

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC UTILITIES AND NATURAL RESOURCES
Tuesday, 17 March, 1981

Time — 10:00 a.m.

CHAIRMAN — Mr. Warren Steen (Crescentwood)

MANITOBA TELEPHONE SYSTEM

MR. CHAIRMAN: Committee come to order, please. Today the Public Utilities and Natural Resources Committee will be dealing with the Manitoba Telephone System's Annual Report. I will ask Mr. Orchard, the Minister responsible for the Telephone System to start the proceedings off.

HON. DON ORCHARD (Pembina): Thank you, Mr. Chairman. In considering the Annual Report of the Manitoba Telephone System for 1979-1980, I have a number of MTS staff here and in a short few moments, the General Manager, Mr. Gordon Holland, will make the Annual Report to the Standing Committee.

Before we get into that, gentlemen of the committee, I would like to introduce to members of the committee the new Chairman of the Board of Commissioners for the Manitoba Telephone System, Mr. John Bulman, and John Bulman is with us this morning. John, welcome to the committee.

I would ask Mr. Holland if he would care to take us through the Annual Report.

MR. CHAIRMAN: Would you join us at the table, Mr. Holland?

MR. GORDON HOLLAND: Thank you, Mr. Chairman. May I introduce my colleagues to the committee? Mr. Bill Pearson, Q.C., a member of our board, is present in the audience; George Sorokowski from my office; Glover Anderson, the Assistant General Manager; Gordon Backhouse, Assistant General Manager, Administration; Oz Pedde, Director of Marketing; Bob Vannevel, Director of Finance; Dennis Wardrop, Director of Corporate Development; and Mr. Ken Beatty is our General Counsel.

Mr. Chairman, with your permission, I will make a few comments on the 1979-80 Annual Report, as well as on current activities, and we will then endeavour to answer any questions which the committee might have. The report was mailed to all members during the fall of last year and was tabled by the Minister at this session of the Legislature.

A brief examination of the financial statistics in the report shows that for the year ending March 31, 1980, total operating revenues increased by 16.7 percent; total operating expenses increased by 15.1 percent; net revenue for the year was \$13.2 million, compared with a net revenue deficiency of \$1.5 for the previous year.

Capital expenditures during the year amounted to \$72,644,000. By the end of the year, the System had a total of 687,121 telephones, an increase of 23,669 during the year.

The total investment in telecommunications plant reached \$730,169,000 at the end of March, 1980, representing an average investment of \$1,063 per telephone, up from \$692 ten years earlier.

It has been customary to supplement information contained in the annual report with comments concerning recent and current activities. May I therefore comment on the System's major programs and activities for the period from April 1, 1980 to the present.

The financial estimates for the fiscal year ending March 31, 1981, about two weeks from now, are subject to final year-end adjustments, including those recommended by our auditors, Thorne, Riddell and Company.

Operating revenues for 1980-81 are estimated to be \$220,536,000, representing an 11 percent increase over the previous year, including revenues from rate group adjustments for Winnipeg in June and Brandon in December.

Operating expenses, including depreciation and taxes, are estimated to increase by 13.5 percent to \$161,812,000.00.

Debt charges and foreign exchange amortization expenses are estimated at \$52,900,000, compared to \$51,308,000 in the previous year.

The System has five foreign long-term debt issues representing 36 percent of total outstanding long-term debt. The additional costs arising from foreign exchange fluctuations for these issues, as at March 31, 1981, is estimated to be \$77,555,000 compared to \$71 million at the end of the previous year. The unrealized loss on long-term debt has been amortized over the remaining life of the five foreign debt issues. Amortization of foreign exchange losses is estimated at \$8,700,000 for 1980-81, compared to \$7,816,000 for the previous year. The amortization is based on exchange rates at March 1, and are subject to change based on the rates in effect on March 31, 1981.

Capital expenditures for the year ending March 31, 1981 are estimated at \$87 million, up from \$72,644,000 expended during the previous year. On June 1, 1980, the Minister of Finance advanced MTS an amount of \$13 million with interest at 18-1/4 percent per annum. On January 15, 1981, series 8G was repaid in the amount of \$11,500,000.00. As of that date, the Minister of Finance advanced a further \$8 million with interest also at 18-1/4 percent per annum.

The estimated net revenues for 1980-81, subject to final year-end adjustments and audit, are about the same level as for 1979-80.

Based on the projected net revenues and capital expenditures, the debt equity ratio is estimated to 83.8 percent at March 31, 1981, compared to a debt ratio of 85.6 percent for the year ended March 31, 1980.

There is a projected gain of 15,000 telephones in the residential market. Of those, 8,300 are extension telephones. There are now telephones in over 97 percent of Manitoba households, illustrating the valuable service MTS provides and the accessibility

and affordability of the service to the people of Manitoba. Telephone gains in the business sector are forecast at 9,100, with extensions contributing 6,100 sets of this total. In November, 1980 the System placed in service Manitoba's 700,000th telephone in Portage la Prairie. In terms of total telephones, MTS remains the fourth largest telephone company in Canada.

The progress of the System can only be achieved through the efforts of a dedicated and skilled workforce. At March 31, 1981, it is estimated there will be 4,694 employees on staff, compared to 4,689 at the end of the previous year. This represents 6.6 employees per thousand telephones whereas the comparable figure a year ago was 6.8.

Seven Phone Centres have been opened since April, 1980. In April, we opened stores in Dauphin and at the Administration Building in Winnipeg. Later in 1980, stores were opened at Thompson and The Pas as well as Kildonan Place to serve the northeastern area of Winnipeg. In February, Morden/Winkler and Steinbach were added to the communities having Phone Centres.

Planning is under way for phone centre stores in additional communities, including Flin Flon, Selkirk and Swan River.

Our customers support and use the Phone Centre program because it provides them with faster service, lower service charges and the ability to shop for various styles of telephone equipment at their convenience.

MTS continues to take steps to bring its services closer to its customers. Innovative employee ideas and suggestions are proving most helpful in these efforts.

The success of the restructuring of the Western Region organization, to make it more responsive to the needs of both our customers and our employees, has encouraged the System to establish the Northern and the Eastern Region organizations.

In Northern Manitoba, as part of the change, Mr. F. H. (Bert) Suter was appointed in July as the first General Regional Manager, Northern.

In the Eastern Region, Keith Axford was appointed on September 1 as the first General Regional Manager, Eastern, with his headquarters in Selkirk. The regional concept initially includes the establishment of administrative offices in Selkirk and Morden/Winkler with complementary facilities in Portage la Prairie and Steinbach.

MTS is now looking at ways of enhancing our Winnipeg Region organization to improve services and reflect the latest service requirements, with extensive consultation with our Winnipeg employees.

The MTS Board reflects these efforts by holding a number of its regular meetings each year outside Winnipeg and arranges on each occasion opportunities to meet key MTS personnel of the region, customers and spokesmen of the area. In 1980, the Board met in Brandon, Dauphin, and Thompson.

Progress continues to be made in the System's Rural Service Improvement Program, with completion scheduled for later this year. Under one element of the program, multi-party line loadings are being reduced to no more than four per line, with an average of 2.8, benefiting about 44,000 customers.

Since the end of March 1976 average line loadings have been reduced from 5.16 to 2.88. About

\$3,400,000 was spent on this portion of the program during the 1980-81 fiscal year, improving service to a further 6,000 customers.

Under the other element of the program, individual line service is being extended to 13,400 customers in 170 communities which previously have had multi-party service. About \$2.1 million was spent on this segment in 1980-81, benefitting more than 2,200 customers.

The extension of individual line service will be ongoing as future growth qualifies additional communities for individual line service.

It is estimated that almost \$34 million will have been spent on the Rural Service Improvement Program by its completion this year.

The other dimension of rural telephone service which demands our attention is the adjustment of exchange boundaries to accommodate changes in calling patterns which have taken place over the years. MTS has been reviewing the options available to respond to the demand for larger and revised free-calling areas and in the near future, we shall be making proposals to the Public Utilities Board of Manitoba which we believe will respond reasonably to the needs of our customers in the smaller centres.

Following the completion in 1979 of a \$20 million Northern Service Improvement Program, which brought regular exchange and long distance service to 21 communities, MTS is now preparing to embark on a further phase of this program.

Between January, 1982, and December, 1983, exchange service and additional long distance facilities will be added in 10 Northern communities with over 3,000 residents; Jackhead, Paungassi, Matheson Island, Pine Dock, Little Black River, Sherridan, Anama Bay, York Landing, God's River and Split Lake. This phase will require \$2.7 million to complete.

Various alternatives are also being considered for four Northern communities, Brochet, Lac Brochet, Tadoule Lake and Shamattawa, which would be very costly to serve by conventional means. MTS has made proposals for the use of satellite facilities to bring service to these areas to replace the present HF Radio Service, subject to weather and atmospheric interference. Ongoing negotiations with Departments of the Government of Canada will hopefully produce a desirable solution in the near future.

The System continues to introduce new technologies, equipment and services to improve our overall service to our customers.

The System's new directory assistance system was introduced throughout Manitoba last June. It is known as MIDAS - Mechanized Intercept Directory Assistance System.

There are three main benefits of the computerized system. Customers have faster, more reliable directory assistance service; operators have an attractive work area and enriched jobs, and the System achieves substantial savings over paper records.

MIDAS has eliminated the need for customers to go through more than one operator to obtain listings for different communities.

Manitoba's first digital switch was introduced in Brandon in November. Among the first of its kind in Canada, a system called DMS 100 is now serving

some 5,000 Brandon customers. All switching functions are performed using computer processing techniques. Digital equipment is cheaper to install and maintain and provides more reliable, higher quality service, and greater flexibility in the introduction of new services. The System plans to install digital switching equipment in several Winnipeg exchanges, as well as in Portage la Prairie in the near future.

