

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON
PUBLIC UTILITIES AND NATURAL RESOURCES
Thursday, November 16, 1989

TIME — 10 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. Parker Burrell (Swan River)

ATTENDANCE - 11 — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Albert Driedger, Findlay
Messrs. Burrell, Leonard Evans,
Gilleshammer, Harapiak, Patterson, Praznik,
Roch, Uruski, Mrs. Yeo

APPEARING:

Mr. Tom Stefanson, Chairman
Mr. Reg Bird, President and CEO
Mr. Dennis Wardrop, Executive Vice-President
Mr. Bill Fraser, Vice-President Finance
Mr. Helmut Pankratz, MLA La Verendrye

MATTERS UNDER DISCUSSION:

The Annual Report of the Manitoba Telephone System for the fiscal year ending December 31, 1988.

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Mr. Chairman: The Committee on Public Utilities and Natural Resources will please come to order. We will be considering the Annual Report for the Manitoba Telephone System for the fiscal year ending December 31, 1988. Does the Minister responsible have an opening statement and will he introduce his staff at this time?

* (1005)

Hon. Glen Findlay (Minister responsible for The Manitoba Telephone Act): Yes, I have an opening statement, and I will introduce the staff at the table at the moment: Tom Stefanson, chairman of the Board of Commissioners; and Reg Bird, president and chief executive officer of MTS; and when the president is giving his opening comments, he will introduce the rest of his staff.

Mr. Chairman, I am pleased to have this opportunity to review with the Members of the standing committee the 1988 report of the Manitoba Telephone System. Last year, I was able to advise Members that progress had been made to re-establish the financial footing and the public image of the Manitoba Telephone System, and I am proud to say that the pace of improvements has accelerated. The evidence of that achievement, even since November, has been significant, and achievements yet to come are most encouraging.

On September 29, 1988, I announced a policy for the improvement of basic telephone service in Manitoba. Responding to that policy, the corporation presented a detailed and comprehensive plan called Service for the Future to the Public Utilities Board, and when that program is completed in 1996 some 47,000 multiparty residential and business customers will have been converted to the conveniency and privacy of individual line service in the Province of Manitoba. Access by rural subscribers to greater toll-free calling will have been substantially improved. All Manitobans will have the option to obtain toll discounts on in-province long distance calls. Customers in exchanges around Winnipeg and Brandon will have opportunities to reduce the cost of their calling under a program called Urban Unlimited.

Manitobans with physical disabilities will have access to a special needs centre that will assist them in the telecommunications requirements and, finally, exchanges throughout the province will be upgraded to modern digital switching technology.

Service for the Future is clearly the most ambitious and far-reaching service improvement program ever undertaken by the Manitoba Telephone System. Because of its importance to the citizens of Manitoba and the substantial capital investments involved, we welcome the opportunity presented to the normal, regulatory process to have the plan given closest possible public scrutiny.

As we were finishing our meetings in the Standing Committee last year, that process was in its earliest stages. It did not end until March 6, 1989. In the interim, hundreds of pages of evidences were submitted to the PUB, six days of hearings were held in Winnipeg, three meetings were held in other communities, and Manitobans made many formal presentations, all of which produced a transcript of some 10 volumes.

On March 31 of 1989, the PUB issued its ruling which approved virtually all elements of the system's application, with the exception of rates submitted for the Community Calling Service Program. This part of the improvement plan which PUB approved in principle is intended to provide more toll-free calling for smaller communities. However, in response to numerous presentations it received, the PUB recommended MTS review this component of the program and propose alternatives. Being aware of the nature of presentations made during the hearings and having received the view of PUB, I agreed that it was appropriate for the system to revisit the question of expanded toll-free calling areas. To that end, I asked MTS to initiate recommended review as quickly as possible, and the system completed that re-assessment. As a result, we have announced major enhancements to the community calling concept.

* (1010)

Community Calling Plus and Urban Unlimited, as the programs are now known, are a major undertaking that is directly responsive to the views expressed at the hearings held earlier. That announcement was made on October 31 in Brandon and, really, Community Calling Plus will allow free adjacent exchange calling for all of the exchanges in rural Manitoba, and the Urban Unlimited will be an optional monthly charge that people, in the exchanges adjacent to Brandon and Winnipeg, will be able to purchase and get toll-free calling into the cities.

MTS has now made an application for those program changes to the PUB, and I am hopeful that they will be approved in the near future.

A major service improvement program honed and refined through the kind of public feedback made possible through the regulatory process is one way that MTS is making a better future for its customers. We are creating a much improved standard of service. I am happy to report this is only one of among many of the strategies the corporation has adopted to make improvements.

