but it is a fact of life that people who are pleased with the new service do not call us with either praise or blame. They are content, but silent. However, customers who do not want long distance calls will be less pleased, or not pleased at all, and they will feel that they are not being treated fairly.

Here is a second point to keep in mind. In addition to flat rate long distance calling, rural customers also wanted to be able to reach more places. Ideally, Manitoba would have only one calling area, but the cost to do that is certainly prohibitive. Community Calling is ambitious, nonetheless, because its intent is to reduce the number of calling areas from 160 to 60, but here again, not everyone will be pleased with the results since individuals have different preferences and needs about where they want to call. Any map with detailed Community Calling areas inevitably results in complaints from some customers.

* (1015)

MTS will be reviewing its current map and giving calling patterns a hard re-evaluation. The Members should not expect that it is possible to produce a complaint-free program. Improvement of rural telephone service has been one of the great challenges of the industry from Day One in its history, and no one has yet to have a perfect solution.

MTS's commitment is to improve what we have and to pursue the best available options. The report before you aptly demonstrates that MTS, given sensible and reasonable policy direction, is capable of making substantial and rapid improvement. I am confident that it will be moving forward on all fronts including Community Calling, so that in 1991 we are able to report continuing progress for the corporation in all dimensions of its service to Manitobans.

Now, I would like to turn it over to the president, Tom Stefanson.

Mr. Tom Stefanson (Chairman, Manitoba Telephone System): Mr. Chairman, this is my

second appearance before the Standing Committee on Public Utilities and Natural Resources. As before, I want to give you some appreciation of the perspective taken by the MTS Board of the events of the period covered by the Annual Report, which is under review.

The most striking development, as noted by the Minister, has been the encouraging financial progress being made by the corporation. I can reaffirm the Minister's observation that the general policy approach of the Government has guided the board in its day-to-day business decisions.

In order for it to meet its vital public service obligations, MTS utilizes extensive human, technical and financial resources. Because it must expand, modernize and maintain a vast array of facilities and equipment, much of which is on the leading edge of technology, the corporation invests constantly in its plant. That investment not only requires capital dollars, but also money to attract, retain and develop the qualified personnel who can build and operate a complex, interwoven, province-wide telecommunications network. It goes without saying that the ongoing investment in the network and in the people who design, construct and maintain it is a serious responsibility.

Each time we meet to address issues or review projects or proposals, board members must make very critical decisions. Whether we are endorsing the purchase of new transmission facilities or an enhanced training initiative, the board often is asked to undertake substantial commitments not infrequently in the millions of dollars. The decisions we make set a course for many years, affecting not only the shape and design of MTS network, but also the quality of the service and the future state of its finances.

Let me give you just one example of such a decision which is referred to in our annual report. The Minister mentioned that MTS is proceeding with a "Service for the Future" program which includes a component that is modernizing MTS's plant. This initiative will convert the corporation's network to digital technology, which I am informed is quickly becoming the technical standard of the industry. As it implements this portion of the modernization program, MTS is progressively installing digital switch equipment in exchanges from one end of the province to the other. These switches have many benefits over the older technology, including the fact that they provide long-term cost advantages in

terms of flexibility and operation, but they are expensive.

In the past, MTS for the most part has bought its switches one at a time. Seeing that the modernization program would be implemented over several years, we identified an important opportunity for cost savings. Our decision was to enter what we call a "bulk switching contract." Under it we arranged to bulk purchase digital switches from suppliers, and in this way obtained significant volume discounts. As a result, MTS will have the best technology the industry can offer at the lowest possible price. We think that this kind of businesslike approach to the public utilities operation is the only way to go.

This is especially true for the telecommunications industry. As the Minister has suggested, the changes that are taking place are coming fast. Many are taking place beyond the borders of the province. A number of these trends have positive dimensions, and more often than not they are beyond the control of individual companies or even Governments. I recall that at last year's meeting of the committee, some Members expressed concerns about a potential loss of long distance revenues. One pointed specifically to the key connection between revenues and MTS ability to meet its service obligations. He suggested that a threat to certain revenues could impair the capacity of the corporation to complete the \$800 million "Service for the Future" program.

* (1020)

There is, of course, a link between revenues and the investments we make, but a more important issue is the overall long-term financial strength and integrity of the company. Every company faces changes in its expenses and revenues over time. The great challenge is to build a financial base capable of meeting unavoidable fluctuations in the business cycle and more fundamental changes in the markets and industry structure. It is the board's responsibility to put these factors into context and to take the long-term view.

The report you are reviewing here shows, I believe, that MTS is laying a strong financial foundation. To do this, it is necessary to pursue goals that cannot be achieved in a single year. Last year, we explained that our long-term financial goals include a reduction in the corporation's debt-equity ratio, the full funding of MTS pension liability by the turn of the century, and enhancing the revenue MTS

receives from Telecom Canada process. The numbers show that we are making good progress towards meeting these goals and in turn preparing for the eventualities that we know are coming. Our overall revenues grew by over \$65 million up to \$539 million.

As we noted in the report, a large portion of this increase can be attributed to growth in long distance revenues. The fact is that we are doing much better in the revenue-sharing arrangements with Telecom Canada. In 1989, we also made a modest reduction of nearly \$6 million in our long-term debt. Equally important, MTS made progress in the investment it makes to meet its pension obligations. It is our intention to continue our effort to build the corporation's financial base. In addition to seeking ways to improve the return on revenue sharing and to hold the line on debt to the degree that is possible, we are working to control expenses. This is a particularly difficult element of our task, given increasing demands for service as well as general inflationary pressures.

One of those demands for service was mentioned by the Minister in his reference to the current concerns about the introduction of Community Calling in recent months. He described some of the inherent problems associated with rural service improvement programs in the telephone industry, and he reported that MTS is reviewing the program.

I want to assure the committee that the corporation's examination will be as extensive as we can make it, recognizing that we do not want to delay the program any longer than necessary. We will be looking at all the possibilities, not only from the perspective of what services should be provided and where they should be delivered, but also at ways of improving customer input and communications. We hope to have completed the review in the very near future.

The MTS board and staff are deeply committed to improving telephone service to Manitobans. It is our intention to study the present situation thoroughly and carefully and then to get on with the job of meeting that commitment.

Mr. Dennis Wardrop (Acting President, Manitoba Telephone System): Mr. Chairman and Members of the committee, I would like to take this opportunity to note the highlights of the Manitoba Telephone System Annual Report.

Manitoba Telephone System was able to report

the following financial results for the 12-month period ending December 31, 1989: total operating revenues were \$516,564,000, compared to \$454,565,000 in 1988; total operating expenses for 1989 were \$428,804,000 compared to \$380,773,000 for 1988; the net income was \$35,644,000, compared to \$15,445,000 for 1988; the gross construction expenditures were \$174,056,000, compared to \$159,928,000 for 1988.

* (1025)

These figures indicate that Manitoba Telephone System has been making progress in its efforts towards strengthening its financial base and long-term financial goals while continuing to upgrade its plant and facilities to meet the changing needs and new demands of Manitobans.

1989 saw Manitoba Telephone System make strides in improving the reach and quality of the service. Some of the important service-improvement activities that took place over the reporting period were these:

Manitoba Telephone System officially launched the universal individual line service program, with a cutover that took place at Darlingford on November 2, 1989. Additional customers in Beulah were also converted to individual line service shortly after.

Five hundred and sixty-four customers in all received the benefit of this program in 1989. By the end of 1990, an additional 23 exchanges will have been converted, affecting an additional 4,913 customers.

Manitoba Telephone System plant and facilities modernization program moved forward with 23 exchanges in rural communities and two centers in Winnipeg being upgraded to digital switching technology by December 31, 1989.

In Lac Brochet and Tadoule Lake, where telephone service previously was available only through paystations, Manitoba Telephone System extended services to homes and businesses.

There were other enhancements made in 1989 which included: 1989 was the 100th anniversary of public pay telephones in Manitoba. In November, Manitoba Telephone System installed its 6,000th pay telephone. We made progress in improving access to paystations as well as their location and signage.

One new innovation made in 1989 was the introduction of drive-up pay telephones. There are

14 of these installations now in place, and we are at present assessing the customer reaction to this new service.

As part of the "Service for the Future" program, Manitoba Telephone System received approval from the Public Utilities Board to improve service to customers with physical disabilities. These customers are now able to obtain special equipment that is designed to ease their difficulties in using the telephone as a result of their handicap, and at basic telephone rates and Touch Tone telephone rates with no additional charge. They also can purchase certain equipment outright at cost. Some 5,000 of our handicapped customers are now benefiting from this new service.

1989 was MTS Cellular's second year of operation. It expanded its service significantly, providing uninterrupted coverage in Winnipeg and Brandon along the Trans-Canada Highway from the Ontario border to the Saskatchewan border. This service is now available to more than 90 percent of the province's population.

Manitoba Telephone System's Broadcast Group was part of a renewed five-year, \$31 million contract between Telecom Canada and the CBC Radio, as well as a nine-year, \$85 million contract with CBC Television.

Manitoba Telephone System will share in the revenues received through these agreements. Under these contracts, Manitoba Telephone System plays a role in the important job of distributing CBC programming to Canadians and to Manitobans.

In 1989 the Manitoba Telephone System launched satellite delivery service of CBC Radio programming to the North, which will improve the quality and reliability of radio service to eight communities and over 40,000 Manitobans.

Cable television service was also extended to Snow Lake through the use of Manitoba Telephone System local cable facilities. Approximately 260 of Snow Lake's 575 potential customers have subscribed to this new service.

* (1030)

Manitoba Telephone System also made progress in 1989 in serving its business customers. New contracts included data communication services and products for 40 hospitals and personal care homes throughout Manitoba as a joint effort of the Manitoba Health Services Commission and the

Unisys Corporation. These products and services will improve the accounting systems and improve access to medical information throughout the province.

Envoy 100 and iNet Service for the Cadham Provincial Laboratory was provided. These services will improve the accuracy and speed of service provided by the laboratory to some 100 locations throughout Manitoba.