In January, the System launched a new data service for business customers in 30 Manitoba communities. The new offering, called Data-Stream, expands on the existing services and will significantly lower rates for most data users.

Manitoba businesses outside of Winnipeg have become major users of data communications. Data-Stream answers their requirement for cost-effective data transmission services at a time when the overall cost of doing business is rising.

The lower rates will permit easier access to data communications facilities for Manitoba businesses, particularly low-volume data users. Data-Stream also provides connection to the cross-Canada data services of the TransCanada Telephone System.

In October, Manitoba joined Alberta and Saskatchewan as the third province to provide air-to-ground telephone service. With the growth of private and corporate aviation in Canada, this new communications vehicle is expected to prove increasingly popular.

Introduced in June, the new automatic car telephones, ACT, make mobile communications as easy as using the residential telephone. Users of this new service dial the numbers themselves without having to go through an operator. Similarly, those wanting to contact someone with an ACT can dial direct. The service offers a greater degree of privacy since channels, once in use, are "busied out" to other users. ACT is a major improvement in mobile communications for Manitobans.

MTS is participating with the Departments of Education and Cultural Affairs to distribute educational television signals from the Ontario Educational Communications Authority, OECA, to nine schools in Manitoba. Schools in Winnipeg, Carberry, Neepawa and Stonewall, are receiving the signals from the Anik "B" satellite through MTS satellite receiving stations and coaxial cable distribution facilities. The trial, which began in October, is scheduled to operate until June and is undergoing evaluation by the educational authorities.

Beginning this year, Grassroots will provide 30,000 farmers in southern Manitoba with access to Telidon T.V. sets and specialized videotex information on which to base daily decisions.

Telidon terminals will be located in the offices of local agricultural representatives, at grain terminals and community centres. Users will be able to access pages of up-to-date information on market trends and prices, commodities or weather conditions. Local advisory committees will advise on the kinds of information the users want and on the manner of presentation. The project is a joint undertaking of MTS and Infomart, an electronic publishing organization with a Winnipeg service. It is hoped that the number of terminals will expand as users experience the value of videotex in their planning and daily decision making.

In view of its increasing investment in coaxial cable networks, MTS responded to the initiatives of its engineers and planners in authorizing a research and development project to test the feasibility of carriage of a variety of services over coaxial cable. The project has been most valuable in the direct involvement of MTS personnel in the technologies and in assisting them to better advise MTS on the future development of the coaxial cable networks.

An evaluation by a group from industry and university was received early this year and MTS continues to work with the supplier to ensure that optimal benefits are achieved from this undertaking.

Progress on the fibre optic field trial to take place in the communities of Elie and St. Eustache is continuing. Northern Telecom Ltd. has completed the manufacture of the fibre optic cables to specification, with installation scheduled for this summer. The trial is to get underway this fall.

The trial is a joint undertaking of the Federal Department of Communications, the Canadian Telecommunications Carriers Association, Northern Telecom Ltd. and the Manitoba Telephone System to explore the potential of a fibre optics distribution system in a rural setting. Fibre optics compactness and its large capacity hold the promise of providing many services to be combined over one network, thus reducing the cost of each individual service and permitting more economical telecommunications services for Manitoba's and Canada's rural population.

If proven operational, a single fibre entering one of the trial's 150 homes can simultaneously handle telephone, television, data and F.M. radio service. MTS is presently concluding negotiations with the Department of Communications to include the Department's Telidon videotex service as a part of the Elie/St. Eustache trial.

In July 1980, the Manitoba Legislature passed Bill 107, which clarifies a number of telecommunications policies, including procedures for review by the Public Utilities Board of the conditions of ownership of telephone sets by the customers.

MTS has had full opportunity to provide its views and advice to the Minister in the interval prior to proclamation of the legislation.

In its role as a common carrier of television signals in the province, MTS has contributed significantly to the extension of television services in Manitoba. The agreements with the Winnipeg operators, developed in 1965 through 1967, have provided service availability to virtually all households in Winnipeg and regular extension with basic telephony services to new subscribers.

In 1978, MTS completed the Inter-City Broadband Network to Brandon and Selkirk, allowing the introduction of cable television service to Portage la Prairie, Brandon, Selkirk and Carberry. This unique coaxial carrier system was subsequently extended to Minnedosa, Neepawa and Rivers, with Carman, Morden and Winkler also being served through MTS microwave facilities. Construction of local broadband networks were completed during the past year in Dauphin, The Pas and Flin Flon. Also during the past year, a fourth U.S. channel, CBS, has been extended to Selkirk, Brandon, Portage la Prairie, Carberry, Minnedosa, Neepawa and Rivers.

The ICBN networks have been used as well for occasional broadcast services and as a standby service for microwave broadcast services.

Local broadband networks will be completed by the System during the 1981-82 year in Swan River, Beausejour, Gladstone, Stonewall, Teulon, Virden, Souris, Melita, Deloraine, Killarney, Boissevain, Roblin, Grandview, Gilbert Plains, Ste. Rose du Lac, Birtle, Russell and areas of Thompson.

These major extensions of service are in accordance with Provincial policy to extend services to all Manitoba centres as quickly as possible. Because the inter-city broadband networks are not in place, MTS has leased satellite ground receive stations to operators in The Pas, Flin Flon and Falcon Lake; alternative TV programming is now being provided to area residents. The operators have undertaken in each case to apply for CRTC licensure of their services. On March 11, 1981, CRTC denied renewal of licence to the operator in Thompson; MTS has completed the local broadband network in two subdivisions previously unserved and will upgrade the existing network by Fall, 1981 in anticipation of licensure at an early date of an operator in Thompson.

In August, 1980, the Public Utilities Board of Manitoba issued an order granting an increase of 11 cents per 100 feet per month to be charged to the Winnipeg cable companies for service on the local broadband facilities in Winnipeg. This matter had been referred to the Public Utilities Board by the Lieutenant-Governor-in-Council pursuant to provisions of the the Canada/Manitoba Agreement. The Board based its decision on allocation of network costs on the basis approximately of the portion of available spectrum contracted to the present clients. MTS will look to future licensure of additional services and clarification of non-competitive clauses in the 1967 Agreements to produce required revenues from investment in the local broadband Winnipeg networks.

MTS engineers are studying the upgrade of the Winnipeg networks and increase in transmission capacity, in consultation with major customers.

CRTC licences have been issued for Headingley, with service to commence in April, 1981, and for Elie/St. Eustache with service to commence in conjunction with the fibre optics service trial in September, 1981.

Extension of cable television services to Manitoba communities requires use of price averaging and cross-subsidy rating principles, as approved in MTS tariffs for decades in extending telephony services. The CRTC decision in August, 1977 required Manitoba licensees to form a consortium to develop the necessary arrangements. By referral of the Lieutenant-Governor-in-Council, rates of MTS were ratified and a decision issued on April 8, 1980. MTS has offered contracts based on the approved rates and the Winnipeg cable companies have applied for rate adjustments to meet the CRTC requirements. To date, contracts have not been signed and unlicensed communities are not included in these arrangements.

MTS continues to provide high quality telecommunications through the efforts of its 4,700 employees located in 81 Manitoba communities. The progress that MTS continues to make would not be possible without the strong interest and support shown by our staff.

These employees participate extensively in the social and business activities of their communities

through their involvement in service clubs, amateur sports and youth services. The Telephone Pioneers, active and retired employees with extensive telecommunications industry experience, readily involve themselves in the provision of many community services.

It is a pleasure to work with such committed and skillful employees, a large number of whom have spent their entire careers at MTS. The System enjoys the advantage of retaining the services of many long-term employees, whose years of experience do not detract from their willingness to meet the challenges of the industry.

For example, Tom Cousins, who retired from MTS in 1980, began with the System in 1938 as an elevator operator. After enrolling in the apprenticeship program two years later, Tom worked for 38 years at various positions in the Plant and Engineering Departments, primarily as a Supervisor of switching and radio services. To cap off his career, Tom accepted a 25 month on-loan assignment in 1978, with the Saudi Arabian Telephone Expansion project. As District Exchange Services Manager, Tom provided the direction necessary to establish an Automatic Telephone Switching Network to an area that had never been served by telephones. He introduced basic telecommunications objectives, policies, practices and work methods.

Ed Peterson began his career with MTS in 1950 as a graduate architect. Ed worked on the design and construction of numerous MTS buildings until 1973, when he was appointed the Real Estate Manager. In 1976, Ed became Director of Operations, responsible for the Plant, Traffic, Real Estate and Purchasing Departments and the Northern Region. This year, Ed accepted a 21 month on-loan assignment with Bell Canada to be Director of Building and Real Estate on the Saudi Arabia Telephone Expansion Project.

To replace Mr. Peterson, we were able to call on Bob Tinkler who has been with MTS since 1940. Bob apprenticed with the Plant Department and subsequently worked in Engineering in several supervisory positions. In 1972, Bob was appointed Personnel and Public Relations Manager and returned to the Plant Department as General Plant Manager in 1975.

These are just a few examples of the capable and versatile group of employees at MTS who continue to provide for the telecommunications needs of Manitobans. In conclusion, Mr. Chairman, may I express my hope that the employees of the System continue to merit the support of this Committee in our efforts to carry out our mandate to provide high-quality service to all Manitobans at reasonable cost.

MR. CHAIRMAN: Thank you, Mr. Holland.
Mr. Walding.