During our review of the 1988 annual report, you will hear about the system's efforts to upgrade quality to its customers. You will also hear about initiatives that are being taken to improve its organization and to enhance the morale of its employees, and I will just say in terms of the—on November 2, we announced the first cut-over of a community to individual line service. That was the community of Darlingford, and the reaction of the public there was very, very ecstatic about that level of service being available to all the rural people in the area, and the attitude of the corporation's staff was ecstatic in terms of being able to be part of a major service improvement package where they could go out to the public and show that they were doing something in response to the public need.

I would ask you to take special note of the financial circumstances of the corporation. They are at the best they have been for a number of years. The accomplishment was made possible because the Government assisted the system to take a very businesslike approach to its operations. In its planning and operations it looks for sensible solutions, recognizing its obligations to its customers and acknowledging the nature of its basic mandate in a financially responsible manner. Taken together, there is a lot of good news about MTS. The sound improvements in service and financial responsibility have been made, as well as major programs to be implemented. Describe a Crown corporation that is back on track and one that has justifiably earned the restored faith and confidence of all Manitobans.

Members of the committee will be aware, however, that developments have taken place on the national scene which pose a serious challenge to the progress that has been made over the past year. On August 14, the Supreme Court of Canada rendered a decision on the long-running case between the Alberta Government Telephone company and CNCP Telecommunications. In essence, the court ruled that AGT is a federal undertaking which is not under the jurisdiction of the

federal regulator, the CRTC, because the relevant Act of Parliament, the Railway Act, does not expressly bind provincially-owned telephone companies. In other words, the ruling recognized Crown immunity.

* (1015)

Manitoba, together with other provinces, called upon the federal Minister of Communications, the Honourable Marcel Masse, to enter into immediate discussions to address the ramifications of this decision and to consider options that would be responsive to both national and regional needs. Mr. Masse, in public statements, appeared to be receptive to such talks. Indeed he indicated personally that Ottawa would take no precipitous action on the matter till these discussions had taken place. On October 19, however, he introduced a two-paragraph Bill in the House of Commons which, if passed—this was an amendment to the Railway Act—will bring the prairie telephone companies including MTS under regulatory authority of CRTC.

At the turn of the century, this House decided that telephone facilities should be controlled in Manitoba so the services would be responsive to the needs and desires of Manitobans. That decision made nearly nine decades ago has proved its merit many times over, and it continues to be valid today. For this reason, the Government of Manitoba has taken a strong stand on the federal initiative. It is our firm intent to take whatever measures are necessary in order to slow down or stop the federal C-41 Bill which is the amendment to the Railway Act that would take away jurisdiction.

I am confident that all members of this committee and all Manitobans in fact support that position. In the course of time I have had considerable discussion with some MPs and we are in a strong joint lobby position with Saskatchewan and Alberta in terms of addressing the issue and getting the federal Government to back off Bill C-41 and to enter into meaningful discussions with us so we can resolve our ability to control the rate-setting and the capital programs for the telephone system in the Province of Manitoba, and I am also of the understanding that three of the Maritime Provinces and probably the Province of Quebec will support us in that initiative at the same time.

Mr. Chairman, those are some brief opening comments, and I would now like to ask the Chairman of the Board, Mr. Tom Stefanson, to make some comments.

Mr. Tom Stefanson (Chairman of the Board of Commissioners, Manitoba Telephone System): Mr. Chairman, it is a pleasure for me to offer a few comments from the perspective of the system's board of commissioners regarding the key events and activities in 1988.

As the Minister has noted, 1988 was a particular eventful year with the introduction of major service improvement initiatives and an encouraging recovery in the corporation's financial status in service quality. The general contribution of the board of commissioners to this accomplishment rests in the ability to convey to management a sense of direction as well as openness to change.

Of course, the board has spent considerable time and effort reviewing particular projects and proposals. During 1988 and 1989 the board was given new outlooks with the appointment of seven new members. In addition to my own appointment, new members include: Patricia Graham of Newdale, Holly Beard of Thompson, Rubin Spletzer of Winnipeg, Helmut Pankratz, MLA for La Verendrye, Edgar Penner of Kola and Sam Schellenberg of Emerson. Joanne Swayze of Lorette and Roy McMillan of Portage la Prairie have been commissioners since 1985.

These commissioners, with their combination of professional and business experience and their knowledge and awareness of both urban and rural concerns, have reaffirmed the MTS commitment to provide outstanding service to all Manitobans and have been closely involved in the service improvement initiatives.