Manitoba Telephone System has been working hard to intensify its commitment to provide high quality service. We recognize that modernizing and improving our plant and facilities as well as introducing new and enhanced services are important elements of that effort; however, also of importance is that our employees must maintain their individual and collective commitment to customer service. Therefore, Manitoba Telephone System has spent a great deal of effort in improving its human resource programs. It has introduced new comprehensive orientation programs for new employees aimed at familiarizing them with the organization, missions and goals of the company. We have developed and conducted 300 development and training programs involving 25,500 training days in order to enhance the performance of sales, administrative, operational and technical staff who are serving Manitobans.

We have implemented a corporate awards plan in several areas, such as in sales and customer service, in order to provide recognition and tangible rewards to staff who make noteworthy contributions in the service of Manitoba customers. The operational statistics tend to support our belief that improved service will be reflected in continuing strong demand for our services.

In 1989 the number of local calls grew to 5,976,000 per day, up from 5,779,000 in 1988. The number of long distance calls increased from 319,000 daily, compared to 288,000 daily in 1988. The 10 percent growth in long distance calling was an important factor in contributing to Manitoba Telephone System's favourable net earnings. Last year, Manitoba Telephone System customers made nearly 116 million long distance calls; 12 million of these were handled by operators.

Mr. Chairman, that completes my report to the committee.

Mr. Storle: Mr. Chairperson, I want to thank both Mr. Stefanson and Mr. Wardrop for their comments,

and perhaps if I could take a few minutes to comment on the Minister's introductory remarks.

Point of Order

Mr. Enns: Mr. Chairman, on a point of order, it is just a suggestion, whether or not Members of the committee would find it appropriate to deal concurrently with both reports before us, the '88 and '89 reports, so that without in any way restricting Members' comments dealing with either of the reports, but in conclusion that we can then look forward to approving both annual reports that are before the committee.

Mr. Chairman: The Honourable Minister did not have a point of order, however, I do believe that it is good to stick to the reports 1988 and 1989, as we are supposed to be considering this morning.

* * *

Mr. Storle: Just for clarification, I am not sure whether you ruled that the Member for Lakeside (Mr. Enns) did not have a valid point. Certainly the experience in the committee is that we have done this in the past. My only proviso is that we make sure that everyone has had an opportunity to ask their questions, and I am sure that at the end of the day the committee will see fit to pass both reports simultaneously. I would hope that we will not have to be confined, in the first instance, to comments about one report or the other. We should deal with the general philosophical issues that the Minister has raised.

Mr. Chairman: What is the will of the committee? To pass both reports?

Mr. Storle: The recommendation was that we continue the discussion, and if at the end of the day we wish to pass both reports concurrently, we do that. The committee, I am sure, will feel obliged to do that once all of the questions have been asked. I suggest that we continue with questions.

Mr. Chairman: Proceed.

Mr. Storle: The Minister began his remarks by commenting that MTS was back on track, and certainly in 1988 the fiscal year Annual Report for 1988 indicated that MTS was back on track and reporting net earnings of some \$15.4 million.

The Minister may want to take credit for that in some way; the credit is probably due to MTS and the staff and the dedicated people who work for MTS.

Mr. Chairman, I do take exception however to the Minister's comments that the "new directions" that are being set by MTS reflect the philosophy of MTS. Manitoba Telephone System was formed a long time ago to be a public utility and serve the interests of Manitobans, not the interests of a select few Manitobans, not to serve the interests, as the Minister suggested in his remarks, of the business community who have been hounding the Minister to allow for competition and to allow them the "freedom of choice," which I hope the Minister will be forthright enough to acknowledge means a cost to the residential consumers of telephone services across this province in the long term. While we are headed down a path that the Minister may feel comfortable following, there are going to be many Manitobans who find this path both uncomfortable and objectionable.

The most important impact of this "new direction" is going to inevitably be higher and higher residential phone rates, and many communities are now, I think, beginning to face that reality.

I want to start by talking about an initiative that is not so apparently connected to the Minister's new philosophy, but in my opinion is, and that is the Community Calling program. Mr. Chairperson, in the Minister's opening remarks the Minister attempted to suggest, and in answer to a question yesterday the Minister did suggest, that the Community Calling Program was imposed by the Public Utilities Board, that MTS had no option but to concur with the Public Utilities Board's recommendation that MTS could not of their own volition change the program at this point. Clearly, that is wrong.

Had the Manitoba Telephone System or this Minister decided that the Community Calling program was not working, they could intervene at the PUB immediately, and I am certain the Public Utilities Board would not override that decision on the part of MTS, or would certainly approve it forthwith.

The evidence for that is in the fact that MTS saw fit to stop part of the Community Calling program in the middle. Perhaps the Minister or the Chairman can correct me, but I do not believe that they went to the Public Utilities Board and said, "We are having second thoughts." I believe their customers told them in no uncertain terms that they should be having second thoughts. They did not go to PUB to my knowledge to make those changes, they do not need to go to PUB to make further changes to the

Community Calling program, they do not need to go to the PUB to stop the Community Calling program, and I believe that the Minister should.

* (1040)

Mr. Chairman, the Minister yesterday, in answer to a question that I raised, suggested that somehow it was myself or others who were fomenting this revolt against the Community Calling program.

I want to remind the Minister that MTS representatives attended a meeting at both Snow Lake and Flin Flon long after the decision to implement the Community Calling program had been approved, long after the notices to subscribers had been mailed and people saw what the increases were going to be.

MTS officials were told by virtually half of the residents of the community of Snow Lake that they did not want the Community Calling program. They were told that in no uncertain terms.

Any time you can get half the residents of a community out to a public meeting on any given evening, you have a significant number of people who are opposed to it.

Mr. Chairperson, it was not I who encouraged the chamber of commerce in the city of Flin Flon to come forward before the public forum and tell the board and tell the MTS representatives in no uncertain terms that this program was not going to serve their interests or the community's interests. It was not I who asked the councils in the city of Flin Flon or the town of Snow Lake to tell MTS they did not want this program.

The fact of the matter is, this program does not serve our needs whatsoever, and for the Minister to keep implying that somehow it is just a few malcontents who are stirring up problems is misleading, and I believe is insulting to most of the people in the two communities who are left with the Community Calling program in northern Manitoba.

We were raising the issue of what impact the Minister of Northern Affairs' (Mr. Downey) comments would have about the North not voting right. The people of Snow Lake and Flin Flon are starting to wonder, given the public outcry: Why has the Minister seen fit to remove the Community Calling program for Oakbank—that is his constituency—and left it in place in the community that started the protest?

They want some answers from this Minister and

it is not good enough to say the PUB is making us. The PUB clearly is not making us. You have stopped it in every other community.

Perhaps the Minister can tell this committee why we still have Community Calling in Snow Lake and Flin Flon, when we do not want it?

Mr. Findlay: It is unfortunate the Member for Flin Flon continues to really misrepresent the issue. He has used the word "stop" the program. MTS has announced that the further implementation of the program is on hold until they have had an opportunity to assess the public's input in terms of the use of the program. I will tell the Member the program is in place right now in 23 communities, including Snow Lake and Flin Flon.

MTS has done an analysis as to their level of use, and it is actually unfortunate that the Member says nobody wants it. Well, the facts of the matters are that between October of '88 and October of '90, when the program was in place in October '90, the amount of calling between those communities has gone up 4.2 fold.

Now, I absolutely cannot understand why the Member says that the people do not want the program. The use pattern of 4.2 fold, from October two years ago to October now, and calling between those two communities, indicates a high level of use of the program, so people are wanting it. It does reflect.

The Member is scowling, saying he does not believe the statistics. The purpose of putting the program on hold is to go back and assess those things in terms of the number of communities where it is presently in place and the degree of acceptability that is there, because throughout the process of public discussion that was held, by MTS officials, by the Public Utilities Board in two series of hearings, was that people want it. They wanted larger calling areas and they wanted adjacency, and that is what was presented to the Public Utilities Board. They ruled, in 1990 in their ruling, that the parameters that MTS was proposing at that time be used in putting the program in place, and those parameters are well-known and are understood, I am sure, by many more people than the Member for Flin Flon.

I think that we have to just back off for a minute and allow the corporation to do its analysis of the degree of acceptability of the way the program is in place for any and all communities. The number of

communities that are presently on hold and were indeed intended to be implemented in the coming months represents some 27 communities, and those communities will be assessed as to whether the program as developed will meet the needs in the best possible way. So, I think the Member is completely misrepresenting the corporation when he says that they do not respond to what the public wants. They are responding to exactly what the public wants, and if there are certain discrepancies up in the North, that is the purpose of holding and doing a review by staff of MTS, to determine what best serves the needs of those people. For the Member to misrepresent the corporation in the kind of statements he makes is really quite unfortunate, but I think the Member does not clearly understand the role of the Public Utilities Board in this.

MTS is a monopoly; it is regulated by the Public Utilities Board. When the Public Utilities Board puts an order in place, MTS would have to apply back to the Public Utilities Board to change that order. They cannot unilaterally change the program when it is in place under an order.

Mr. Storle: Did the Minister get PUB approval to stop the implementation of the Community Calling program?

Mr. Findlay: The Manitoba Telephone System did not stop the program of Community Calling. They have temporarily put it on hold, bringing any new communities into the program. MTS has made that decision; the Minister did not make that decision. MTS made that decision that they should hold it and do an assessment, because there is some public reaction out there of not understanding the program, and there is an opportunity for MTS to explain the program and further analyze the details of how it is being put in place community by community.

I will clearly remind the Member there are some 23 communities with it in place, and we are hearing the negative reactions from two communities, Flin Flon and Snow Lake, which the Member is talking about. I hope he would not misrepresent the program in terms of the benefits ascribing to some 21 other communities. I would remind the Member that the program is on hold. MTS, its board and the executive, have decided to put it on hold and will re-analyze it. If they want to make some changes they will apply back to the Public Utilities Board. If they do not make any changes there is no need then to apply to the Public Utilities Board. The MTS clearly has the authority to implement the program

community by community under any time frame they so choose.