MR. D. JAMES WALDING (St. Vital): Thank you, Mr. Chairman. We did have a few questions to ask of Mr. Holland. I was looking forward this morning to posing some questions to the new chairman of the board but Mr. Holland, I notice was the chairman and general manager for the year under consideration. I assume that's the reason that he is in the chair answering questions for us this morning. Before we leave the matter of our new chairman, perhaps I can ask Mr. Holland when Mr. Bulman took up his new duties with the board.

MR. CHAIRMAN: Mr. Holland.

MR. HOLLAND: In September, 1980, Mr. Chairman.

MR. WALDING: I would like to ask Mr. Holland what the involvement of Manitoba Telephone System was in the securing of Mr. Bulman's services. Were they involved in the hiring and negotiation of a contract, if any, or was that strictly a government decision?

MR. HOLLAND: Mr. Chairman, under our statutes, members of the board and the position of general manager are appointments of the Lieutenant-Governor-in-Council.

MR. WALDING: Did MTS have any involvement in the arrangements for the appointment of Mr. Bulman or the negotiation of his contract, if any?

MR. HOLLAND: Mr. Chairman, no, nor would we normally, I think, be involved in that process.

MR. WALDING: Can Mr. Holland tell us whether there is a contract involved with the Chairman?

MR. HOLLAND: Mr. Chairman, I'm aware that there is an Order-in-Council of appointment, fixing the effective date, term and the conditions of appointment.

MR. WALDING: That is not a contract in itself with MTS, I assume, or is it?

MR. HOLLAND: Mr. Chairman, it is the manner of appointment of board members of MTS and follows the usual Order-in-Council procedure.

MR. WALDING: Is there a term involved in this appointment?

MR. HOLLAND: Mr. Chairman, I can't recall exactly, but my recollection is that it's a term of three years from the effective date.

MR. WALDING: I'd like to ask Mr. Holland whether that is terminable by the Lieutenant-Governor-in-Council without penalty?

MR. HOLLAND: Mr. Chairman, I'm not familiar with all the legal circumstances on that. I really couldn't comment, other than to volunteer to provide a copy of the Order to Mr. Walding if that would be of help.

MR. CHAIRMAN: Mr. Walding would you like a copy of the Order?

MR. WALDING: It would be of help, Mr. Chairman. The former Minister for the Department is making some remarks at the end of the table. I confess I can't hear everything that he is saying but I did . . .

MR. CHAIRMAN: Mr. Enns.

MR. ENNS: Mr. Chairman, on a point of order, if I may, I think the General Manager indicated very clearly that the Act that the Manitoba Telephone System operates under, The Manitoba Telephone Act, clearly states out that the appointments of Commissioners, as well as the Chairman, as well as

the General Manager, are done in a prescribed manner by statute and I would suggest, Mr. Chairman, that the line of questioning that the Honourable Member for St. Vital is on perhaps should be more appropriately directed to the Minister in this instance.

MR. WALDING: Mr. Chairman, I would be pleased to direct my remarks to the Minister. I hadn't quite finished. While not hearing all that the Member for Lakeside had said, I did hear the term no-cut contract mentioned. I'm not sure whether that's a coincidence but we did ask a few questions of the Chief Executive Officer of Manitoba Hydro when he appeared before this Committee last year and we found there that there was a contract enforced which could be termed a no-cut contract. Perhaps this Minister can tell us about government policy in this regard and whether there was an agreement, a contract if you might call it that, involving the Chairman of MTS, apart from the Order-in-Council?

MR. ORCHARD: Well, Mr. Chairman, I would have to investigate whether there is a contract in effect. To my knowledge, the appointment of Mr. Bulman as Chairman of the Board of Commissioners of MTS is by Order-in-Council at a rate fixed in accordance with the provisions of legislation which allows Order-in-Council appointments to the board as members, as well as for Chairman of the Board.

MR. WALDING: I thank the Minister for that information. It's been pointed out to us that there is a three-year term involved in this case. I'm trying to find out from the Minister or Mr. Holland or anyone else who can give me the information whether that contract can be terminated by the Lieutenant-Governor-in-Council or by the Chairman and in which case, is the salary payable for the entire three-year contract?

MR. ORCHARD: I would have to make those enquiries and report to Mr. Walding.

MR. WALDING: Gentlemen, I wonder if it would proper for us to address our questions to the Chairman of MTS himself, who presumably would be in an ideal position to answer the questions.

MR. CHAIRMAN: Mr. Bulman, do you have any objection to joining us at the table?

MR. JOHN BULMAN: I have no objective . . . to answer questions.

MR. CHAIRMAN: Would you join us at the table here so it can be recorded for Hansard.

Now, Mr. Walding, would you re-direct your question, please?

MR. WALDING: Thank you, Mr. Chairman. May I welcome Mr. Bulman to the Committee and congratulate him on his new appointment. I wish him well in the position.

I'm trying to clarify in my own mind, Mr. Bulman, the circumstances of your appointment and the conditions under which you serve. I wonder if you can explain it to the Committee, please.

MR. BULMAN: Well, the only explanation I could give is that I did receive a copy, as was mentioned,

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of the Order-in-Council which has appointed me and I haven't got a copy with me. It did appoint me as Chairman of the Manitoba Telephone System and it was for a period of three years. There were no other contracts, following your questions, no other contracts that I have or had with MTS or anyone else.

MR. WALDING: I see. Do you recall a no-cut provision in that Order-in-Council?

MR. BULMAN: No, I do not, although I understand that even a three-year appointment, I understand it was an Order-in-Council and I'm not sure whether Orders-in-Council which are passed by the Cabinet can be changed by the Cabinet; I assume they can, but I do not know that. It's not a question that's crossed my mind as being an important question. I've taken on the challenge; I have enjoyed it and, really, the Order-in-Council is the only information I had received, a copy of it.

MR. WALDING: Can you tell us, Mr. Bulman, whether you applied for the position or whether someone approached you with an offer?

MR. BULMAN: Well, I did not apply for the position. I was approached and asked if I would by the Minister of the Manitoba Telephone System, Mr. Harry Enns. He asked me if I would consider taking on the role as Chairman of the Manitoba Telephone System and it was presented to me in the manner that the major Crown Corporations in Manitoba would be having part-time outside chairmen on the three major corporations and although I was not given the names of the suggested chairmen of the other two, I was advised that the appointments would be made together so it would not be just my appointment and followed up by others and hence in the paper at a later date, there would be three appointments made to the three Crown Corporations, and I was one of them.

MR. WALDING: Do you have experience in the field of telecommunications, Mr. Bulman?

MR. BULMAN: I have not got experience, although I must say I've gained a great deal in the last few months.

Experience in the field of telecommunications, no; in the field of business, yes. I believe that my strength is simply, from a business point of view, its value in having an outside Chairman, I can see the value of it; it's done in many companies, not only Crown Corporations. I must say I've certainly gained a great deal of experience and had some very interesting times. It's a fascinating telephone system and I think very well run and it's got a great potential when you look at this world of communications, an Electronic Highway, as it's been referred to so often recently.

MR. WALDING: I hope this job hasn't buried you in details and acronyms?

MR. BULMAN: On occasion, yes.

MR. WALDING: Mr. Bulman, can you tell the board what your salary is?

MR. BULMAN: The salary was printed; it was \$35,000.00.

MR. WALDING: That was for a part-time position?

MR. BULMAN: Yes.

MR. WALDING: Can you tell the board approximately how much time you put in at MTS?

MR. BULMAN: I haven't kept a log of my time. There are occasions when I am putting in more time than I planned to. It was my original hope that I would be able to put not more than one day a week in full-time at MTS; it has been more than that. Part of that, I am sure, is caused by the necessity to get very involved in a number of issues that have been on my plate. The staff have been very helpful, though.

MR. WALDING: So you are now putting in more than one day a week full-time?

MR. BULMAN: Yes, I am afraid so. I don't like to admit to that because I have other assignments too that I am doing, but it has taken more time, although I think that is a target position I am attempting to get to and it may never get down to that point but it is something that I am targeting for.

MR. WALDING: Would you say, Mr. Bulman, that there is any difficulty involved in having a chairman who is responsible for the policy aspect of the Manitoba Telephone System who is not immediately available when staff or the general manager want a quick decision, as opposed to the previous arrangement where the general manager was also the chairman and was able to deal with things on a very immediate basis?

MR. BULMAN: The Chairman of the Board is not the same position that it was when it was Chairman and General Manager. The General Manager, Mr. Gordon Holland, is the general manager and chief executive officer of the Manitoba Telephone System. My role as Chairman of the Board is not taking over his previous role. I am chairing the board and I am involved in the policy issues as discussed by the board. My role is not the day-by-day operations of the Manitoba Telephone System and as far as contact is concerned, I have had a little problem, you know, we do use the phone and it's quite prompt and I don't think there has been any difficulty there and I don't foresee any difficulty.

MR. CHAIRMAN: May I stop you, Mr. Walding, at this point and ask you, is it your intention to continue to ask Mr. Bulman questions or are we going to deal with the 1979-1980 report?

MR. WALDING: I hope that we will deal with the report. I am not sure whether there are any other questions, and I did have questions on a number of different areas, Mr. Chairman.

MR. CHAIRMAN: Of the report?

MR. WALDING: Of the report, and of the policy of the board since March of last year, and possibly

future policy. Perhaps Mr. Bulman would prefer to answer those. But I am prepared to go on to a different item at this time.

I would like to ask, perhaps Mr. Holland, on the matter of the fibre optics trial at Elie, can he tell us if those fibres are now in place and are working; is the system itself functioning?

MR. HOLLAND: Mr. Chairman, the fibre optics have been and are being manufactured at this stage to the specifications, and installation in the field will commence in May of this year.