As a new member and subsequently as chairman, I was impressed by the volume and complexity of the work of the board. Because the challenges the corporation faces increase with critical changes in the telecommunications industry, it is not surprising that the board has been called upon to increase its efforts.

Five or 10 years ago, it was normal for the commissioners to meet about 12 times a year. At that time the board did not have a committee structure. In 1988, there were 14 full board meetings and an additional 17 committee meetings. That effort included close and detailed examination of many matters including the major initiatives and activities described by the Minister as well as others that Mr. Bird will identify.

In the long term, however, it may well be the broad direction provided in 1988 by the board that could constitute one of its most achievements. The essence of that direction was reconfirmed and enunciated when the board, at its December 16 meeting, adopted the following revised mission statement which reads: to meet the telecommunications needs of all Manitobans with the right solutions, outstanding service and superior products.

* (1020)

During the same meeting, the board also approved the following corporate goals: to provide customer satisfaction; to be financially responsible and self-sufficient; to pursue market opportunities aggressively; to provide equal opportunities and an environment which develops employee competence, commitment and satisfaction; to be a good corporate citizen; and to keep the public well informed.

An important step taken by the board in keeping the public well informed was its participation in two series of public accountability sessions. In the fall of 1988 meetings, were held in St. Vital, Carman, Cross Lake, Thompson and Deloraine. Public meetings this year were held in Gillam, Steinbach, Neepawa and Winnipeg. In all cases, at least one member of the board was in attendance.

MTS Board members joined staff in answering questions from several hundred Manitobans on subjects

ranging from billing concerns, multiparty service and long-distance calling. I believe that these meetings not only provided an opportunity for members of the public to share their views about the performance of the corporation with us, but they also assisted the staff and board in gaining a better appreciation of the critical concerns of our customers.

As members of the committee will note in reading our mission statement and our corporate goals, the system in its entirety, the board management and staff is committed to improving our ability to listen and learn from those whom we serve and in doing so enhance the value and quality of our service.

It is clear that the challenges ahead will be even greater than those we have confronted in the past. In addition to the significant policy issues raised by the federal legislative initiative, we face important and accelerated service, technological, commercial and financial demands. The achievements of 1988 and 1989 indicate that the formula we have adopted to address the operational and business dimensions of these challenges is working and the commitment and intent behind it is at the heart of the board's strategy direction. It is summed up in the core statement which you will now find on MTS communications including the cover of the Annual Report. In listening better and performing better we are saying to our customers, we are with you all the way. I thank you, Mr. Chairman.

Mr. Chairman: Thank you. Does the critic for the official Opposition have an opening statement at this time or did you want to carry on? I am sorry. Mr. Bird.

Mr. Reg Bird (President and Chief Executive Officer, Manitoba Telephone System): Thank you, Mr. Chairman. Before I start I would like to introduce two members of the MTS executive who are here. Mr. Dennis Wardrop, executive vice-president, and Mr. Bill Fraser, vice-president of Finance, are here in case any questions come up of their specific interest.

Mr. Chairman, Members of the committee will have received the Manitoba Telephone System's 1988 Annual Report which describes the following financial statistics: total operating revenues were \$454,565,000; and total operating expenses were \$380,773,000; a net income of \$15,445,000 indicated continual improvement in the financial position of the corporation; capital expenditures for 1988 were \$159,928,000; MTS' investment in telecommunications plan grew to \$1,503,000,00 up from \$1,468,000,000.00.

The annual report highlights the major events and activities of the year. MTS Cellular Mobile Telephone Service was launched on May 6, 1988, and MTS is impressed with the customer acceptance of this service which has expanded rapidly and is now available to 75 percent of this province's population. In 1988 MTS asked the Public Utilities Board of Manitoba to approve the creation of a new rate group for the Winnipeg Exchange. Rates for local calling areas were established in relation to the number of telephone numbers that can be assessed without making toll calls. With Winnipeg beyond the limit of its approved rate group and given that there was no authorized high rate group,

the system was obligated to make an application. It was reviewed during a public hearing held September 15 and 16. The Public Utilities Board approved it with modifications on November 3.

The announcement of service for the future, the most comprehensive service improvement program ever initiated by the system, was made on September 29. As the Minister indicated, the program includes the conversion of all multiparty service to individual lines by 1996; the reduction of toll-free calling areas; toll savings options for exchanges adjacent to Winnipeg and Brandon; the establishment of a special needs centre to serve the telecommunication requirements of Manitobans with physical disabilities; and the conversion of exchanges to digital switching technology.