Mr. Storle: Mr. Chairperson, the Minister has contradicted himself so many times he must be in a knot by now. The Minister suggested that the PUB had to make a ruling to stop the Community Calling program, or to change the order. The order has been changed, on November 4 there were at least—

Point of Order

Mr. Chairman: Order, please; order, please. What is your point of order?

Mr. Findlay: The Member completely misrepresents the situation time and again by using the word "stop." They have just put on hold the implementation. There is no change to the PUB order whatsoever, no change to the order.

Mr. Chairman: We do not have a point of order.

* * *

* (1050)

Mr. Storle: Mr. Chairperson, the Minister may want to play with the word "stop." The fact is that for many communities in this list, and I would remind the Minister that every other community that was scheduled to have the Community Calling program put in place, every community other than the two that we are talking about, Snow Lake and Flin Flon, have been stopped. Cross Lake, Island Lake, Norway House, Red Sucker, Thicket Portage—

Point of Order

Mr. Chairman: Order, please; order, please. The Honourable Minister for MTS, on a point of order.

Mr. Findlay: I cannot allow the Member for Flin Flon to put misinformation on the record. He made the statement that every other community, other than two, has had the Community Calling stopped. He is dead wrong.

Mr. Chairman: What is the point of order, please?

Mr. Findlay: If he reads the press release he will find that 21 communities remain in place, in addition to the two he is talking about while the review is in place.

Mr. Chairman: There is no point of order. This is a dispute of facts.

* * *

Mr. Storle: Mr. Chairperson, the communities that

MTS's own press release referenced, the northern communities that I referenced, have all had implementation of the Community Calling programs stopped. If MTS can stop it for those programs without going through the PUB, MTS can stop charging the residents of Flin Flon and Snow Lake 24 percent and 56 percent increases now. They do not have to go back to the Public Utilities Board. The Minister has just acknowledged that the PUB has given them permission to implement community by community.

The Minister just acknowledged that MTS, at its own discretion, has decided to stop the implementation retroactively for communities like Cranberry Portage and Flin Flon. MTS can at its own discretion stop the charging of residents in my constituency these fees without going to the PUB. Furthermore, if the Minister wanted to take this to PUB himself and say this program is a mess, which it is, he could do so without hesitation, and the PUB Board would allow MTS time to develop an alternative, to rework the program, to scrap the program. The Minister is playing games if he is going to pretend to the public otherwise. The fact is this could be stopped very quickly.

Mr. Chairperson, the Minister also continues to suggest that it is only some malcontents in Flin Flon and Snow Lake that object to this program. I remind the Minister that the council in the City of Thompson also said they do not want this program. Their increases were substantially less than the increases that are being faced by residents in Flin Flon, Snow Lake and Cranberry Portage, which go as high as 66 percent. The fact is that this program is not going to work in Northern Manitoba.

The Minister keeps saying that the PUB had held public hearings on the proposal and that people came forward and requested it. I have said many times I am not opposed to the Community Calling concept where communities want it, where there is some benefit to them from this particular service. By all means, MTS should implement it.

The fact is, between Snow Lake and Flin Flon, there is no connection. For the Minister to suggest that because there has been an increase in calling between the two communities shows that people want it is a complete misrepresentation of what is happening. The people are being charged and so they are using it. That is what is happening. If you ask the residents whether they want it, the answer is a very clear no, because they have no control over

their costs this way. For the people who never phoned Flin Flon, they are phoning to Flin Flon to get the weather now. This is supposed to be a service, not an additional cost. If they are going to get charged, certainly they are going to use it. That does not mean they want it. That does not mean they need it. There is no connection between these communities. I do not know why this Minister is so obstinate.

The chamber of commerce, the city council in those communities and the people do not want it. Why do we still have it and other people have had the program cancelled for them? Cancel it in that area.

Mr. Chairman: I would like to say to each Member of this committee, if there are points that you are trying to make and you are directing them to the Minister, try to give the Minister the opportunity of answering to them, if you could. In that way we will carry on a more orderly meeting.

Mr. Findlay: The Member for Flin Flon really is grandstanding. There is only one malcontent and that is him. He is saying that those people who are using the service do not want the service. If they do not want the service, why are they using it?

Mr. Storle: They are paying for it.

Mr. Findlay: Mr. Chairman, as a Member, I did not interject when he was talking. I would prefer that he did not interject when I am talking.

The Member has the issue totally wrong. The PUB put an order in place. MTS had the right to determine the timetable of implementation. For those communities for which the program is implemented, they cannot roll it back without a PUB order. For those communities for which the program is not implemented, they have the right to schedule a timetable. They have decided to have a re-analysis of the program and then adjust the timetable accordingly.

The Member is completely wrong when he says nobody uses the service. He is completely wrong because the calling rate between Flin Flon and Snow Lake has increased 4.2 fold since the program has been put into place, so that clearly represents an increased usage pattern. If he says stop it, he is denying those people who have used it the right to be able to have access. The calling patterns over time have shown there is a community of interest between those communities. The calling patterns show that. That is the fact of life. I would ask maybe

the president to put further information on the record so that the Member understands the situation for all his residents so he does not represent just one side of the issue. There are two sides of the issue.

Throughout public meetings that have been held by the corporation and by the Public Utilities Board, there has been a strong desire to have both larger calling areas and adjacency as components of community calling, and that is what has been put into place. It is a highly desirable program for a large number of communities. I would wish the Member would let the president of the corporation inform him of the facts and figures with regard to the pattern of calling between the communities so he will see that there is a greater community interest than what he is prepared to accept.

Mr. Chairman, I would ask the president to further exemplify the facts and figures between the communities. If the Member from Flin Flon really wants to know the facts, he will allow the president to have a chance to have his say.

Mr. Storle: I am certainly willing to have Mr. Wardrop put on the record any increased calling in October of '90 over October '89, as long as it is understood that if the Minister paying his Canadian Automobile Association membership, was forced to pay it, my question is: Would the Minister ever use the service? Would he use it more?

The people in Snow Lake, yes, are calling to Flin Flon. They are calling to Flin Flon more often, because right now there is no long distance charge, but you have to ask the question: Did they want it? Did they need this service? Do they want to continue paying for this service? I remind the Minister the increase in Snow Lake is 56 percent. I am not here representing a small portion of the residents of those two communities. I am representing 95 percent of those people. I remind the Minister that the town councils, who also supposedly represent the people in those communities, opposed the introduction of this service as did the chambers of commerce.

* (1100)

Mr. Chairman, I do not know why this Minister is so reluctant to move to prevent a further abuse of the people in those communities. I have one further question of the Minister before -(interjection)-

Mr. Findlay: Mr. Chairman, let me answer that.

Mr. Storle: I have one question you can answer in addition.

Mr. Chairman: Order, please.

Mr. Storle: The Minister keeps referring to the public meetings that were held by the PUB, or MTS held at the request of the PUB. The one that was held in northern Manitoba in my area was held in fact, in The Pas. My question to the Minister is: Was there one single representative from the Snow Lake area or the Flin Flon area at a meeting held in The Pas to discuss the rate increases in Flin Flon and Snow Lake, which is ludicrous to begin with? Was there one single person there that said this is a good idea?

Mr. Findlay: I would like to tell the Member again that the increase that was put in place of some, as he says, 54 percent, it is really \$4 a month. Before that 54 percent increase in rate, the community of Snow Lake has access to 4,400 additional telephones—about a 540 percent increase in the number of telephones available to them. I will remind the Member that they are using that opportunity. They are using it extensively with a 4.2 fold increase, and he says—why do I not roll it back? Why does MTS not apply to have a rollback? Because we are concerned about those people who are using it, who see it as being desirable. They have a chance. They need an opportunity to be heard. That is why the telephone system has decided to put the program of further implementation on delay while an assessment is done of those communities for which the program is in place to determine the level of acceptability or the desirability of a certain connection.

MTS is completely open to input from anybody and everybody, town councils, citizens, on a continuous basis so that they put in place the kind of program improvements that the public wants. It has been a long ongoing process to do exactly that. Over a two-year period, public meetings by the corporation, by the staff, by the Public Utilities Board, by the board, these meetings go on and on and the Member asks if there is anyone there objecting at The Pas from Flin Flon and Snow Lake.

The public meeting was called. It was one of the four meetings held each year by the board and nobody showed up. The Member said you held it in the wrong place. There are more issues for a reason for having a meeting out there than just this one issue. There is a whole series of issues. It is an opportunity by spreading the meetings around over time for everybody to have an input as to how they want to see Manitoba Telephones deliver its service of opportunity of public telephone system all across

the Province of Manitoba. I think the Member is misrepresenting his people by saying that they want only one thing.

The facts and figures show that they are doing something else in terms of the use of the system. They want something else, and the opportunity for further public input has been expanded. Further input has been made available by this review that is under way, in terms of the facts and figures of use, not only in those two communities but all the other 21 communities for which the program is presently in place.

The Manitoba Telephone System has done a lot of consulting, has met with those councils, has had public meetings in the area and will have more. Give the people an opportunity to have their input. To say nobody is using it or nobody wants it, the Member from Flin Flon is categorically wrong. I would like him to give the president a chance to put the information on the record as to the degree of use, so he understands that there are people who are using the system and are satisfied with it. He has to take that into consideration and take a balanced position for his residents. If he turns out to be right, that there is a vast majority that do not want it, the corporation is prepared to go back to the Public Utilities Board and have its ruling reviewed. It is prepared to do that but does not think it should do that unilaterally without an opportunity for broad public input from his area and other areas of the province.

Mr. Storie: The Minister is embarrassing himself, quite frankly. It is really quite sad to sit here and watch someone abuse the facts so miserably. The Minister is saying that people who are paying 56 percent more for this basic service should make no use of it whatsoever even though it is there. The Minister cannot tell me that the people in Snow Lake, because they are using it, want the program. They are using it now because they are paying for it. This Minister has imposed it on them without their consent, without their knowledge, in fact.

The Minister confuses the meetings that were held in The Pas. The meeting that was held, the one meeting that was held in The Pas, was the meeting ordered by the PUB. It was not an accountability meeting. It was ordered by the PUB to discuss specifically the "Service for the Future" of the Community Calling program. The reason no one showed up at those meetings, as those meetings were poorly attended in many parts of the province,

was because there was no discussion of the rate implications of the new program.