MR. WALDING: So the answer then is no, it is not in place and not working. What do you expect to happen once the fibres are in place and are connected up in May? What happens then?

MR. HOLLAND: They will be connected to the residences in the period May through September and by September, assuming that the project is operational, the fibre will be carrying television, F.M., telephony and a high-speed data circuit to each home, 56 . . . Data-Stream.

MR. WALDING: You estimated for us last year, or the report did, that this was a five-year program of \$6.3 million. Now, I understand that this is cost-shared between three or four different agencies. Is this correct?

MR. HOLLAND: Yes, it is a cost-shared program by the National Department of Communications, the Canadian Telecommunications Carriers Association, Northern Telecom Limited, and MTS.

MR. WALDING: Is it shared, as far as cost is concerned, equally by those four agencies?

MR. HOLLAND: No.

MR. WALDING: Or put in a different manner, what is MTS's share of the cost?

MR. HOLLAND: MTS's share of that program is about \$1 million, as the host company. The Department of Communications is covering half the cost. The rest is distributed to CTCA and Northern.

MR. WALDING: Is the system shared on a dollar basis or on a percentage basis?

MR. HOLLAND: It is on a negotiated basis with the other participants in the original design and negotiation for the project. The feeling was that the host company should make a contribution explicitly to the project.

MR. WALDING: So if the System is paying approximately \$1 million out of \$6.3 million, that's about 17 percent, and if it should run over the cost or be extended, would MTS expect to pay 17 percent of any overrun?

MR. HOLLAND: Our hope, Mr. Chairman, is that because of the present stage of the project, our hope and intention is that it will not exceed the cost estimates. There is one exception to that, and that is that negotiations are being held right at the moment

as to whether or not Telidon or videotex services should be offered as part of that trial. I believe the estimated cost of that is about \$700,000 to add that service. That would be a specific program to go to our board for consideration. I believe the Department of Communications has indicated their willingness of covering half of the total program if it's added. But other than that, frankly, we don't expect to see overruns in the project.

MR. WALDING: Can you give us the projected cost to MTS on Project SAM and Project Grassroots that were mentioned in your report this year.

MR. HOLLAND: Yes, Mr. Chairman, I'll get those figures.

MR. WALDING: I would like to ask you also about Project IDA, which has been mentioned in at least two annual reports. In comparing that with the mention of the fibre optics program, I notice that there was no time given on Project IDA, nor was there an anticipated cost. I wonder if you could give those two figures to the committee.

MR. HOLLAND: Time, Mr. Chairman, as to where the project stands at this point?

MR. WALDING: When Project IDA was first planned, or in the original planning stage, how many years was it estimated to run for? Was that a five-year program as well?

MR. HOLLAND: The project was developed in 1978 and the intention, I believe, was to have it completed early in 1980. It was the latter part of 1980 before the services finally went on the system.

MR. WALDING: I noticed a figure of September was given and I think it was your report to us last year mentioned the end of 1980. I take from your reply that it is now in place and is working.

MR. HOLLAND: The services started going on the system, I guess before the middle of 1980 and were added over the remainder of the year. At this point all of the hardware and software is in the field. All 100 homes are connected and the variety of services is on the system.

MR. WALDING: And the projected cost in 1978?

MR. HOLLAND: The projected cost in 1978 was about \$1.6 million.

MR. WALDING: In 1978 dollars I assume?

MR. HOLLAND: In 1978 dollars.

MR. WALDING: I would also assume that in 1978, it was not assumed to be complete in 1980, that there would be a further term of monitoring, checking, assessing, etc. How long was this perceived to be?

MR. HOLLAND: Mr. Chairman, the intent from the onset was to continue the field trial for 12 months and that is being done during 1981 calendar year.

MR. CHAIRMAN: Perhaps I could stop you, Mr. Walding, at this point and ask you if it's all right if I

move on to other members of the committee, or do you wish to carry on?

MR. WALDING: May I pursue this matter of project IDA and then perhaps I will yield the floor to other members of the committee, Mr. Chairman.

I understand, Mr. Holland, that the main, if not the only contract of the project IDA was Interdiscom Systems Ltd. Would that be true?

MR. HOLLAND: That is correct.

MR. WALDING: And that there was a tender let to Interdiscom in June of 1979 for \$875,000.00?

MR. HOLLAND: That is correct.

MR. WALDING: I'm reading from the Auditor's report of this year and he indicates that it was not the lowest tender at the time. Could you explain why the lowest tender was not accepted?

MR. HOLLAND: Yes, Mr. Chairman, we did receive a number of proposals, submissions and tenders, when we requested them. This was a research and development project which had been devised by our own engineers and planners. They were seeking expertise, talent and commitment towards the concept, which had been developed at that time, and the feeling was that the Interdiscom Systems Ltd. offered in their staffing the best possible support to our team.

MR. WALDING: Did the company have experience in this type of work?

MR. HOLLAND: The company had been operating for some time in Montreal. I would say that their principals were very well experienced and have considerable expertise in the telecommunications field.

There were at least, as I say at that time their principals had a great deal of expertise to offer to the project.

MR. WALDING: Had they engineered and installed any other project of a similar nature to this?

MR. HOLLAND: Well, I would say that there has been no project similar to IDA. Really, it is quite an innovative undertaking. They had done a study for the three West Prairie Companies, that is MTS, SaskTel and Alberta Government Telephones, under commission to study the potential and certain aspects of coaxial cable, with which our engineers and planners were impressed. They had advocated experimentation and development in this particular area.

MR. WALDING: How long had the company been in existence at that time?

MR. HOLLAND: Mr. Anderson says since 1976 as Coyne Associates Limited.

MR. WALDING: They had changed their name?

MR. HOLLAND: Interdiscom Systems Ltd. was first developed as a subsidiary company of Coyne Associates, according to my understanding.

MR. WALDING: What I'm getting at is, did the system have experience with this company? Had they worked with them before? Have they seen examples of their work and been in a position to judge the competence of the company? I understand this is always a factor involved with the letting of any company and that is the reliability of the company to fulfil its contract. Was MTS satisfied on that score?

MR. HOLLAND: Mr. Chairman, the credentials of the principals of the firm were provided to us and their expertise, work experience, education, which were quite extensive in the U.S. and Canada.

MR. WALDING: But the experience of the company itself in carrying out work of a similar or related nature, what can you advise us on that score?

MR. HOLLAND: I suppose only that Coyne Associates Limited had been working primarily in consulting tasks and that their previous commissions had been discharged satisfactorily.

MR. WALDING: Was Interdiscom Systems a consulting company, manufacturing or engineering? Just what did they hold themselves up to be able to do?

MR. HOLLAND: Coyne Associates Limited, according to my understanding was primarily a consulting firm. Interdiscom Systems Ltd. was established primarily to take on the large project, which project IDA represented.

MR. WALDING: Are you telling us that Interdiscom was set up only at the time and only for the purpose of carrying out project IDA?

MR. HOLLAND: I would say primarily and it represented their major workload, yes.

MR. WALDING: So as a company Interdiscom did not have any experience that you could judge by. Would that be correct?

MR. HOLLAND: Mr. Chairman, let me say again that this was a research and development undertaking, fairly innovative, and the need of course was for proven expertise and knowledge of individuals in this case, which we felt that they offered.

MR. WALDING: The expertise that you're speaking of was of a technical nature rather than a business or a financial nature. Is that right?

MR. HOLLAND: The principals were clearly telecommunications experts and their experience had been in that area.

MR. WALDING: So when it came to this company, this tendering for a contract with MTS, you were relying on the personal knowledge, skill, and expertise of the principles of the company in their previous employment with their senior company rather than Interdiscom Systems itself. Would that be accurate?

MR. HOLLAND: I think, Mr. Chairman, we were relying on the expertise and the manpower that was

offered to us in response to our request for proposals, whether through Coyne Associates Limited or Interdiscom.

MR. WALDING: But you have suggested to us that Interdiscom Systems was set up for the purpose or immediately before or even after the company tendered to do one particular project for Manitoba Telephone System?

MR. HOLLAND: That is my understanding that Coyne Associates Limited was primarily interested in consulting, whereas this represented a development of prototypes and design of an explicit system, and that they wished to create a specialized entity for that kind of function.

MR. WALDING: Is Interdiscom still a subsidiary of this other company that you mentioned?

MR. HOLLAND: My understanding, Mr. Chairman, is that it's a freestanding company, that probably 80 percent of its ownership is in its employees, and about 20 percent by principals in the East.

MR. WALDING: That doesn't answer the question. Is it an independent company or is it a wholly owned or partly owned subsidiary of Coyne Associates, was the name you gave me?

MR. HOLLAND: Interdiscom Systems Limited is an incorporated company, yes.

MR. WALDING: Is it a subsidiary of the company that you mentioned?

MR. HOLLAND: Mr. Chairman, I believe it was spawned by Coyne Associates Limited, but those are two separate legal entities.

MR. WALDING: So, to your knowledge there is no ownership whatsoever of Interdiscom Systems by Coyne Associates?

MR. HOLLAND: Mr. Chairman, my recollection is that the people associated with Coyne Associates also hold an interest in Interdiscom Systems Limited, and my recollection is that that's about 20 percent of the total.

MR. WALDING: Is this by actual ownership by Coyne of Interdiscom Systems, or are we speaking here of an interlocking directorate?

MR. HOLLAND: Mr. Chairman, I am probably getting out of the extent of my legal ability to describe it. They are two legal entities. There are people who hold interests in both organizations, but Interdiscom Systems Limited is a freestanding company.

MR. WALDING: Could you give me the date on which Interdiscom was incorporated?