* (1025)

In October the system made an application for general rate changes for the years 1989 and 1990. These included increases needed to meet ongoing operational requirements, inflationary pressures and to fund the service for the future initiatives. In addition to rate increases, the system also requested authorization to reduce out-of-province long distance calling rates in 1989 and in 1990. After a week of hearings in Winnipeg, as well as meetings in Brandon, The Pas and Arborg the Public Utilities Board approved all items submitted by the system with the exception of the tariffs for the community call-in service. The board asked that this element of the rural service improvement program be reviewed.

With the Minister asking MTS to proceed with the requested review, we revisited to Community Calling Program working on the principles that the PUB accepted the Community Calling Service concept in principle, but anticipates an enriched and more aggressive proposal, and that the public accepts the total Service of the Future program to go forward as quickly as possible, including the Community Calling option.

The result of MTS' review is the Community Calling Plus and Urban Unlimited programs announced on October 31 and sent to the Public Utilities Board for its consideration. This program will cost \$34.9 million in capital costs and will bring benefits to virtually all of MTS customers. We believe that these two enriched programs may be the best of their kind in Canada. Taken together with the other elements of the Service for the Future initiative, they are highly responsive to the concerns and desires expressed by our rural customers.

During the public proceedings on the General Rate application, MTS presented its long-term financial goals which are to reduce the corporation's debt ratio by 1 percent annually; to fully fund the System's pension plan liability by the year 2001; and to increase MTS' debt coverage to within the range of 1.25 to 1.30; and to increase the revenue the System derives from Telecom Canada Revenue Settlement Plan.

I am pleased to report that in its Order, the PUB indicated that it "accepts the necessity of pursuing these financial goals." In that acceptance, the board

approved rates which will generate the funds needed to make progress in bringing financial strength and stability to MTS.

As a result of the general rate application, a new standard of service will be established for MTS customers, the financial integrity of the corporation will be enhanced and at the same time, Manitobans will continue to enjoy among the lowest rates in Canada for basic telephone service.

The long-term conversion to digital switching technology has been proceeding with an additional 15 exchanges converted in 1988 alone. The MTS is accelerating this program. By the end of 1990, MTS will have extended digital switching technology to an additional 36 exchanges.

1988 also saw the opening, in June, of the Manitoba Relay Service, which is a 24-hour-a-day operation which uses specially trained personnel and equipment to provide communications links for hearing impaired persons. This program, which was developed in full consultation with the hearing impaired community, has been well-received by both the hearing and hearing impaired Manitobans.

During the reporting period, MTS completed 618 kilometres of fibre optics cable network between Ontario and Saskatchewan borders. As a member of the committee, it will have learned through press reports, this work is part of Telecom Canada's national Fibre Optics Transmission System, which subsequently was completed this year. On March 22, the Honourable Glen Findlay participated in the celebration marking the splicing of the final link of the network, which Pierre Berton compared to the historic last spike of the transcontinental rail system. The capacity and flexibility of this fibre optic network represents a major step in the development of Canadian telecommunications.

The improvements in service and the plant infrastructure of the System are required to meet a growing volume of demand from customers. In 1988 the number of local calls increased to 5,779,000 every day, up by 5.4 percent, and long distance calls grew to 288,000 every day, which was an 8.3 percent increase over 1987.

In the light of these demands, as well as changing market circumstances, MTS is well aware of the need to maintain and improve customer satisfaction. This requirement has been made apparent to the corporation through an extensive customer opinion survey, as well as day-to-day contacts. In fact, because the System has over 20,000 customer contacts each and every hour, or six a second of the business day, it is deeply sensitive to the need to focus on customer service and make improvements.

* (1030)

It was with this imperative that set the stage for the System's adoption of a new Mission and Goals Statement. In an effort to pursue these goals, the System has made further changes in its organization as part of its ongoing effort to improve its operational effectiveness, develop its human resources, and enhance the quality of its customer service.

One of the important steps taken in this organizational restructuring has been the adoption of 16 strategic business units. Strategic business units are entities within the corporation which are given identified mandates to serve customers. In fulfilling their effective roles, the strategic business units will have their costs they incur and revenues they generate specifically assigned to their operations.

Strategic business units will assist MTS in making its resources more effective and efficient, improving its management, assessing its performance, enhancing its customer service, and in preparing for a changing and more competitive environment in our industry.