The people in Flin Flon who saw the PUB notice in the local paper did not know how it was going to affect them. They were told to come and discuss this airy-fairy concept. It did not say you will be paying 24 percent more for your phone in Flin Flon and 56 percent more in Snow Lake. They were to drive 120 miles, 150 miles for Snow Lakers, to discuss what? They did not understand what the program was or what the implication would be for them. When they found out was in their July telephone bill when a rate notice came across their desks. That was when they found what the implications of this program were going to be.

Mr. Chairperson, the Minister should first of all, I think, be forthright enough to discuss with MTS, or perhaps come with me to Snow Lake again or the city of Flin Flon and listen to what residents have to say. I remind him that when the people in Snow Lake knew what the increase was going to be for them, MTS did have a chance to discuss what the program was all about that evening on October 2. I can tell you that half of the residents, half of the MTS subscribers, came to a meeting and said this is not a great idea. I can also tell the Minister that I have a thousand cards from people in Flin Flon and Snow Lake, a thousand cards already, that say we do not want this. I do not represent a small minority nor a small majority. I represent the vast majority.

Mr. Chairman: Mr. Storie, are these cards going to be tabled in this committee?

Mr. Storie: I will provide the Minister with the cards, yes.

My question is to the Minister. The evidence is overwhelming. MTS has had meetings in both Flin Flon and Snow Lake where they were told they did not want the program. Can the Minister tell me where, in these communities who have had this program stopped, there have been half of the residents out opposing it? It has been stopped for these other communities. Why will the Minister not stop it in Flin Flon and Snow Lake where it is clearly not wanted? I did not say not used. They are paying for it, why should they not use it? Ask the residents the more serious question: Do you want it at this price? The answer is an overwhelming no.

Mr. Findlay: I would like to tell the Member that the purpose for MTS having this review at this time is to analyze whether there are certain areas of the

province where the service is less desirable than in other areas. I think it would be unfair to roll the program back in areas where there is a high level of desirability for the program. That is the purpose of the review. Manitoba Telephone System wants an opportunity, for the next two or three months, to have its staff review its program and to be able to consult with the public for an opportunity to make a decision.

* (1110)

Maybe he is right that Flin Flon and Snow Lake do not want it. They will have an opportunity to express that, but there are citizens up there who may want it. They will have an opportunity to express themselves. Other communities throughout the province like Goodlands, Dominion City, Deloraine, Altona, there seems to be a high level of acceptance of the program, and the Member should recognize that there are communities where it is the right program.

The telephone system is operating, I have to remind him, under an order from the PUB that every community has to be given an opportunity to have access to this service. Maybe that principle was too strong, in the order from the Public Utilities Board to the Manitoba Telephone System. Maybe the telephone system needs to analyze whether there are areas of the province, whether it is in the North or whether it is around the cities, where there is less desirability for the program. Maybe it is not necessary or appropriate to implement it there.

There are a lot of communities in rural Manitoba that want this program. They have said it for years and years. They said it to everybody who has gone out and asked them what service improvements they want, private lines and larger exchanges. They have the program in place now in those communities. They are paying two or three or four dollars a month extra and they are very happy with it. They look at their phone bill, they may have been paying \$15 or \$20 a month in long distance charges between those communities, and they are paying three or four dollars for toll-free access to those communities, so it is very positive for them.

That is why the corporation is saying we need an opportunity to assess the program and determine what the future is, with regard to implementation. It has not stopped the program; it has only delayed it, and I think the Member has a point in terms of his constituents in his area, but I do not think he is representing 100 percent of them, because there

are several using it. The corporation wants a chance to assess that.

I would further remind the Member that prior to implementing it, a community of interest in terms of calling pattern was used to determine which communities should be linked together. I would ask him to let the president give that analysis so that there is a true reflection of how the corporation has responsibly gone about implementation of program that the broad group of people in Manitoba want and want very desperately.

Mr. Wardrop: Mr. Chairman, I would like to give a little more detail on the studies that have been done in the Flin Flon, Snow Lake area. We did conduct studies at the time that the plan was being formulated and again that was checked just before the Community Calling program was turned up and we saw very little change in the calling patterns between the two communities up to that point. In October 1990 and following the implementation of the program we have done further studies in the area and we have found that there is, as the Minister has indicated, a 4.2 times increase in the calling between the two communities with the introduction of the program. Comparing October 1988, when the program was first in formation, until October 1990, we have seen that increase.

When we looked at the question of deferring any further action at this time simply to reassess it, on the program, we did look very carefully at situations that were already in place, one of them of course, being this cross-section of Flin Flon to Snow Lake. It seemed to us that with that level of people calling, it was important for us to attempt to determine if there was a real need in part of the community for a type of calling of that nature, rather than just arbitrarily shutting it all off.

That is what we are hoping to do with this study. We are giving very top priority to this item. It is of great concern to us, and we will be moving very rapidly on it, so that as a result of doing a little more work on this, we think we will be in a better position to make a very knowledgeable recommendation on which way we may be able to go with this in the future.

The Minister also made reference to the things that have gone on in ways of attempting to communicate to the public what indeed this matter of the whole Community Calling program was all about. There were a considerable number of steps

with this, and it is certainly regrettable on our part that some people felt that they did not fully understand it. We have taken note of that, and we are going to make efforts to try and communicate the nature of the program better in future.

By way of history, on September 29, 1988, there was a public announcement by the Honourable Glen Findlay of the program. It got fairly widespread coverage in the media of "Service for the Future" and what elements there were in it. On October 3, 1988, we made a public application to the Manitoba Public Utilities Board, and that application which was available to all the public very clearly outlined what we had in mind for Community Calling. It included specific rates and specific charges. Notices went out in newspapers around the province starting on October 15, 1988, and supplementary additional information was filed on October 27 with the Public Utilities Board, all of which was public. There was a prehearing conference held on November 14, 1988. Evidence and testimony was filed with the board on November 18, 1988, and a second public notice was published around the province in various press and media on November 26, 1988, to inform the public of this important program that we were undertaking.

There were public hearings held both in Winnipeg and throughout the province, in February of 1989 at the Viscount Gort Hotel in Winnipeg. There were three rural meetings held in Brandon on February 28, 1989, with over 50 in attendance; in Arborg on March 1, 1989, with public attendance of 20; and at The Pas on March 2, 1989. There was no public attendance at the meeting in The Pas on March 2, 1989.

On March 31, 1989, the Public Utilities Board published their order. That was a public document, and it was covered in the press and the various media. At the time that order was placed, the Public Utilities Board withheld proceeding with Community Calling asking Manitoba Telephone System to make certain changes to the program in that they did not feel that we had captured all the diverse needs and wishes of Manitobans. Subsequent to that, Manitoba Telephone System applied for the changes to the program on October 31, 1989.

There were press notices, public notices, carried throughout November of 1989 in the Flin Flon Reminder, The Pas' Opasquia Times, in the Thompson Citizen, the Thompson Nickel Belt News as well as other media throughout the province. There was a notice sent out in MTS bills, in the billing

cycle started November 4, 1989, informing our customers of the hearings and what the program was all about. There were public hearings, then followed by that, public hearings held by the Public Utilities Board December 19 to the 21, 1989, in Winnipeg. There was a rural meeting held in Brandon December 22, 1989, with public attendance of over 50 at that meeting.

The program was approved in the second stage with the additions on, and it went forth to implementation. Prior to implementing it we have sent out notices which were referred to earlier to each customer informing them as to the exact date this would be happening and what it would again mean to them.

Mr. Storie: I would like to thank Mr. Wardrop for those statistics.

Mr. Chairperson, my question is to the acting president: When MTS held their accountability meeting in Flin Flon on October 11, a representative of the Manitoba Telephone System indicated that there would be a report prepared to the board as a result of the Flin Flon meeting. The people in Flin Flon were promised that they would have access to that report. Can the president indicate whether the report has been prepared, whether he is in possession of the report and whether, if he is in possession of the report; he is prepared to table a copy of that report or provide me with a copy of that report at this time?

Mr. Wardrop: Mr. Chairman, there was a verbal report of the meeting that Mr. Storie referred to made to the board. The board was seized with the issue and asked for further information which has been forwarded to them verbally, which encompassed information not only concerning the situation between Flin Flon and Snow Lake, but of the program generally throughout the province. On the basis of that information, the decision has been taken to, as indicated by the Minister, put on hold for the time being further additions to the program while there is a very high priority review given and with particular priority to those communities. There is no report that was submitted to the board in full writing. There were verbal reports at this time because of the urgency of this matter and the need to communicate quickly on it.

* (1120)

Mr. Storie: Here is my question to Mr. Stefanson: At that meeting in Flin Flon a representative of the

board was present, Ms. Holly Baird. My question is: Is it the intention of the board to request that report in writing and provide it to the people of Flin Flon?

Mr. Stefanson: Ms. Holly Baird reported the details of the meeting to the board. The report in question will be received and will be made available.

Mr. Storle: Mr. Chairperson, to Mr. Stefanson, I very much appreciate that commitment. I hope that the chairperson of the board will recognize that the comments and the defence that the Minister has provided to the implementation of this program, despite the objections that were presented to the meeting and to the Minister directly now, is of great concern. The Minister is misrepresenting quite seriously the feelings of those residents, and I am quite certain Mr. Krawetz or anybody else who was at the meetings at Snow Lake and Flin Flon would tell the Minister quite directly that the feelings were genuine. They are not mine. They are MTS subscribers, and it is important that the record be quite clear. The people wanted to know that the report that went to the board, and perhaps to the Minister, from those meetings, reflected the genuine feelings at the meeting, which were not wishy-washy, which did not suggest that they wanted this program or that they felt that the program was needed between those two communities, so it is important.

My question is also to the chairman of the board. Has MTS made any application to PUB whatsoever regarding its decision on November 4 to discontinue to put on hold the introduction of the Community Calling programs in the list that was attached to the news release dated November 5?

Mr. Stefanson: Mr. Chairman, in answer to that question, the answer is no.