MR. HOLLAND: Mr. Chairman, we will have to obtain that date. I am sure we have it here. Mr. Chairman, January 1976, it was founded and incorporated in Montreal.

MR. WALDING: Did the company then exist in the same state and under the same conditions that it

does now, or was it, at the time of its incorporation a wholly owned subsidiary of Coyne?

MR. HOLLAND: As I understand, Mr. Chairman, it was founded and incorporated by Coyne Associates Limited as an entity, and was relatively inactive until they successfully won our tender.

MR. WALDING: But MTS was satisfied to deal with a dormant company and award a contract to a dormant company?

MR. HOLLAND: Mr. Chairman, I can only distinguish here between MTS's normal purchasing practices with which Mr. Walding is quite familiar and our classic tendering procedures which are not totally suitable for a research and development project. In the latter case you are seeking specialized and particular expertise that matches the undertaking, and in the view of our engineers and planners, their expertise was most closely attuned to the particular project, so the judgment was made, heavily emphasizing that fact.

MR. WALDING: Mr. Chairman, as Mr. Holland says, I have some familiarity with MTS practice of purchasing and tendering, and the reason that I am raising these questions, it seems quite out of character for MTS. Can Mr. Holland tell us how many employees Interdiscom had at the time that it was awarded the tender?

MR. HOLLAND: I believe I can obtain that information, Mr. Chairman, I don't have it at the moment. They developed to a staff of 29 people during the project; 12 or 14 of that group came from outside the province.

MR. WALDING: Can you tell me what the assets of the company were at the time that it tendered for this contract? If not in dollar figures, did it have something else that it could put up to give you some indication of its ability to carry out the contract?

MR. HOLLAND: Mr. Chairman, I can't answer that offhand. I will obtain that before the Committee's sitting ends.

MR. WALDING: Can you tell me when Interdiscom Systems came to Manitoba?

MR. HOLLAND: June, 1979, Mr. Chairman.

MR. WALDING: Which would be just about the same time that it was awarded the contract?

MR. HOLLAND: I believe it would be a few months after it was awarded the contract, yes.

MR. WALDING: The auditor reports that the originally-tendered contract was dated June 27, 1979. Was their move to Manitoba a part of the agreement at that time?

MR. HOLLAND: Mr. Chairman, I would say no, it was not part of the agreement. We had been urging them so to do because one of the purposes of Project IDA was to allow our own professional staff to be involved and to work closely with these

specialists and experts and so we wanted that group to be in our own community if possible. So we certainly urged them to locate here.

MR. WALDING: Did the System pay any of the moving costs for the company to come to Manitoba?

MR. HOLLAND: No, Mr. Chairman.

MR. WALDING: The auditor says somewhere in here, and I can't find the exact reference to it at the moment, that Interdiscom was a federally-incorporated company. I wonder if you can confirm that. Oh, yes, ISL is a company incorporated under the statutes of Canada and was situated in Montreal. Was it necessary, in those circumstances, and this is a legal question, I suppose, for ISL to become a Manitoba incorporated company?

MR. HOLLAND: It is my understanding, Mr. Chairman, that they were required to file their headquarters as being in Winnipeg and that was done.

MR. WALDING: There were further advances, further contracts, I presume, entered into between the System and the company, according to the auditor, which brings the total contractual obligation now to \$1.6 million. Is that the current obligation or has there been any increase since the writing of the report?

MR. HOLLAND: Mr. Chairman, I believe the individual contracts are cited in the Provincial Auditor's reports. The original budget for the project was \$1.6 million overall and the latest view of that is \$2.518 million. That includes MTS expenses, all expenses associated with the project as well.

MR. WALDING: Are the expenses associated with Interdiscom still at \$1.6 million?

MR. HOLLAND: Mr. Chairman, yes, they appear to be about that level.

MR. WALDING: Since coming to Manitoba, has the company taken on any of the work for any other agency, to your knowledge?

MR. HOLLAND: Not to my knowledge. I wouldn't necessarily know that, Mr. Chairman.

MR. WALDING: But you would be confident that this is their main project on which at least most of their 29 employees are now working?

MR. HOLLAND: I do know that Project IDA has been a very demanding project. We have been a very demanding client and they and our staff have worked very hard on the project, so I assume it would certainly have required most of their efforts.

MR. WALDING: Did MTS satisfy itself on the company's managerial and financial expertise at the time of awarding the three contracts?

MR. HOLLAND: Mr. Chairman, we followed our usual procedure of building in checkpoints under the contract, monitoring our payments very carefully to

make sure that those checkpoints have been met, so that we have concentrated on administering the terms of our contracts with them. I can say that both MTS and the views of an independent group that I mention in my report that arrived earlier this year, the conclusions were that it was a project entirely appropriate to MTS and our particular circumstances, that the work was carried out with a degree of success that might not have been expected at the onset, and that MTS received extremely good value for the R and D investments, that by comparison with other similar projects, that it was carried out relatively inexpensively.

MR. WALDING: That really doesn't answer the question, Mr. Holland. I will accept that the company has technical expertise. MTS has monitored their work and has been satisfied with the degree of competence and the technical aspects of the work. The question I am posing to you, which I have done twice, has to do with the business ability of the company. You awarded in the first place a contract of half a million; it then went up to \$1.5 million, to a company that had been dormant. It really had no experience in carrying out successful business enterprises. I note that early in 1980, they began to experience financial problems. The question has to do with what MTS did in advance of that loan to satisfy itself that this new company, technical ability aside, was to operate successfully in the business world and to arrange its financial affairs in a proper manner.

MR. HOLLAND: Mr. Chairman, MTS has hundreds and hundreds of suppliers. I don't think that we routinely attempt to assess the business acumen of the various firms. What we do, we also have a very competent legal department and very competent engineers and planners, so that the contract is carefully defined to spell out the milestones and checkpoints and those are very carefully and rigorously followed by our disbursements people and our engineers, to ensure that the terms of that contract are being met.

MR. WALDING: Mr. Holland, this wasn't one of a hundred suppliers that MTS had; this was a very special supplier, one that you had very little knowledge of; a company that had been set up only two years before you gave it a contract and was in fact a dormant company up until that time. Was there an obligation on the part of MTS to satisfy itself that the people who were promising to do these things had the financial background and expertise to maintain their company through the length of the contract, at least?

MR. HOLLAND: I believe our contractual arrangements were such that it would have been quite possible, had they failed to perform the duties, to discontinue the contract and to discontinue payments. The changes that were made with our supplier were thoroughly justified, each one of them. One of them because we changed the site of the experiment; another one because we changed the specifications and demanded more pre-testing before the system went into the field. That is the nature of a R and D project, that you're exploring as you go and you get smarter as you proceed, so that

these changes were made during the course of the project.

MR. WALDING: What I hear you telling me is that you didn't make these inquiries as to the financial and business expertise of the company before the contract was landed.

MR. HOLLAND: I would say, Mr. Chairman, that our interests were in attempting to identify and secure a supplier who offered the particular combinations and profiles of expertise that were required for this R and D project, and I would agree that the handling of an R and D project can be quite different from our classical tendering and purchasing procedures.

It in some respects, it's similar to choosing professional advisors or consultants. You're looking at the background, expertise, credibility track record of the potential suppliers.

MR. WALDING: Was Interdiscom in its work on this project using, and I'm not sure of the right term for it, various electronic devices or equipment for which it held patents?

MR. HOLLAND: Mr. Chairman, it's again my understanding that for the project, it required the development of its own prototypes, its own software packages, so that all of these were developed in conjunction with the project and they preserved certain proprietary rights to the products that were developed.

MR. WALDING: Were they patents the company held?

MR. HOLLAND: Mr. Chairman, that's another item that I would have to check. I don't have that here.

MR. WALDING: Did this company develop these prototypes and software in advance of 1979, in order to bring these prototypes, which obviously had some value to Manitoba, or were they developed during the course of project IDA? Let me stop there.

MR. HOLLAND: Mr. Chairman, as a layman I would understand that they used all of their previous work experiences, assignments and education to develop those expressly and particularly for this project.

MR. WALDING: Mr. Chairman, I've been told that Interdiscom are the patentees, if that's the right word, for several of the prototypes or whatever they're called, that are being used on project IDA, and that this is where much of the value of their work comes from. Mr. Holland has said that he's not sure whether they own patents. I wonder if he might check with any of his staff that are here to see if that is in fact the case, because if that is the case, then it answers perhaps one of my earlier questions that had to do with the assets of the company. If these patents do have a value and a potential, considerable value, then it would indicate a reason for continuing to use the company. Yet on the other hand it presents a danger of the company being able to fulfil its contract and MTS not being able to use these patented prototypes, and perhaps not being able to provide or to find other companies with similar equipment that could be used in place of that.

MR. HOLLAND: Well, Mr. Chairman, obviously it would be a sound course of action for ISL to have filed any proprietary software, hardware or whatever. I could ask Mr. Beatty if he's familiar with any steps that they have taken as a corporation to do that.

MR. CHAIRMAN: Mr. Beatty would you take the chair to Mr. Holland's left, so that your remarks and comments can be recorded for Hansard please.

MR. J. K. BEATTY: Mr. Chairman, I believe the question related to patents taken out by ISL, I would say that patents are not something that are obtained in a day and we are aware that ISL have applied for, but may not have completed patents of certain prototypes, etc., hardware that they've developed.

MR. WALDING: Was the ownership of any patents, proprietary information software, etc., a factor in awarding the contract in the first place to this company?

MR. BEATTY: I have no personal knowledge of that, Mr. Chairman, I'm afraid I would have to look into that and get back to Mr. Walding.