Part of MTS' efforts to advance service while improving employee morale has been the implementation of a trial for the use of business dress uniforms for staff who are in regular contact with our customers. We believe that the uniforms will assist customers in recognizing MTS employees, project a better image for staff, and heighten the sense of our professionalism. Uniforms are being worn in a number of operations during the trial, including the Phone Centres in Polo Park and Brandon. Tried out in consultation with employees, the trial has been well received by employees and customers alike.

In addition to the continuing progress in extending digital switching and cellular service, two achievements have been made in 1989 which require special note. A Special Needs Centre, which has been designed to meet the unique telecommunication requirements of persons with physical disabilities, was opened in Winnipeg this spring.

The system is making good progress in improving its financial position. For the period of January to June 1989, the System was able to report net earnings of \$20.9 million compared to an originally projected amount of \$18.1 million. These funds are being devoted to implement major service improvements such as the recently announced Community Calling Plus program, as well as to improve the System's overall financial footing through a lowering of our debt-to-equity ratio.

MTS has made significant progress in all important fronts. It has improved customer service. It has launched the most extensive service improvement program in its history. It is making progress in establishing a long-term financial integrity, and finally, it is making strides in improving opportunities for, and the morale, of its employees. While there are still many challenges ahead, we are gratified that important accomplishments have been made over the past year.

Mr. Findlay: Yes, just to help the committee Members I have here copies of the implementation schedule for Community Calling Plus. I would like to hand this out to each Member of the committee.

Mr. Chairman: Does the critic for the official Opposition have an opening statement at this time?

Mr. Gilles Roch (Springfield): No, Mr. Chairman, I am ready actually go right to the questioning and make comments.

Mr. Chairman: Does the critic for the Second Opposition have an opening statement?

Mr. Bill Uruski (Interlake): Mr. Chairman, just briefly I would like to thank you for the opportunity of hearing both the new chairperson of MTS who I want to say I have known for many years as a fellow Interlaker. Both of us are fellow Interlakers, and in fact we have had extensive business dealings over a number of years with the new chairperson. I know that the sensitivity for the expansion of services in rural and northern Manitoba, as well as urban Manitoba, will be there in terms of the new committee.

* (1035)

Mr. Chairman, I do have and will be raising some concerns or at least asking for explanations with respect to the new changes as they may affect areas in which the calling to school divisions and community service offices were raised during the public hearings. I am not sure that they have been totally accommodated in the plans here, and we will be looking for their explanations in those areas.

As well, maybe I am not totally familiar with the plan, and I raised the issue at the Arborg meeting when the Public Utilities Board had its meeting in Arborg with respect to the areas in and around the City of Winnipeg. Some of those communities were going to be subsumed in the additional lowering of their long distance calling areas into the City of Winnipeg, areas such as—and I am going from memory—Balmoral and the Stonewall-Warren area whereas there were other areas which were certainly no further away were not being subsumed. Now, the new plan may take care of all of this, but I will want some clarification in those areas, and we are ready to proceed and go through the questioning process and I will let my colleague from the Liberal Party proceed.

Mr. Roch: Before we go into some more detailed questioning, I would like to make a few comments and ask some questions based on the opening statements of the Minister as well as the chairman and the chief executive officer. The Minister mentioned, as have the others, the new option to obtain toll discounts as well as the urban calling. What will this cost the individual subscribers? The president can give me a general—

Mr. Bird: Mr. Chairman, that is a pretty comprehensive question. Basically, the plan that we originally tabled with the Public Utilities Board allowed the exchanges—now we have 160 exchanges—to take that down to 60 based on their calling patterns, and to take the cost of that plan and put it on those people who are receiving the benefit.

The Public Utilities Board said to us the plan was not aggressive enough and, secondly, they did not like the way the costs were distributed so we went back and made a far more aggressive plan. As a matter of fact, the new plan we have, layers on top of that. It not only decreases the number of calling areas from 160 to 60, but it also allows you to call all your adjacent exchanges in addition to that. What we have done is

set a series of costs based on the rate groups we have now plus a premium based on the additional service you will get so that the more service you get the more you pay up to a maximum of 60 percent. Forty percent of the cost of this new plan is absorbed by the rate base in its totality, and 60 percent is attributable to those subscribers seeing the benefit and only when they see the benefit.

So each specific case is different because if you are in an area now where based on the new plan you go from, let us say, 400 free calling numbers to 3,000, you would pay more than you would if you were in a place now that was 400 and went only to 800, and the figures range anywhere from 50 cents to about \$4 a month.