Mr. Storle: Again to Mr. Stefanson, we are certainly delighted, we are pleased that MTS is considering as a priority the concerns of the residents in Flin Flon and Snow Lake. However, while MTS is showing concern, the telephone subscribers in those communities are paying for a service they do not want, they did not ask for and they do not need. Can the chairperson indicate why MTS cannot put that program on hold now, so that we do not pay for this service while MTS does their review?

Mr. Stefanson: Mr. Chairman, the reason I think was explained by the Minister earlier is that MTS is going to review the entire program. The decision was made that we would cut off exactly where we

were at this point in time. There might be some complications in trying to undo what we have already done. The thing is that there is a possibility that in some areas the program will be very acceptable, and we would find it undesirable to undo something and then to redo it again.

Basically, we wanted to look at all the communities that have been converted to this point, to evaluate the entire program and the parts of the program, and to make a decision. We have asked the president to take on the responsibility himself for the supervision of the work and the analysis being done by MTS, and he has indicated that he thinks that he and his staff can probably come up with a complete recommendation in a very, very short period of time.

Mr. Storle: That would be an acceptable explanation if the program had not been cut off the day after it was due to be implemented between Cranberry Portage and Flin Flon. Certainly, if MTS had any work that was of concern to them, or had to be done, or could not be undone, it would have occurred prior to the discontinuation of the program in Cranberry Portage and Flin Flon. There are no other interconnects between those two communities. The fact is that if MTS wanted to, they could simply stop charging for this service and discontinue the calling.

I am asking that at this point the Minister nor any one else has provided us with an explanation of how long this study might take, and I believe that it is reasonable, given the concerns that the Minister has acknowledged may be legitimate to northern Manitoba, that we stop today charging the people in Snow Lake and Flin Flon, discontinue that service, put it on hold along with the others that are on hold, until MTS comes to some final decision about what they intend to do.

I would add that before they have come to any final decision, the real consultation take place between those communities, not a PUB-initiated hearing held in The Pas with no reference as to what the service might cost and who might benefit.

Mr. Findlay: I would just quickly interject that the Member for Flin Flon said there was no time frame that had been indicated. In fact, in the previous discussion, I had indicated their desire is to have it done in two to three months, so that is their objective, as fast as possible. As the chairman has said, the president is taking charge of this to show

to the people that they are taking their assignment very seriously and will do their very best job of being able to analyze it and explain and discuss with citizens at large across the province. I think the commitment is genuine. It is honest and it is forthright and it will happen as fast as possible, so I would let the president respond to anything else the Member raised.

Mr. Wardrop: Mr. Chairman, I think perhaps it would be helpful to understand the difficulties of reversing a decision or an existing service like the Snow Lake to Flin Flon model. It would take at least four weeks; there are several steps that one must go through. Certainly all the legal advice that I have received indicates that when a service has been established by order of the Public Utilities Board, then to withdraw the service must have the approval of the Public Utilities Board, so the first thing that must be done, of course, is to seek a Public Utilities Board order to withdraw that service.

That is different than a service that has not yet been established, where the scheduling of it is at the discretion of the management of the telephone company. There is quite a distinctive difference there. That is the first consideration. A second consideration is that to withdraw the service requires, of course, the re-establishment of our former service, because certainly Snow Lake and Flin Flon would still want to have telephone service between them. Presumably, if we did, we would revert to a toll charge between the two. In order to accomplish that, there is a considerable amount of engineering and technical work to revert that. The building codes, all of that material, has to be re-established, and so on. There is a considerable amount of time required to do that as well. It is not just a trivial undertaking of making a decision and being able to implement it within an hour, or something like that.

In the case, however, of holding back or not doing any further work, that kind of decision can be made very quickly in that the billing systems and all the coding required to accomplish these things is already in place. It is running up to that moment, and one simply does not disconnect it. One simply lets it continue to run, whereas a lot of that has been removed and changed out by the time that the conversion is made. It is really two different situations that we are involved in here, and given the length of time and the involvement of that, and the evidence we referred to earlier, we felt that it was

very prudent for us to quickly, carefully re-examine what we have and make doubly sure that the next action we take of that magnitude and complexity is one that truly reflects exactly what would be a more suitable arrangement, if that is required, and we are not sure of that yet. As we indicated earlier, that would be a point of the study.

Mr. Storle: With all due respect to the acting president, that would be a wonderful explanation, if the community of Cranberry Portage had not been told as of November 4 they were going to be included in the Community Calling program.

* (1130)

On November 5, a press release was issued saying that they would not be included. If it takes so long to reconvert, how is it that this community can be put on and taken off on a moment's notice when Snow Lake and Flin Flon cannot?

Mr. Wardrop: In the case of Cranberry Portage, they had not yet converted when the notice was sent out and the decision was taken not to proceed, so it was simply a matter of, rather than doing something, doing nothing, just leaving everything the way it was and not proceeding with the conversion, as opposed to after the conversion has taken place, one has to, so to speak, unscramble the egg and re-establish it. There is quite a significant difference in the approach to it.

Mr. Storle: I am a little confused, because the people in Cranberry were told that on November 4 they would have the service. I assume that as of today they do not. It did not take very long to reverse whatever was done to offer them the service. I find it difficult to believe that in any event it would take two or three months to reverse what has been done in terms of the case of Snow Lake and Flin Flon.

Mr. Wardrop: Mr. Chairman, the Cranberry Portage never did convert. The action was to have taken place. It was planned for Sunday last, but that action did not take place. We simply did not make the conversion, so it was not the case of it having been done and reverting, and that is what made it an easier transition.

Mr. Storle: Will the chairman of the board apply immediately to the PUB to reverse the rate increases that are applied to the basic telephone bills of the people in Snow Lake and Flin Flon? Will the chairman of MTS do that immediately?

Mr. Stefanson: No, because the decision has already been made to review the entire program,

that is, the program and how it affects all Manitobans. This process will unravel rather quickly. Mr. Wardrop has assured me he will have a report back to the board no later than the middle of February, and he is going to endeavour to have it even earlier than that.

The entire program must be looked at at the same time and to start trying to undo parts of it, as I said earlier, I believe that there are parts of Manitoba that might be exempted from the program that might not be applicable for it, but the program in its entirety must be considered through a great deal of Manitoba. Where the program has been implemented, we have had very little complaint and, as you know, a great deal of support, so I think that the problems can be dispensed with quickly and improvements made or parts eliminated, whatever it takes. I can assure you of one thing: The board is very receptive to the wishes of Manitobans. After all, the system is here to serve Manitobans and to try to be as equitable as possible and to provide service second to none. That is about all I can promise at this time.

Mr. Storie: I certainly do not feel, on behalf of the people in Snow Lake and Flin Flon, that is good enough. There is no doubt in my mind that the people there are paying for a service that they do not need and they do not want. I have two questions. Number one, will the chairman of MTS then, at least, stop charging the additional 66 percent increase to those residents until a final decision is made, and secondly, will the Manitoba Telephone System rebate any amount that people have paid above the basic telephone rate, which for the majority was satisfactory before the imposition of this program?

Mr. Stefanson: Mr. Chairman, in answer to the first question, I, as chairman, am not in a position to do anything about that. The PUB has to make that decision. In regard to rebating anything paid to date, at this point in time, as I said earlier, I am not prepared to do anything other than to receive the report of Dennis Wardrop. I am not ruling anything out, and my board will look at this matter at its meeting in either January or February at the absolute latest. The February meeting I believe is somewhere around February 15.

Mr. Storie: I am going to leave this. Obviously I do not think this is fair. Certainly it is not fair to the people in Snow Lake and Flin Flon who, of all the communities who were to be affected, are affected, have most clearly stated their objections, most

clearly of any. The community of Thompson, the town council, said, "We do not want it." It has been stopped. In many other communities including Selkirk, in the Minister's riding, the increase is not imposed on them. They get this put on hold. We in Snow Lake and Flin Flon get the privilege of paying for this service that the vast majority of people do not want. It is a service they did not ask for, and it is not fair.

Mr. Chairperson, the Minister is suggesting that I sent letters soliciting objections. The communities of Flin Flon and Snow Lake had already begun petitions, contacted me about their objections.

MTS promised a referendum. A member of the board who attended the public accountability meeting in Flin Flon said, yes, a referendum would be a good idea and they would look at doing that. My concern was, as was grounded apparently, that MTS would not act quickly. We are now talking about two or three months that they are going to have to pay these exorbitant rates. The objections are genuine and real, and I can only recommend that MTS conduct its own survey, its own referendum. I want to put on record that nobody in Flin Flon or Snow Lake or myself or anybody in our caucus is objecting to the concept of Community Calling. The Minister referenced the fact -(interjection)-

An Honourable Member: A change of attitude all of a sudden.

Mr. Storie: There has been no change of attitude whatsoever. The difference is that some people want it, and for those people it may be a good idea. For many of the communities, or some of the communities certainly that now are receiving the Community Calling program, there may be a community of interest. Certainly if you live in a small town that has no agricultural implement dealer, you live in a town where there is no elevator, you live in a town where there is no school, connecting to another centre may make a lot of sense, but there is no connection between Flin Flon and Snow Lake. Hudson Bay Mining and Smelting may be the employer in both those communities, but there is no other connection, very little connection. We do not share a school division, we do not share services. The health services are provided out of The Pas by and large. If Mr. Wardrop had given us all the statistics on the relationship between the communities, he would have told us that 44 percent of the long distance calls in the MTS study went to

Flin Flon, 49 percent went to The Pas, the greater percentage went to The Pas, and 70 percent went to the City of Winnipeg. So let us use the statistics correctly. The connections of the 44 percent, we are not certain how much was business, how much was MTS, how much was residential.

* (1140)

Mr. Chairperson, this program may have some utility in the areas where it is wanted and needed and of service. The point that the people of Flin Flon and Snow Lake are making, the point I am making, is that this service is not wanted nor needed nor do we want to pay the kinds of rates that are being imposed on our telephone subscribers. That is the point. It has been stopped in other communities and we want it stopped. I would like to move on to another area—

Mr. Chairman: Mr. Storie, I think we are getting a bit repetitive there. If you could just let the Minister answer to this.