MR. WALDING: I wonder if Mr. Holland knows whether the awarding of the contract at a level above the lowest tender was a matter only of the expertise of the principles of the company, or whether it had to do with proprietary rights or patents that the company held?

MR. HOLLAND: Mr. Chairman, I'll undertake to go back and check that. My assumption again is that they were selected on the basis of the expertise experience and education of their people that were offered to us for the project, plus their express interest and commitment in the concept of the project, which was important, if it was to be given a maximum chance of success.

MR. WALDING: What can you report to the committee as to the nature of the financial difficulties that the company found itself in, in 1980?

MR. HOLLAND: Just that financial difficulties were reported to us. The project had advanced sufficiently far that the engineering reports were extremely encouraging and so we were anxious to see the project through to completion and they required assistance to do that.

MR. WALDING: And MTS approved a loan to the company of half-a-million dollars, I understand.

MR. HOLLAND: Yes, Mr. Chairman.

MR. WALDING: Which the Auditor said, "Advances were to be made progressively and the final payment made prior to the end of August, 1980." Can you inform the committee whether all payments have now been made on that half-a-million-dollar loan?

MR. HOLLAND: Mr. Chairman, they have not and the debenture has been extended to June 30th of 1981.

MR. WALDING: Can you tell the committee how much has been advanced to ISL?

MR. HOLLAND: \$500,000.00.

MR. WALDING: I thought that was the question, Mr. Chairman. I asked Mr. Holland whether the \$500,000 approved had all been made to ISL? First he said no and then you said yes, it has been.

MR. HOLLAND: I'm sorry, I misunderstood your question.

MR. WALDING: I see. Was the total agreement with the company for a loan of half-a-million-dollars?

MR. HOLLAND: The agreement with the company was for a debenture of \$500,000, yes.

MR. WALDING: Which has now all been paid out to them, I understand.

MR. HOLLAND: Yes.

MR. WALDING: Can you tell the terms of the repayment of the loan?

MR. HOLLAND: I would have to ask Mr. Beatty's assistance again.

MR. CHAIRMAN: Mr. Beatty.

MR. BEATTY: Mr. Chairman, the debenture required a lump sum full repayment, December 31st, 1980. That term was extended by mutual agreement to June of 1981.

MR. WALDING: And there were further terms of the agreement?

MR. BEATTY: Well in exchange for the loan of \$500,000 the Manitoba Telephone System took a floating charge debenture on all of the assets of the company, which included patents and other rights, any other assets held by the company.

MR. WALDING: What is a floating charge debenture?

MR. BEATTY: Well a floating charge debenture means that it can be crystalized at the time of maturity or non-payment. In that sense it continues to accumulate whatever assets are accumulated by the company, during the term, so that if a company increases its assets during that period of time, then those assets also become subject to that debenture.

MR. WALDING: I see. Up to a total of half-a-million dollars?

MR. BEATTY: Up to a realizable half-a-million dollars, but of course the half-a-million dollars, if it's not repaid then assistance alternatives are to take over those assets of the company as an alternative to the non-payment.

MR. WALDING: So in the event of non-payment by June of 1981, MTS would be entitled to take over what? All assets, or physical assets, or to put the company into receivership, what would be the sort of mechanics?

MR. BEATTY: The debenture itself gives provision for MTS to appoint a receiver and essentially to

appoint the receiver to run the company and in that sense take it over as a going concern.

MR. WALDING: I see, so it wouldn't actually be a bankruptcy as such, that MTS would be entitled to take over ISL as a wholly-owned subsidiary up to the value of half a million dollars?

MR. BEATTY: That's right. Just like your bank might do in lending you money for a business, MTS could run the business until it had recovered back its \$500,000.00.

MR. WALDING: I see. I assume that the term "assets" would include proprietary information and software equipment and any patents that the company owned. Would that be true?

MR. BEATTY: It certainly includes patents and all things held by the company at the time of crystallization.

MR. WALDING: I see. Can you tell us the interest rate that was agreed to?

MR. BEATTY: Yes, the existing prime rate plus 1 percent.

MR. WALDING: Calculated monthly?

MR. BEATTY: It's calculated monthly.

MR. WALDING: I note that Mr. Holland said that the System had borrowed money from the government at 18 percent. Would that be considered prime rate and, if so, are you charging ISL at 19 percent on this money?

MR. BEATTY: I should really ask Mr. Vannevel to answer that question since he is more familiar with rates and bank interest.

MR. CHAIRMAN: Mr. Holland, can you answer that question for him?

MR. HOLLAND: Mr. Chairman, I believe that is the prime rate.

MR. WALDING: Mr. Vannevel is nodding, so I am assuming from the nod that the rate that MTS is charging is in the region of 19 percent.

MR. HOLLAND: Prime plus 1 percent, whatever the prime rate is.

MR. WALDING: When it gets up to there, approximately is close enough.

Mr. Holland, I would like to ask you whether MTS has ever in its history made a loan to one of its suppliers?

MR. HOLLAND: Not to my knowledge, Mr. Chairman.

MR. WALDING: Can you tell the committee why you did it in this case?

MR. HOLLAND: I suppose, Mr. Chairman, one could broaden that question and ask why MTS undertook the research and development project which, in itself,

was a novel undertaking. The reasons were many; that we were increasing our investment substantially in the coaxial cable networks; that MTS was one of the few telephone companies that had access to that technology; that MTS had a variety of customers to be served, potentially on those networks; that we were faced with questions as to the next technology and upgrade, so that the interest of our engineers was quite high in that. We do, of course, pay substantially for research and development in our industry because it is changing so rapidly. That normally is built into our purchase price of systems and equipment and whatever. In this case, we felt that in order to provide our engineers with direct exposure to the technology, to participate in experimentation with different services, that it was well justified.

The reports that have come continuously from the project are encouraging. We consider that it has been a very successful undertaking, that it will in fact help many of our computer people, engineers, and others, to advise us on developments for the Eighties. We were faced, as I say, midway through the project, when everything appeared to be going very well, as to whether or not we had to discontinue with that supplier and find another source, or whether it was reasonable to assist him to complete the project and the choice was taken in this unusual case to assist our supplier who was performing well, rather than disturb the project.

MR. WALDING: Did the supplier, in this case, when facing financial difficulties, having certain assets and a contract, approach the usual financial institutions that are known from time-to-time to loan money to applicants?

MR. HOLLAND: Mr. Chairman, again, I assume that was done.

MR. WALDING: Why do you say you assume; wasn't that one of the first questions that you would ask a company who had come to you and ask you to do something that the System had never done before?

MR. HOLLAND: We were approached on the basis that such funds were not available, which leads me to the assumption that he had checked the usual financial sources.

MR. WALDING: Was there any explanation given of which financial institutions had been approached and the reasons for the refusal?

MR. HOLLAND: I am aware that they consulted closely with their accountants and bankers and the reason that was not available was the particular stage of the project. It was completely new; it had a considerable way to go before Interdiscom knew whether or not they had a marketable product. It was at that stage of development that they would find it difficult to obtain venture or risk capital at that stage of the project.

MR. WALDING: So as of early 1980, the Manitoba Telephone System was a lender of last resort, as far as ISL was concerned?

MR. HOLLAND: Mr. Chairman, I would describe that as the Manitoba Telephone System anxious to

complete a research and development project and that became one step necessary to complete it.

MR. WALDING: Did the board satisfy itself that ISL had made every attempt to obtain financing from other sources?

MR. HOLLAND: Mr. Chairman, I believe that the board was so satisfied, yes.

MR. WALDING: Had ISL provided the board with a list of other possible providers of finance?

MR. HOLLAND: Mr. Chairman, could I ask for the question to be repeated.

MR. WALDING: Did ISL provide a list of those other possible sources of finance that they had approached, or did you simply take their word for it that they couldn't get any money anywhere else?

MR. HOLLAND: I believe, Mr. Chairman, that MTS validated the fact that funds were not available at that particular time for a research and development project at that stage, yes.

MR. WALDING: Did the company, for example, apart from the usual sources of banks and financial houses, had they contacted their former associates, Coyne Associates, or Bell Northern Research, or the Federal Department of Industry and Development, other such like possible sources of financing?

MR. HOLLAND: Mr. Chairman, about that time, and since, I am aware that there have been a succession of visitors and scientists and manufacturers to view the project, to question the staff involved in it, and I am quite sure that Interdiscom has made efforts to interest them in a financial participation.

MR. WALDING: I understand from your answer that that is something that has been happening fairly recently. What I am concerned about is the period in early 1980 or towards the end of 1979 when the company was experiencing the financial difficulties. I am trying to understand from you what attempts the company had made to get itself out of this financial difficulty and what steps MTS had taken to assure itself that this unique loan was indeed necessary.

MR. HOLLAND: Mr. Chairman, the project has had a good deal of publicity within and without Manitoba. It has had a good deal of interest, particularly over the last year as it progressed, and I am satisfied that, as part of that, Interdiscom would have approached all of their interested parties to see whether they had interest in financial participation. I think, however, that the project was at a particular stage then where these parties would want to see the final system and preliminary economics and many other facets of the project.

MR. WALDING: Mr. Holland, you said that you would think that the company would do that. I am asking you, did MTS satisfy itself that ISL had contacted the banks, the National Research Council, the Department of Industry, Trade and Commerce, and the Department of Industry and Commerce provincially for assistance in their financial difficulty?

MR. HOLLAND: I would say that we did satisfy ourselves that Interdiscom was approaching and talking to all of the interested parties, yes, but as I say, it was at a difficult stage in this project when this problem occurred.