The Public Utilities Board, although there was a great deal of input from those customers adjacent to the Winnipeg and Brandon exchanges, really said to us, the \$5 for a 50 percent reduction on 50 percent of long distance toll is a good plan and that is all you need to do for those subscribers. But we have also added to the plan an Urban Unlimited which allows those subscribers, at their option, to subscribe to free calling into Winnipeg or into Brandon, and of course if it is into Winnipeg the rate is \$18.85 a month addition. If it is into Brandon, it is \$6.10 and again that is based on the amount of additional utility that you see from your telephone as a result of the plan. I cannot specifically say in each individual customer what the rate will be although we have that information and we could go over it in great detail if you like.

* (1040)

Mr. Roch: That is not really free calling, people are paying for that. They are paying to get additional calling areas. What I would call it, as opposed to free calling, I think MTS is trying to psychologically implement that into people's heads that it is free calling, but there is no such thing as a free lunch. I know this, too, that you did mention that the reduction of the number of calling areas and some of the other improvements implemented by MTS were by and large forced upon the Government by the PUB. I think that is substantially because of public demand. A lot of people in the commuter shed were demanding to be included in these calling areas and they have not had exactly what they wanted yet, but it is at least a step in the right direction.

Again, I must emphasize that this was not MTS' or the Government's original intention. It was forced upon them by the PUB. Hopefully, it was a long-term goal but it has now become the short-term goal.

Going back to the Minister's opening statement, what type of discussions were held privately. You mentioned there were discussions held between the federal and provincial Governments in regard to their taking over deregulation of the Telephone System. What kind of discussions were held prior to the introduction of this Bill by the Honourable Marcel Masse, Bill C-41?

Mr. Findlay: Prior to the introduction of the amendment to the Railway Act we had written two letters to Minister Marcel Masse after the court case came down, the Supreme Court decision between CN and CP and AGT

requesting an opportunity to meet with him to discuss potential difficulties we could foresee. We met with him personally on October 4, roughly two weeks before his announcement and laid on the table our desire to maintain provincial regulation over our Crown corporation and to use PUB as the regulator.

His opinion at that time was that they felt one regulator in the country was advantageous for his reasons. We obviously disagreed very strongly on the positions. The nature of the discussion at that time was that we would continue discussions to find some level of compromise between our two positions. We would meet again as Ministers prior to any federal initiatives being undertaken, and much to our surprise amendments to the Railway Act were introduced some 15 days after that meeting—also, the extreme shock and surprise to Saskatchewan, Alberta, and all other provinces that I have talked with. That was the nature of the discussion and our position is strong and our reaction has been strong to what they have done in attempting to take away our ability to regulate through the PUB.

Mr. Roch: I intend to be of the opinion, like several others around Manitoba, I suspect the Minister himself, that the negotiations or discussions were not being held in good faith by the federal Government. Was there anything which may have triggered this sudden tabling of the Bill without any notification to the jurisdictions affected?

Mr. Findlay: I cannot speak for the federal Minister or the federal Government, but I would suggest that they probably did not get support from very many provinces for his desire for one regulator. The only province that I could suggest he has strong support from is the Province of Ontario. He has acted on an agenda that he believes is beneficial from his point of view of what is good for telecommunications in Canada.

It was an element of discussion at the First Ministers' Conference last week where the western Premiers—and my understanding is supported from the maritime Premiers that the federal Government process was not acceptable at the provincial level from the majority of provinces.

Mr. Roch: Yes, and I understand that even right now, although they have not admitted publicly, that Ontario is possibly reconsidering its position. I wonder if that is going to happen or not; it remains to be seen. During the course of those discussions, was Manitoba willing to concede anything in the area of regulatory control in order to maintain control over the Telephone System?

Mr. Findlay: We want to maintain the complete jurisdiction to regulate the telephone company in terms of rate setting and Capital Programs in the Province of Manitoba. That has been our position.

Mr. Roch: So what about the regulation of interprovincial, international phone rates? Was Manitoba willing to give that to the federal Government as a concession or to retain control over the other items that you just mentioned?

Mr. Findlay: In the process of discussion, if we could get back to the table of discussion, we are prepared to give that some consideration. Because we must realize that right now when the Bell Canada area lowers long distance rates for calls out of the Bell area into Manitoba, as an example, it essentially puts pressure on Manitoba to respond in terms of lowering our long distance rates. We have effectively done that in terms of three announced rate reductions, one that took effect January 1, 1989, which was a rate reduction of about 13 percent and a further rate reduction was approved for January 1, 1990, of some 17 percent. The application now going before PUB would have a rate reduction of some 20.6 percent on long distance calls made to points outside the Province of Manitoba.