Mr. Findlay: Again the Member for Flin Flon misuses phrases. He uses the word "stopped" and we told him several times already today, if you would read the press release, the program has been delayed in other communities. He is misrepresenting the corporation and trying to create a bad name for the corporation when they are doing their very best to deliver services that people want.

It is rather astounding that the Member actually finally admits that there are communities that want the program. He finally admitted it after all this discussion where he takes one side and only one side and does not step back and take a broader perspective of what the communities across the province want. It has been a desire to have this kind of program, and I am actually glad to hear that he finally admits that there are communities that want this program, that it is a desirable program.

I will also tell the Member, and I will tell all the citizens of Flin Flon and Snow Lake, that their representation has been clearly heard by the Manitoba Telephone System. His representation has been heard, and it will certainly be taken into account by the review committee in the process of their analysis of the program. They are not ruling out any kinds of particular resolutions of the situation with regard to the people in that area, but they will also take into consideration people in that area who may want the service. That will all be taken into

consideration. They have been heard and the review committee will use that in their analysis.

I am very pleased to hear the Member say that there are communities that want the program, because in the course of his tirades against the Manitoba Telephone System and the delivery of Community Calling and the adjacency program, he is in some fashion tempted to discredit the corporation for the very good things they have done in "Service for the Future" in terms of individual line service, in terms of digital switch replacement, and all the other good things. I think that the Member should analyze in perspective all the things that the corporation is doing, trying to improve service to residents in that area and all of the province, and that the corporation, I can guarantee, will take all those aspects of what he has said and what other citizens are saying with regard to review of the program with regard to Community Calling and the adjacency program.

Mr. Storie: I want the Minister to know that I am quite well aware of the "Service for the Future" program. I also know that the Community Calling program represents about \$20 million out of an \$800 million program. I would be more glowing in my comments about both MTS and the Minister if the Minister would simply acknowledge that a mistake was made in Snow Lake and Flin Flon and stop charging my constituents rates that are exorbitant, that do not serve any purpose, and that they are angry about. One little request.

I acknowledge that the service for Special Needs Centres, the move to digital equipment, the elimination of multiparty lines, the other parts of the "Service for the Future" program are excellent. What I am concerned about and am trying to do is represent those communities for which the Community Calling program does not work and perhaps was not intended to work, and I appreciate the Minister saying they are going to look at it. I am concerned that my constituents are still paying for it while they are looking at it, while the Minister's constituents are not paying for it while they are reviewing it.

Another point I want to move on to, another perhaps equal concern is the Community Calling program and the way it is affecting the basic telephone rates in the Province of Manitoba. I would direct this question to the acting president. Perhaps Mr. Wardrop could tell us, or provide for the committee, if he does not have it immediately

available, at some future date, a table which would show us what has happened to the basic telephone rates in, for example, the communities of Brandon, Winnipeg, Morris, Tilston from 1987 to the present time. Then would he compare the basic telephone rates for the communities of Flin Flon, Snow Lake, Cranberry Portage, Cross Lake, Thicket Portage without the Community Calling and with the Community Calling program in place? I would just suggest, Mr. Chairperson, that what we are going to see is a dramatic escalation in the basic telephone rate for residential subscribers, a dramatic increase.

What we are doing, in effect, by introducing the Community Calling program in the way that we are, is moving away from the concept of a service where there was a more equal, basic charge, and we are moving into a position where, because Community Calling requires such a major increase in the basic rate, we are going to move to a two-tiered telephone system, where the smaller communities, particularly those smaller communities that are adjacent or connected to a larger community, are going to start to pay huge prices in their basic telephone rate.

When you consider that every year, MTS goes to the PUB and asks for a rate increase of five percent or 10 percent, that when you start applying that rate increase to the bigger base, you are going to start to see the gap between what it costs for a basic telephone system in Brandon or Winnipeg and what it costs in Cross Lake widen every year. I think that it is a move in the wrong direction. I think that we are taking us away from the concept that was MTS's prime goal, to provide everyone a basic service at a reasonable cost. I think it is backward. I would like some comments from MTS on that.

Mr. Wardrop: Mr. Chairman, I will undertake to provide the statistics and the information requested. I do not have all that material here, but we can prepare it.

Mr. Chairman: It will be provided.

Mr. Storle: Then perhaps a more philosophical question to the chairman of the board—perhaps Mr. Stefanson could tell us whether, in principle, he is concerned with the fact that residential subscribers in smaller remote communities may be paying basic telephone rates that are 40, 50 or 60 percent higher than what other people are paying for the same basic rate, the same basic service.

Mr. Stefanson: Clarification: What do you mean by other people?

Mr. Storle: By that I mean telephone users perhaps in the City of Winnipeg.

Mr. Stefanson: Yes, I can assure the Member that I am very concerned with this matter. It is a matter that is discussed a great deal at our board. We have several very strong members on our board of commissioners from rural Manitoba, each of whom is very, very concerned with where rates are going in rural Manitoba.

There is always a process going on at the board whereby a consideration is being given to the equitable distribution of rates between the City of Winnipeg as opposed to what people are paying in the rural areas. Various types of calculations, many options are being considered on an ongoing basis. It is a very serious problem. Winnipeggers, because the population is some 600,000-plus, have a great number of phones and the cost of providing the service is very low compared to providing that in the rural areas.

* (1150)

The philosophical question as to what the proper balance is, is something I have not yet come to grips with and something that is an ongoing discussion, I think it is fair to say, at our board, and that is about all I can say to that matter.

Mr. Storle: Well, I can tell the chairperson of the Manitoba Telephone System that there are going to be a lot of people in rural and northern Manitoba who are going to be very concerned about the remarks of the chairperson of the Manitoba Telephone System. The fact is the Manitoba Telephone System as a public corporation had a mandate to provide everyone with reasonable cost telephone service and if the chairperson has not in his own mind decided where we are taking this corporation, then I think we had better have a long talk. Perhaps we had better start some public discussion about where we want to go, because certainly the rural and northern Manitobans that I know believe that the MTS's mandate is to provide a basic service at a reasonable cost, at a cost that is equitable regardless of where your residence is. I am very concerned about that and—

Mr. Stefanson: You may have misinterpreted me. I did not mean to say that we did not know where we were taking this corporation. Of course, top quality service is a top priority with the Board of Commissioners of the Manitoba Telephone System. It is also a priority to be as cost-efficient as possible

and to keep costs low, but there are various external elements that put pressures on our rates. What I did say is that we have not wrestled in our own mind the distribution of the income required as between rural and urban subscribers. That is a very philosophical question, and if you start putting redistribution into effect where city subscribers in effect are paying for more services of the rural subscribers than they are at present, you have a philosophical question that is a very, very difficult one to address, and I think that requires a great deal of thought before you do anything to tamper with the structure as it is now.

Mr. Storle: Mr. Chairperson, to Mr. Stefanson, I think there are many people who would agree with you. Unfortunately the impact in some communities of the Community Calling program, the way it is being implemented, will mean that basic telephone rates will be 30, 40, 50 percent higher than the basic telephone rate, for example, of the citizens of Winnipeg, and I think over a period of time that discrepancy is going to grow even greater, given the way that the program is being implemented. I am wondering whether the board has come to grips with the implications of that direction.

Mr. Stefanson: Yes, I think that the board is aware of that situation. The rates I will report to Mr. Wardrop in a minute exactly what the rates are in Winnipeg compared to these rural areas. The basic exchange rate in Winnipeg right now, prior to any introduction of the "Service for the Future" program, is certainly higher than that in any rural areas. Mr. Wardrop, do you have any specifics as to what the present rates are in Winnipeg as compared to communities such as Flin Flon?

Mr. Wardrop: Mr. Chairman, if you will just give me a moment I will check the example asked for.

Mr. Stefanson: I would also add, Mr. Chairman, the exact reason as to why we have decided to review the service. The review of the service was precipitated by complaints in regard to cost, not as to the quality of the service that we are offering in regard to these exchanges. I think it is an indication of my board's concern for the rates being paid in rural Manitoba that we have decided to re-evaluate the program and to look at it from all aspects and to look at it in its entirety.

Mr. Wardrop: The question was asked, I believe, as to the comparison of rates between Flin Flon and Winnipeg. At the present time, an individual line service with a simple basic telephone on it in

Winnipeg in a residence is \$13.40. In the case of Flin Flon, it would be \$10.35. With the addition of Community Calling in the Flin Flon area, an additional \$1.95 per month would be added to the Flin Flon rate. The total with Community Calling, if my arithmetic is correct would be \$12.30, as compared to \$12.95 in Winnipeg.

Mr. Cliff Evans (Interlake): On that comparison between Flin Flon and Winnipeg, could you also give us a comparison as to the Flin Flon, the Swan Lake, Cross Lake, how those will be affected also, between our Winnipeg residences. Why I ask that—you are comparing Flin Flon and Winnipeg now, but we would like to see what the comparisons will be between the other two communities that we are discussing now and the Winnipeg rates.

Mr. Findlay: Just while the president is working out those figures, I would just say that in the general situation with regard to rural and northern customers, do not lose sight of the fact that the bill is made up of both basic and long distance charges. Somebody has said a citizen of Winnipeg can call 600,000 people for the basic rate and people in Manitou or Flin Flon can call less than 1,000 people in some cases for that basic rate. Where there is additional calling to access the rest of the province, they are incurring long distance charges. When rural customers look at their bill they do not look at the basic rate, they look at the total cost. What they want to see is methods by which they can reduce their total cost, so the greatest impact can be done on the long distance reduction and the presentations made to assist. My long distance calling is mainly in my area around me. It is close calling. It is 20, 40 and 50 mile calling, and if you can reduce that, which the program of Community Calling is doing, their total phone bill comes down substantially.

That is one element that the person looks at when they look at their bill, and the other element that the Member must remember is that for both rural and northern customers, there is a substantial subsidy technically in place from the rest of the users of the system. This has been in place for a long time and will certainly remain in place. The idea is to try and reduce the total bill for our customers outside the City of Winnipeg to the best of our ability, in the context of not raising the rates in the city as a further cross-subsidization to any greater than what we have already done. Remember that when the program was put into place, the citizens of Winnipeg

incurred a \$1 per month assessment charge to be able to put this whole program in place.