MR. WALDING: You said approaching and talking, which is in the present tense, suggesting that this was something that was ongoing at the time of early March, yet you told us in answer to a different question that you believed that ISL had exhausted the other methods of financial assistance and that was the reason they had approached MTS for a unique loan, something MTS had never done before. Now, are you not sure that the company had done this, or are you not sure that MTS had satisfied itself in checking the company's claims, that it had made every attempt possible to find the funding.

MR. HOLLAND: I believe that we did satisfy ourselves, yes, that they were making every attempt before and after the debenture was issued, but as I have explained the debenture, that occurred at a particular stage in the project when it is difficult to interest venture capital in that kind of an undertaking.

MR. WALDING: Did you satisfy yourself that they had in fact been turned down by the provincial and federal departments of government which are interested in sponsoring and encouraging business development in this country.

MR. HOLLAND: Mr. Chairman, I am satisfied that we made all the reasonable suggestions that we could to Interdiscom. I think we are satisfied from reports they gave us that they were pursuing all of our suggestions, but I didn't participate in the meetings and visits and tours and interviews that occurred, so I can't really attest as to what transpired at those meetings.

MR. WALDING: Mr. Holland, you told us that this is something that MTS had never done before and that the board presumably had to vote on a motion to loan some \$500,000 to a company that had been in existence for only two years and very little assets from what we can see, and that the original tender had been let only on the reputation of the principles involved. Are you telling me that your board of commissioners did not raise these questions in this rather unusual case when the matter came to the board?

MR. HOLLAND: Mr. Chairman, the board looked at the proposal obviously very carefully and looked at it from the perspective of the research and development project that had been approved, and looked at it from the point of view of whether or not this particular action was justified in order to assure the completion of the project. From that point onward, as I've explained earlier, the board would rely on our legal department to assure an appropriate legal document and on our engineering and professional staff to administer it, so it was judged as one of the actions that would be required if the project was to proceed to completion.

MR. WALDING: I assume that you were present at the meeting of March 10th when the matter was

approved. Did it come to the board only on that occasion or was it discussed at previous board meetings?

MR. HOLLAND: I would have to check the minutes of that meeting; I believe I would have been present. The board has received routine progress reports on the project from the onset. It's a routine monthly report to the board.

MR. WALDING: But as far as the requests from ISL for a loan was concerned, would that have been the first time that the board heard about it, or would it have been discussed by the board at previous meetings?

MR. HOLLAND: I would have to check the minutes, Mr. Chairman, to answer that accurately.

MR. WALDING: Whether it was or not it would still seem that the decision was made on March 10th, presumably following a good deal of discussion because it's something that you have told us had never come to a board meeting before.

The questions that I have been putting to you are surely the same questions that were raised by the board of staff who brought the project to the board itself, or are you telling me that these questions were not raised, or is it that you just cannot recall the answers to the questions?

MR. HOLLAND: Mr. Chairman, I don't recall the details of that particular meeting. I can say with great confidence that the board evaluates all proposals very carefully and certainly would have asked questions such as you have raised.

MR. WALDING: But you do not recall the answers to the questions?

MR. HOLLAND: They would have been likely very similar to those that I have responded with today.

MR. WALDING: Mr. Holland, you haven't convinced me that the system had really satisfied itself as to the absolute necessity for Manitoba Telephone System to put up this \$.5 million. Did no one ask at the meeting why other financial institutions had refused to advance the money to ISL?

MR. HOLLAND: Mr. Chairman, I'm sure that question would have been answered.

MR. WALDING: Mr. Holland, I am not a banker and I haven't had a great deal of experience with them but I would guess, and I might be very wrong, that the reason this company was refused by a bank was that they did not have sufficient assets to cover the amount of the loan that was being requested — I am not sure whether that is a reasonable supposition — if the Member for Minnedosa were here perhaps he would tell us whether that's perhaps a normal banking procedure. Would that seem reasonable to you and did it seem reasonable to MTS that ISL simply didn't have sufficient assets to warrant a loan of \$.5 million?

MR. HOLLAND: Mr. Chairman, obviously the MTS board had to answer an array of questions which

justified that decision on behalf of MTS; that involved the interest to complete the project as closely as possible to the budget figures; the desire to keep people that had become very knowledgeable and very sophisticated in the project available for it; the risks involved in the loan; the advantages of having access to the proprietary rights if it failed; the software, the hardware that were involved in the system; so that the MTS board would have to go through this complete array of benefits and decide whether they merited that decision.

MR. WALDING: I assume the proposal came to the board in the form of a recommendation to proceed with the loan. Would that be right?

MR. HOLLAND: Yes, Mr. Chairman.

MR. WALDING: I presume it came by way of a report or paper or background document or something like that. Did that background paper give an indication of the value of the company?

MR. HOLLAND: Mr. Chairman, the paper would be as inclusive as possible of all factors that the board had to consider.

MR. WALDING: Do you recall if it gave an estimate of the value of ISL?

MR. HOLLAND: I don't recall the specifics but I assume that it would have said that ISL efforts are almost totally dedicated to a research and development project which would not have permitted them to accumulate massive assets or reserves; that would have been known; and that the project was at such a state that the results were not there in terms of specific systems, software, hardware, products and so on at that stage.

MR. WALDING: Do you have an estimate of the value of ISL?

MR. HOLLAND: Mr. Chairman, I don't.

MR. WALDING: Have your auditors or your director of finance been able to give you an estimate of the value of the company?

MR. HOLLAND: Mr. Chairman, I think I can only say again that the MTS interests have been in ensuring that the project was carried out well, successfully, at reasonable costs for the total money expended by MTS so all of our endeavours have gone to establish that.

MR. WALDING: Let me put it to you in a different way. If you had said no to ISL back in March of 1980 and the shareholders of the company decided that their only way out was to sell their shares or to sell the company to another company, what would the selling price have been at that time?

MR. HOLLAND: Mr. Chairman, I don't know that and I don't know how I would find out.

MR. WALDING: Would MTS have been prepared to buy the company for \$1 million?

MR. HOLLAND: Mr. Chairman, MTS does not have a separate research and development house such as

other Canadian telephone companies have; we do not have manufacturing enterprises such as some other Canadian telephone companies do, so there would be no approved policy or intent of the board that would lead us to that.

MR. WALDING: Was the board assured that in the event of default of the loan that the assets would have covered the \$.5 million?

MR. HOLLAND: Mr. Chairman, Mr. Beatty has described the specific provisions of the debenture. Valuing the proprietary rights and the software and the hardware again is a very difficult thing to do. The value really is determined by whether or not the marketplace is interested in proceeding with that information into a premanufacturing and manufacturing mode, and whether they can amass the necessary venture capital to do it. Those are risks that are taken every day in the marketplace, I suppose, but not by me or MTS, so the valuation would be very difficult.

MR. WALDING: I assume that this would have been a question, perhaps the first question raised by the board at the time the proposal was put before them. Do you recall that the question was asked, and do you recall if there was an answer given?

MR. HOLLAND: Mr. Chairman, I can only say that I am certain the board was well aware of the risk factors involved. They were very well briefed on the nature of the project, its stages, the research and development nature of it.

MR. WALDING: The very fact that ISL was coming to MTS as a lender of last resort suggests to me that the banks and other financial institutions had not considered the assets of ISL to be worth a loan of \$.5 million. Now presumably when the same proposal is put before the board they would ask the same questions, and apparently they had come to a different decision from a bank; granted that they look at it from a different point of view. Was the board convinced that its loan was fully secured and that it would in fact receive its \$.5 million back in the event of a default of the loan?

MR. HOLLAND: Mr. Chairman, as I say, I'm confident the board would be very well briefed on the risk factors, the terms of the debenture, and all of the what ifs. The board then had to make the decision, look at all of the alternatives and not proceed in that fashion and face the risks of delay or abandonment of the research and development project. The board had to look and see whether or not the total costs involved with Project IDA were reasonable in total and I think that has been confirmed by independent parties, so I think a very significant decision was made in 1978 on the original project which was quite a novel approach for MTS and quite different from what had been done in the past. Research normally is done in Eastern Canada or the U.S.

MR. WALDING: Back in March of 1980, the Board agreed to loan \$.5 million to a relatively new company that could not get a loan from the banks, yet the board was convinced that it was the right

thing to do without any assurance, as I gather from you, that MTS would in fact get full return on its \$.5 million in default of the loan. Now that would suggest to me, Mr. Holland, that ISL as a company was not worth \$.5 million in March of 1980. Do you agree with that or have reason to disagree?

MR. HOLLAND: I would agree that the board was aware of all risks involved at the time. We're familiar with Interdiscom and again had to make the decision as to whether overall it is in the best interests of MTS.

MR. WALDING: In view of the fact that the board was prepared to take this risk and to go out on a limb as it were, to assure the success of Project IDA in making this loan, did the board give any consideration to taking an equity position in ISL?

MR. HOLLAND: Mr. Chairman, I believe in conjunction with the extension to June 30, there was a provision added that MTS would have entitlement to equity if the board chose to exercise it.

MR. WALDING: Could you give us the details of that option?

MR. HOLLAND: I believe it's up to 11 percent equity and rights to discuss any further financial arrangements at that time.

MR. WALDING: You say that MTS could take an equity position of 11 percent in return for what?

MR. HOLLAND: I think perhaps I should ask Mr. Beatty to describe the exact provisions again.

MR. CHAIRMAN: To the members of the Committee, it being 12:15 it's obvious that we're not going to finish today so perhaps many of these questions can be answered on Thursday morning by Mr. Beatty and Mr. Holland, the ones that they have recorded, three or four of them that they would like to check back into the records.