So what I am saying is that any reductions outside tend to put pressure on us to reduce the rates inside because people want equal rates of calling in and out. On that context we are prepared to negotiate that process, but we naturally want some contribution to our costs of running our system from every call that is of long distance interprovincial nature or international nature.

Mr. Roch: It does not appear likely, but if they were willing to withdraw or pull back somehow, Manitoba would be willing to concede regulation of interprovincial and international long distance rates to the federal Government in order that we can retain control over our basic rate setting as well as the interprovincial long distance rate settings. Am I correct in interpreting that from your comments?

Mr. Findlay: I would not want to use the word "concede." We are prepared to discuss that option or ramifications of that option. I might just further say, that has been the position of the two prairie provinces to the west of us, we are prepared to discuss that element.

Mr. Roch: I thank the Minister for that information and to continue my comments on the opening statements. Mr. Stefanson mentioned the accountability sessions which the corporation finds very useful. I am very happy to hear those statements, because at one point last year I believe that the Government was attempting to have those done away with. I have to note here that if it was not for the Opposition, these accountability sessions would have been done away with by the Government. I just want to note this.

Mr. Bird mentioned that there were capital expenditures and I forgot what the amount was, the total amount of capital expenditures.

An Honourable Member: \$159 million in 1988.

Mr. Roch: In 1988. It is possible to have a breakdown of what these capital expenditures were for and what the costs of the individual projects were, capital costs?

Mr. Bird: Mr. Chairman, that is possible. Yes, we have that but I do not have it with me today.

Mr. Roch: I realize that.

Mr. Bird: The majority of it goes for our major switches at our outside plant which are the cables which go underground, the fibre cables and this is a large, large province and all the cable systems are a very significant portion of it but we have it broken down by project, subproject. That is available.

Mr. Roch: Could these be just sent out to myself or could it be—

Mr. Bird: Mr. Chairman, if it is appropriate I would like to maybe speak to you after. I mean, we can give you whatever, I can send it to you, we can go over it with you at MTS to whatever level you want to go down to.

* (1050)

Mr. Roch: It is just a matter of contacting your office and we can go over it? Okay, I thank you for the information.

You mentioned at one point too that the public accepts and I am quoting here about the various things which have been happening. I am in agreement that yes, they are accepting it, but it is still not what many, if not most, want. Again I have to repeat that what they have received so far is mostly thanks to the Public Utilities Board and public demands and Opposition demands too at that.

Although I believe it was I recall from last year's deliberations the long-term goal of MTS to provide reduced amount of calling area, I think you have to agree that it was forced upon MTS sooner than they wanted it to happened. Is there, and possibly the question is better directed to the Minister, but is there any goal, whether in the long term or short term to eventually have even smaller calling areas, a reduced number of calling areas? I am referring especially to those areas around Winnipeg which will now be included or will now have the option of the Urban Unlimited Program to one day be part of those exchanges, given the fact that they are willing to pay a higher monthly rate. I think that the Urban Unlimited Program will prove that.

Mr. Findlay: Mr. Chairman, I think the Critic of the Liberal Party is taking great liberty. I think it is time to draw his attention to the fact he is making allegations that are totally unfounded with regard to the Government and MTS, saying that they were forced to get into a service improvement package before they wanted to.

I think that is totally unnecessary and unprofessional on his part, because it has been the commitment of this Government for some time, even in Opposition, that we wanted improvements in telephone service in rural Manitoba. The Manitoba Telephone System has been aggressively wanting to get on that path for some period of time. I think it is very unfair for him to make those allegations to try to take credit for something that he really had nothing to do with.

The Manitoba Telephone System is on an agenda of satisfying its customers in all of Manitoba, but particularly rural Manitoba. The employees are very

happy to have that opportunity to move in that direction. As I mentioned in my opening comments, out at Darlingford where the first cutover to ILS took place, the one thing that really made me happy was the comments of the various staff members that were there about how they could hold their head higher in terms of dealing with the public and they were on a major Service Improvement Program which they had wanted to do for some time. If you look at hindsight probably this should have been started five, 10 or 15 years ago. We are on with the process now and let us get on with getting it done without trying to take political shots at the corporation.

The other thing is that you see he has made comment that the accountability sessions were forced upon the Government. That is ridiculous. We are always wanting to be accountable to the public and the corporation is prepared to meet at any time, any place where there is a number of people that want to express an opinion. I have had discussions with the public in various public meetings at numerous times. We are open to discussion with the public on a continuous basis.