There is actually further subsidization by the city to the country in this program and our basic rates are being kept quite low in comparison to other parts of the country. The desire will always be to keep those basic rates low and, at the same time, reduce the other component of the bill, which is long distance charges, to the greatest possible extent.

Mr. Wardrop: I have the figures requested. In the case of Cross Lake which, of course, has not been converted—it was one of the areas that was scheduled for November 4 and was withheld—at the present time without Community Calling, again using as a reference just one plain telephone, one residence line is \$9.40 a month, and with Community Calling, as the Minister has indicated, with a reduction in long distance or the elimination of long distance which is a benefit to users of long distance, the flat rate would go to \$15.25 in Cross Lake with the implementation of that program.

I think the question was asked about Swan Lake. I believe it was Snow Lake would be the intended -(interjection)-

Mr. Storle: Just to facilitate with moving on, perhaps Mr. Wardrop could just include those other figures that were requested by my colleagues in the information that he has undertaken to provide us back.

Mr. Wardrop: By all means, Mr. Chairman.

Mr. Storle: I would like to move to another area that is cause for concern. It is certainly a cause for concern for residential subscribers, and that is the announcement the Minister made a number of days ago on the new interconnect access that will provide businesses with a major benefit at considerable expense, most people seem to believe, to Manitoba Telephone System.

*(1200)

My questions are to either the Minister or the Chairperson of the Manitoba Telephone System. Mr. Chairperson, MTS is giving up its current position in terms of many different types of interconnect and the supply of equipment facilities to businesses. We are being told that this will have no impact on the Manitoba Telephone System.

Mr. Chairperson, this is not a new issue. The Minister knows, and I guess most Manitobans know, that we have been under pressure by the federal

Government in particular, but also under pressure from other major communications companies to undermine the system we have developed in Manitoba to service our needs. MTS, it is my understanding, some years ago undertook a study to determine what the introduction or what the elimination of their current position would be in terms of jobs and costs to the corporation. It is my understanding that it was estimated that elimination of this type of service monopoly would cost the corporation some 300 jobs.

I would like to explore a little more carefully each of the components of this new agreement that the Minister has announced in terms of MTS's existing experience, so it will be on the public record, and what MTS anticipates will happen once we are in full flight in this new competitive environment.

Perhaps we could start by asking the Minister or the chairman to outline for us what revenues MTS currently receives from the sale, for example, of the equipment that we are talking about, the interconnect equipment.

Mr. Findlay: Well, I guess the Member has opened an area that is very complex, very technical and has a lot of ramifications to it. I will tell the Member that presently across Canada, all provinces have private line interconnect and business terminal attachment competition with the exception of Saskatchewan. Manitoba is the latest one to go into that.

I will tell the Member that all businesses nowadays use telecommunications very, very extensively, and businesses are quite mobile. They can move to different locations of the country with their head offices fairly easily. Certainly there has been a lobby for some time from the business community saying, "If we are going to do business in Manitoba, we need a level playing field with regard to opportunities and costs of running our business," and they are in a position to say, "Well, if we do not have a level playing field in telecommunications in Manitoba, we will take our jobs out of Manitoba," so there is a real loss to the province if that occurs.

On the other side of the coin, there are businesses looking for places to locate, and because we are the centre of the country, because of time zones and geophysical reasons, Manitoba is a good place to locate business. They are going to come here if there is a level playing field, so if we can take away some of the disincentives to come here, like the

monopoly situation in this regard, it helps to attract business, it helps to attract jobs. If you bring people here, you stimulate the use of the telecommunication system in total, either from the business or from the homes where these people live, it does, in balance, create an opportunity for more jobs, more business activity and, therefore, more revenue in the Manitoba Telephone System.

I would have to tell the Member that his statement of losing 300 jobs is totally unrealistic, just absolutely impossible. With regard to business terminal attachment, the corporation has some 65 percent of the businesses on contract to the terminal equipment, so that is not going to be lost immediately. To imply in any way that MTS is not competitive in that is really not giving the corporation credit. They are going to be very competitive.

In other jurisdictions where this has occurred, the net impact has been minimal in either direction, because of imbalance in all of the things that occur and take place, so I think he is discrediting the corporation with saying they cannot compete. They can and they will compete. I think it is the right move for the Province of Manitoba. I know it will help MTS in terms of how the business community views them, because they will be able to show that they can deliver a level of service that is equal to or better than their competitors. I have no doubt about that at all. The employees will respond in that regard very effectively and maintain the business in both private lines and business terminal attachment equipment. If the president would like to add the technical details that the Member asked about—

Mr. Wardrop: Mr. Chairman, we have looked at this matter in great depth. Of course, it is always a concern when one is making changes as to what impact they will have on the financial well-being of the corporation and on employment for employees. We have done a considerable amount of planning, implemented a considerable number of programs, some of which I alluded to in my opening remarks, with respect to training our people in selling and marketing skills and so on. The end result of all that activity, and drawing also on the experience that has happened in other jurisdictions where introduction of terminal interconnection has proceeded us, we believe that there will be only very minor changes in terms of our net income reaction on this. While it is true that as one loses sales to a competitor, one expects that there will be lost revenue with that, there are also reduced costs that go with that, and

there is also the stimulation that is brought about by the competitive marketplace. The netting out of all of that would appear to be of very little effect upon us.

One area where we have been in competition for some time is in the area of cellular service. We have demonstrated that Manitoba Telephone System can compete very well, that it can sustain itself. We believe that can be the same kind of thing that will happen in this area as well, and as a result of that, we are not anticipating any serious disruption.

There are a number of steps that can be taken in the event of anything like that, even if it was a slight adjustment required, and that is such things as simply accommodating any changes in employment levels through attrition rather than anything more than that. Every year there are people who retire from Manitoba Telephone System, or they leave for various other reasons, for other careers. We anticipate that any changes as a result of putting in an interconnection can be accommodated in those manners if it is required. At this stage we are optimistic that very little of it will be required.

Mr. Storie: Mr. Chairperson, I guess we would like to be assured by the acting president's remarks that there will be very little disruption, very little job loss, very little revenue loss as a result of these changes.

I guess what we would like to do is to put on the public record where we stand currently, how revenues have increased in those areas over the past few years, so that we have a mark upon which we can judge whether this new endeavour serves us at all. Trust us. The Member for toll roads says trust us. We would rather trust the statistics that Manitoba Telephone System provides us.

The fact of the matter is that we are continually reminded, including by this Minister, that our residential telephone system is subsidized to a great extent by long distance revenue. It seems to me, even a casual observer, that the significant increase in the last year in revenue for MTS has been long distance revenue. This seems to me to say we stand to lose substantial amounts of that revenue, given that the long distance calls between companies can now be done without reference to MTS's services, that they can go company to company from point A to point B even within the province. I am interested to know whether MTS can now tell us what revenues are generated by the sales of the terminal connect, the business machines that are used, the 65 percent

of businesses that currently use MTS rented or purchased equipment. What is the value of that revenue to MTS?

Mr. Findlay: I will let the president answer the technical question, but I would like to just remind the Member, he questions whether the statements that I made and the president made are right or wrong. I wonder if he also questions the statements made by his Leader.

In May 28, 1987, when he was then Minister responsible for Manitoba Telephone System, in a speech to the electronics industry of Manitoba—and I will just read from that speech for the Members that he knows clearly the position that his Party is taking and his present Leader took when he was Leader of

-(interjection)-
* (1210)

Mr. Storle: He does not read the first part.

Mr. Findlay: He says, Mr. Chairman for the public record, and this is Mr. Doer speaking, "Certainly, I believe strongly that this province must proceed with one area, the interconnect agreement. It is, I believe, necessary for electronic industry, for a business community and indeed for the Manitoba Telephone System." Those are the words of Mr. Gary Doer back in 1987, speaking to the electronic industry and certainly the corporation has given an analysis to the program and realizes that the opportunity is here and the timing is right to move with it. The president will give the Member the exact details of the agreement.

Mr. Storle: Mr. Chairperson, I would have expected that kind of intellectual dishonesty from the Premier (Mr. Filmon) but not from the Member for Springfield. The fact of the matter is

-(interjection)-
Mr. Chairman: Order, please. Mr. Storle, would you like to retract, to rephrase

-(interjection)-
Mr. Storle: Mr. Chairperson, I have nothing to retract, nothing unparliamentary about intellectual

-(interjection)-
Mr. Chairman: Order, please.

An Honourable Member: You used the word dishonesty.

Mr. Storle: I did not use the word. I did not use the word.

Mr. Chairman: Mr. Storle, would you withdraw the word "dishonest"?

Mr. Storle: Mr. Chairperson, I think if the

Chairperson will check those changes, you will find dishonest both in the unparliamentary and the parliamentary.

Mr. Chairman: Mr. Storle, would you withdraw the word "dishonest" please?

Mr. Storle: Only, Mr. Chairperson, because you are doing an excellent job.

Mr. Chairman: Thank you, Mr. Storle.

Mr. Storle: The Minister responsible for the Manitoba Telephone System failed at my request to read the remarks of Mr. Doer in context. Mr. Doer also said that what we had to protect was the long distance revenue for MTS. The fact of the matter is that we are giving up on both ends. We are giving up on our service that we provide to the business community, and we are giving up our right to maintain an integrated Canadian long distance telephone network across the country. We are going to lose that revenue, so I think that is important to put on the record as well.

Let us ask Mr. Wardrop to put on record some of the revenue implications, or some of the revenue streams that come to MTS as a result of the current both interconnect and equipment that MTS services and provides.

Mr. Wardrop: I do not have that information with me but it can be provided.

Mr. Storle: I would ask Mr. Wardrop to provide the committee Members with as much detail as possible in terms of the kinds of services that MTS now provides, the kinds of equipment it sells and leases, and the revenues that generates, to be as thorough as he can so that we have a record for future generations of legislators, perhaps to review whether this decision makes sense. Perhaps even in a year's time or two years' time, we will know what impact it has had on our sales and our leases of this equipment, what impact it has had on long distance revenue, et cetera. I think it is important to know. I think we would like to raise some red flags. I think this is a serious mistake. It is going to cost revenue, and Mr. Wardrop's assurances that any dislocation of staff can be handled by existing vacancies may not be that comforting over the long run.