MR. WALDING: The sort of questions that I would like answered have to do with, would this arrangement involve converting all or part of that loan to an equity position or are we involved only with the interest portion? How was the 11 percent arrived at?

MR. HOLLAND: Mr. Chairman, the provision is under the supplemental debenture, that MTS is given an option and that roughly is to take an 11 percent equity in the total issued shares at any time after July 1, 1981 and in that event and that option being exercised, the indebtedness would be considered repaid in full.

MR. WALDING: Let's see if I understand that, Mr. Chairman. MTS has loaned the company \$.5 million plus accrued interest and that at any time up until July that loan and accrued interest could be converted into an equity position of some 11 percent. Do I understand that as being the correct position? Leaving aside the interest for the moment at an exorbitant 19 percent, looking at just \$.5 million, if 11 percent is \$.5 million that would indicate

a total of some \$50 million — no \$5 million, sorry my arithmetic — is that a reasonable figure to put on the value of this company, \$5 million?

MR. HOLLAND: Mr. Chairman, as we discussed earlier, putting evaluation on it is a very difficult task. That is normally and ultimately determined by venture capitalists and potential shareholders and whomever.

MR. WALDING: Mr. Chairman, I'm making the suggestion that if the company is worth \$5 million, that it should not have been difficult to obtain a loan of \$.5 million as of a year ago. Perhaps the suggestion that I've made rather than Mr. Holland, is that the company did not have assets of \$.5 million as of a year ago and that it would have been possible for MTS to take over 100 percent equity in the company for \$.5 million as of a year ago, because the company didn't have any alternative. What has happened in the last year that MTS is now willing to be a signatory for some 11 percent equity for \$.5 million when they could have purchased 100 percent equity a year ago for the same amount?

MR. HOLLAND: I think, Mr. Chairman, that I would fall back in on my earlier statements that it was the stage that the project was at, at that particular time. Confidence level increased as the equipment was expanded in the field, and as additional services went on the system, and as the software worked and whatever. The assets that the company has are concepts, proven software and fairly nebulous things, so that's why I say it's very difficult to do a hard inventory and put a price tag on it.

MR. WALDING: Mr. Holland, if we were to accept that the company was worth \$.5 million a year ago, do you believe that it's worth \$5 million today?

MR. HOLLAND: I'm not sure, Mr. Chairman, that my opinion would be very valuable here. Again its price would be determined by the business prospects over the next 5, 7, or 8 years, by the careful review of those preported business prospects by potential investors and on their judgement as to what they're willing to invest and at what price.

MR. WALDING: Mr. Holland, I would consider your opinion valuable if you would be prepared to give it.

MR. HOLLAND: Mr. Chairman, Project IDA I think has been a very valuable and instructive research and development project for MTS. We have been delighted with the results of it for many of the reasons we have described.

The concept that is applied here, that is multiple service on coaxial cable network, has applicability on MTS networks and in other networks. It's at a high risk preliminary stage, however. It depends on the economics with which components can be reproduced and proliferated. The technology in this area even since 1978 has mushroomed; there are many houses across the continent now that are looking at related techniques. It really is in a phase of speculation as to what marketing handicaps, production handicaps, and so on, so I think I can only say that it's at a very preliminary stage but the original concepts and ideas have been borne out in a

working model, and it would give me the greatest pleasure to invite any of the members of the Committee to see this system working, it's extremely interesting.

MR. WALDING: I asked you a question a few minutes ago about whether the prospect of taking an equity position was presented to the board at its March 10th meeting. You replied to me that there was a supplementary debenture on which this was a possibility. Can you tell me whether the possibility of taking an equity position was discussed or questioned at the board meeting, when the proposal was put to the board?

MR. HOLLAND: Mr. Chairman, again the board normally looks at all options and alternatives and I would assume that was discussed and considered unnecessary or inadvisable at that particular time.

MR. WALDING: Just for clarification, when you say you assume, is that because you don't recall it? I assume you were at the meeting by the way. If you were not then I shouldn't be asking you these questions of memory.

MR. HOLLAND: I have a note, Mr. Chairman, to check my presence at that meeting and check what transpired so that I can better answer Mr. Walding's questions.

MR. WALDING: I find it a little odd that the provincial auditor says that the beneficial owners of the company are not known. I spoke to Mr. Ziprick and he told me that he had phoned MTS when he was preparing his report as of about October, and he was told by MTS at that stage they did not know who the beneficial owners were. Can you confirm that?

MR. HOLLAND: Mr. Chairman, I couldn't deny that that occurred. I'm aware that as soon as interest was expressed in the beneficial owners, that listing was obtained and provided readily by the present company to anyone interested including I believe, the Provincial Auditor.

MR. WALDING: Is it correct then that MTS did not know who the beneficial owners of the company were?

MR. HOLLAND: Mr. Chairman, I really can't go back and answer that accurately. This was referred to our legal department to enter, prepare and execute the necessary legal documents and I'm not sure that we make a practice of identifying beneficial owners under our many supplier contracts that we have. We certainly knew the principals with whom we had dealt, and their backgrounds.

MR. WALDING: Again, Mr. Holland, this is not one of your many supplier contracts. This is something that is totally different from anything else, and I asked similar sorts of questions about the contract when it was first let, trying to get some background on the company.

I'm trying to find out how MTS handled this and whether it was handled in MTS's usual efficient manner, and I'm beginning to doubt that it was when

these questions come up about this particular company.

First, about the expertise and the background and the assets of the company in the first place, in getting the contract. Secondly, in its applying to the System for a loan and you haven't satisfied me that MTS in fact, did the sort of background research that should have happened before extending a loan to the company; nor even that a loan was the proper way of handling it, when it would seem that the company was of very little value; and if it was so valuable to the System that an equity position could not have been taken at a very reasonable price. Now we come to the matter of the ownership, the beneficial ownership of the company. I'm surprised all the way down the line.

MR. HOLLAND: Well, Mr. Chairman, I certainly would like to assure Mr. Walding, that I think all reasonable steps were taken by MTS; but from the point of view of assuring a legally correct contract and document, and from negotiating with that supplier, the specific delivery of services and critical dates and check-points, and administering that contract to assure that MTS was receiving services as contracted, so generally it was approached on that basis, which is our normal approach.

MR. WALDING: If it's a normal approach of a normal company in a normal transaction, I keep stressing, Mr. Holland, it was not a normal transaction. It was something unique in your history, something that the System had never done before. I'm seeking some assurance here, that the matter was in fact handled properly, with the proper safeguards to the System and to the project and the people.

MR. HOLLAND: Well, Mr. Chairman, certainly the equity consideration was built in to a supplemental debenture, subsequently to that.

MR. WALDING: Can you tell us where this matter stands at the moment, Mr. Holland?

MR. HOLLAND: The Research and Development project per se was largely completed in December. Those services will be carried on over the calendar year 1981. There are two further activities under way at this point, one of which I mentioned in my comments.

Our engineers are studying the upgrade of the Winnipeg coaxial plant and involving our major customers and their engineering advisors in that process. The second one is, that there is a four-month evaluation process under way on the experiment involving our staff, directed by our staff and involving our supplier's staff.

Intended over this four months, one month of which I believe has expired, to retrace all steps taken in the original project, to ensure that we can learn as much as possible from the R and D project, to evaluate all concepts, software applications and designs that were used in it. So those are the two major activities at the moment.

We have had a surprising amount of interest in the project, nationally and internationally, and there has been a great deal of interest in it, and we're welcoming these interested parties back to talk to

our engineers and view the System and ask questions.

MR. WALDING: Did your contracts with ISL have a completion date to them?

MR. HOLLAND: Mr. Chairman, generally yes. Some of those dates were renegotiated as the project proceeded, as we inserted additional requirements into the project, that took time. So on each occasion we had critical points, but they were not necessarily those that were established before the project began. They were negotiated as it proceeded and as our findings were assessed.

MR. CHAIRMAN: The hour being 12:30. Mr. Orchard.

MR. ORCHARD: Do you want to take a disposition that we pass the annual report and you want to continue on Thursday, I take it.

MR. WALDING: I understand that MPIC is coming before our Committee on Thursday morning. I'm not sure when MTS is due to return.

MR. ORCHARD: I think that the scheduling of MPIC was a tentative scheduling, assuming that we would clean up the MTS annual report and that should we be required to spend more time on the MTS annual report, we would resume that at 10:00 o'clock on Thursday; and if we still didn't complete on Thursday, we would resume MTS on Friday afternoon.

MR. WALDING: Mr. Chairman, my understanding from the Government House Leader was somewhat different in that we would start on MTS this morning, MPIC on Thursday and that another one or further days would be put aside in the event that those two reports were not completed.

MR. CHAIRMAN: Mr. Uruski.

MR. BILLIE URUSKI (St. George): Mr. Chairman, the way the notice came out, I think the Minister is looking at it now, is that Friday is the day for either one that may not be completed. At least the way the notice reads now is that today is MTS, Thursday is MPIC, and Friday in the event that either/or both are not completed, if there is time we would be dealing with them, unless the Minister wishes some change in that.

MR. ORCHARD: Well, I would like to discuss that with the Attorney-General or the House Leader. I notice that the notice does indicate MPIC on Thursday, and that we were going to continue straight through and not interrupt the MTS; but I'll confirm that with members of the Committee prior to the House sitting this afternoon, if that would be satisfactory.

MR. CHAIRMAN: Is that satisfactory to the members of the Committee?

MR. URUSKI: Mr. Chairman, bearing with our House Leader, that this matter is discussed with him before we make any commitment, it should be discussed

through our House Leader and between the House Leaders, as to what the timing is.

MR. CHAIRMAN: We'll have the problem resolved this afternoon. Committee rise.