Mr. Findlay: The Member says there will be loss of revenue because this was done. I can guarantee the Member that there would have been substantial loss of revenue to the corporation both from the business community and from the residences of those people who would have worked in Manitoba had that not

been done. They would have left the province. There was no question. They saw attractive opportunities to go to other jurisdictions where this opportunity is available to them. In balance they will never be able to know the answer to that question, as to how much was retained or how much might be attracted, but it is part of a total package of creating an environment so the business community can come here.

It is the business community that creates the jobs and the economic activity, so it is an opportunity for us to stimulate that side, no question about it. The Member makes comments about losing long distance revenue. Long distance competition is not a part of this agreement. It is not a component. It is a separate issue entirely, and we want to first keep people in businesses here and attract people and business to this province to stimulate the economic climate.

We have to have jobs here, and I think telecommunications is an area that is so important to every and all businesses, plus the communications industry by itself can and will grow in this province. This is one element, one more step on the ladder, of promoting that growth in this province.

Mr. Wardrop: Mr. Chairman, Mr. Storie in his after-remarks asked for considerable detail with respect to terminal revenues. This always creates a dilemma for Manitoba Telephone System, particularly moving into a competitive marketplace.

If one puts on the public record details by class of equipment and service and so on in a competitive marketplace, one is revealing really what is valuable and confidential information in a marketing sense. If it was acceptable to the committee, what I would prefer to do is to file in the public record the total revenues that are accruing to Manitoba Telephone System in the terminal area, and not reveal publicly our sensitive marketing information, considering that we are going to go into the competitive world. If we are going to achieve the kind of results that I am forecasting we can do, we would like to keep that information in confidence.

Mr. Findlay: I would just like to again ask the Member for Flin Flon if, when the NDP were in power in 1982 and they opened up competition in residential terminal equipment, they took into context the very question he asked and did any analysis on it. I can tell the Member that since then,

the Manitoba Telephone System is very competitive in residential terminal equipment, as they have been very competitive in cellular where there is competition. I think the record of Manitoba Telephone System is very good in terms of responding to opportunities when the opportunities are there in the competitive area.

Mr. Storie: Well, Mr. Chairperson, the only difference of course is that we are not into an area where MTS generates the majority of its revenue, the long distance area, and we are not working on the fringes of revenue that supports MTS and supports the residential telephone network. The concern here is not with MTS's ability to compete. I think we understand that as the industry becomes more competitive, as the margins become less attractive, MTS's revenues are going to be affected regardless of how well they compete, and the net effect will be, for the residential users at least, we fear increased tolls. The Minister may feel that there is no alternative. I am not sure that is the case, and I am not sure, from the tone of the Minister's remarks, that we need to be heading in that direction in this particular way.

The Minister also said that he was sure that companies would leave Manitoba if this did not happen. I am wanting to know if the Minister can put on the record which companies were threatening to leave.

* (1220)

Mr. Findlay: I would tell the Member that I would believe that to be very privileged information. That is the nature of the lobby that came, and I do not think that it would be appropriate to release that information.

I would like to also remind the Member he keeps using the words "long distance competition." It is not the issue on the table. I would maybe ask the president to explain to the Member how private line interconnection occurs in the public network, so that he has an understanding of what he is talking about. The president can clearly demonstrate to the Member the degree of connection between the public system and the private line interconnect policy.

Mr. Wardrop: Mr. Chairman, for a very great number of years it has always been possible for companies, businesses to lease private lines and connect them to their telephone systems, providing those lines were obtained through Manitoba

Telephone System, so these networks, these types of bypass networks and so on, have existed for a number of years. The change that is being introduced now is that a business customer has a choice of who they purchase that private line from. It can be from another carrier within Manitoba's telephone system. We do not expect that there will be a great upsurge in private networks as a result of that. It is simply a matter of having a choice of vendor. While Manitoba Telephone System may, in a competitive marketplace, lose some of the sales of private lines it has today, it should not cause a great upsurge in bypassing of the long distance network. It is simply more choices of where you can purchase the item that you have always been able to get.

Mr. Wardrop: The Minister has reminded me to mention that, in addition to that, there are some offsetting revenues that we anticipate will flow to Manitoba Telephone System when a customer chooses to use other than a Manitoba Telephone System line to introduce private line, and that is part of our filing with the Public Utilities Board which was made yesterday on this matter. It is called an access fee which would be forthcoming to Manitoba Telephone System from the other carrier. Whoever the other carrier is that made the sale would make a contribution to Manitoba Telephone System and in that way continue to make a contribution to the general provision of telephone service throughout the province. Through a mechanism like that, there are some offsetting financial factors that would reduce the impact of lost revenue as a result of that.

Mr. Storie: The acting president is very careful in choosing his words about what they anticipate will happen. I think that it is clear that when you start competing with other carriers—and we have seen a reduction of 48 percent in long distance rates, and the Minister keeps reminding us of that—the fact is that there is going to be a reduction in the rates that are charged between carriers in Manitoba from now on. We are going to see continuing reductions in all likelihood. I do not know what MTS is applying for in terms of an access fee, but perhaps Mr. Wardrop can include that in terms of what they anticipate, what kind of revenue they anticipate from the access fee, or whether they anticipate any drop in the ongoing reduction in the long distance rates when these businesses can now access independent telecommunications carriers.

Mr. Wardrop: With respect to the reduction in

out-of-province long distance rates over the last two years, there have been very substantial reductions in the order of 50 percent over the last two years. One of the things that give us some confidence in going forward in a financially stable manner, however, is to note that in spite of these drops in revenues, our total operating revenues from long distance services have continued to increase. They have not fallen off. Other factors such as growth, the fact that people use the service that is cheaper more, it stimulates use of it and so on, have been offsetting factors in this to the extent that we are still seeing a year-over-year increase in total in long distance revenues.

There was reference also made to what revenues we expect, in detail, from private line interconnection. The access fee is being applied for from the Public Utilities Board and, of course, is still subject to their approval. They have not given us approval on these rates yet. What we are asking is that in the case of two types of private line—the private lines are categorized into three categories and I will not go into the details of the categories, that is the detail of the application—but for two of them, the rate applied for is \$90 a month, compensation or payment to Manitoba Telephone System for connection. In the third one, the connection would be about \$55 a month, so if that is approved, we would receive those revenues each time a line is connected to the system.

Mr. Storie: Mr. Chairperson, to just go back to one of Mr. Wardrop's comments earlier about the nature of the information he would like to provide the committee, I appreciate that if you were too detailed in your presentation of revenue, leases and so forth, it may create a problem in terms of too much information being available to competitors. We are certainly willing to see some more global figures.

Perhaps I could also request of the Minister, the chairperson and the president, a meeting to be held between the MTS critics of the Opposition Parties so they might better understand where this is taking us. It seems to me there has been really very little consultation on this issue with other stakeholders, and perhaps most importantly, the residential consumers. This initiative perhaps deserved a little more thorough consideration by others, rather than just the businesses that come and make threatening gestures to the Minister. I do not think that is sufficient reason for acting.

Mr. Findlay: If the Member is asking for an

opportunity for the critics to have discussions with the Manitoba Telephone System, I have no problem with that. I see no reason why not, because it is a complex technological area that is changing, changing rapidly. I think we have to adjust continually to forces that are sometimes beyond our borders. Long distance rates are good examples. The rates are going down in the Bell area, say in Ontario, and if a business can call from Toronto to Winnipeg much cheaper than from Winnipeg to Toronto, we are going to lose the opportunity of that call being started from Winnipeg. They will just call Toronto and say call us back and we lose considerable amount of revenue that way.

You have to respond to the marketplace. You cannot close the doors and say we will not change, because the world is changing and we have to change with the world.

These announcements are very clearly moving in that direction and are very clearly responding to the policy direction taken by his leader back in 1987. It was a recognition that the world is changing, and we must adapt and respond or we are going to lose business opportunities and job opportunities. Most notably we need jobs, and this clearly will represent an opportunity to increase the opportunity of keeping and attracting jobs in the future, not only in the telecommunications area, but in many business areas which you use telecommunications to a large extent in running the business both in transmitting word and particularly transmitting data.

Mr. Storie: Mr. Chairperson, there are a number of other areas that we have not touched on at all, but I would just like to say to them that I appreciate that MTS has to change. They have in the past and they will in the future. My concern is that it appears that the Minister is intent on making changes without the kind of broad consultation that makes these changes more acceptable or more understandable.

The Community Calling program is just one example.

The Minister now tells us that this new initiative, in terms of the business interconnect, may have been spurred because companies were threatening. The fact is that long distance rates have already dropped 48 percent. They are probably going to drop more, and somewhere along the line the impact on our—I do not know how many residential consumers there are, but half a million or whatever—their needs have to be considered as well, and some accommodation has to be made by MTS to prevent local rates from skyrocketing. I mean, 50 or 60 percent increases for a Community Calling program may be just the tip of the iceberg.

Mr. Findlay: I would just remind the Member that in most cases with telecommunications where you remove regulation or reduce cost, there is always a pent-up demand where that increased use offsets any ability of lost revenue. There is a pent-up use that is there, and I think the public wants more and more competition, and they want more and more access to a wide variety of services that are available elsewhere in Canada. We have to continue to supply those opportunities and those services here in the Province of Manitoba, or we are not going to keep our citizens happy and we are certainly are not going to expand our opportunity to attract jobs to this province.

Mr. Chairman: Order, please; order, please. Shall the Annual Report for the Manitoba Telephone System for the fiscal year ended December 31, 1988, pass?

Mr. Storie: No, Mr. Chairperson, we have more questions. We have many more questions. I move committee rise.

Mr. Chairman: What is the will of the committee? Is it the will of the committee to rise? Being 12:30, committee rise.

COMMITTEE ROSE AT: 12:31 p.m.