With regard to further improvements, most naturally if successes of the present program will lead to other improvements over time in terms of fiscal capability and public demand and the public's desire to pay for those improved services, that is always in the backroom planning in terms of trying to respond to the needs present and in the future.

Mr. Roch: I have to take issue with the Minister when he says that I am being unfair and unprofessional. I am not trying to take credit. I have emphasized over and over again that it is the Public Utilities Board. I mentioned at one point in regard to the accountability sessions, and that is a fact that when the Minister responsible, I believe it was the Minister responsible for the Crown corporation, but there was at one point in the previous Session that the Government wanted to do away with these accountability sessions and the then combined Opposition did not allow the Government to do so. I am not saying that MTS is not willing. As a matter of fact the Chairman today said that they were very happy with these Sessions.

I am not taking political shots at MTS. I am taking political shots at the Government. I believe that is the role in Opposition, to take shots at the Government or to question or criticize or compliment when compliments are due. I have always given the Government high marks for implementing its individual lines service. As a matter of fact, some Ministers sometimes say that the Opposition never gives credit where credit is due. I believe that not too long ago when a certain Bill was introduced I gave the Government credit where credit was due. So I do not like the allegations the Minister is making toward me.

It is true in Opposition the Minister did call for improved phone services, but back then in Opposition the Minister, along with the then Oppositional Caucus, did support extended calling areas around Winnipeg and Brandon. This has not happened to date. We have an option but it has not happened. It may happen yet but it is still at that point.

I have a few more questions on the opening statements. When Mr. Bird said that in 1988 there was over—was it five million local calls daily?

Mr. Bird: Yes, sir.

Mr. Roch: How many long distance calls interprovincial and intraprovincial would there be on a daily basis?

Mr. Bird: I believe I stated there were 288,000 per day, compared to 5.7 million for local calls. So there are a lot more local calls than there are long distance calls.

Mr. Roch: Two hundred and eighty-eight thousand, that is the combination of inter and intra?

Mr. Bird: That is true.

Mr. Roch: Would you have the breakdown between the two?

Mr. Bird: Not with me, no. I could get that figure but I do not have it with me, no.

Mr. Roch: Thank you. I would appreciate getting the breakdown between interprovincial and intraprovincial.

You mentioned the adoption of 16 strategic business units. I assume they each have a different title, a different mandate, a different operating budget, different goals. Is it possible to get more detailed information? I take it these were implemented within the last fiscal year.

Mr. Bird: Yes, they were implemented on July 1 of this year. The reason for them was because our business is so complex and because some of it is competitive and some of it is regulatory and some of it is geographical, we decided to organize our corporation in these 16 strategic business units. Each one of them has a general manager; each one of them has a mission statement and goals; each one of them has a three-year pro forma financial statement which shows the revenues and the expenses, the human resources and the capital dollars that they are going to use to meet their mandate.

It has increased morale in the corporation because the people can see the strategic business unit they are associated with. It helps a regulator because we can show the regulator that this is the competitive entity and this is how we manage this, and there is no cross subsidy between this one and that one. It helps our board in that when they go over the budget they no longer see a budget which says huge numbers to meet our needs as far as telecommunications are concerned. If they say cut back 3 percent or 5 percent it is not across the board. They can look at each specific unit and say, well, let us get out of that business or let us get out of this business and see the implications thereby.

Six of these business units are cost-based. The human resource entity, the total training human resource under our vice-president is a business unit. You can isolate that and see the resources we have committed to training, to employee advancement, to morale, to

postings and so on. The finance department under the Mr. Fraser is a complete strategic business unit. He provides financial services to the corporation.

The computer information system is a complete strategic business unit. It has goals and objectives. The costs of these business units are absorbed and transferred to the other business units as they use these services, so it gets accountability into the system and makes it run like a greater business. A couple of profitable business units would be the coin; the directory business unit; the cellular business unit has its own strategic business unit and it has its own goals and objectives.

Then we have three geographical business units. We have the northern region under a vice-president with his goals and objectives; we have western region with his goals and objectives; and eastern goals with his goals and objectives. So that is basically how this system is organized, and it is not inconsistent with other telephone companies in the country.

Mr. Roch: It seems to be a very good plan. I would agree that if it works as per plan it seems to be able to deliver to management the required accountability from each individual department within the corporation.

As part of the overall profit picture, net income picture, I would like to know in that, what is the current status of the MTX winddown, windup, whatever, Mr. Stefanson?

Mr. Stefanson: Perhaps I could answer that. There are still a couple of outstanding matters so the company has not been dissolved. It had been hoped I think that it would have been taken care of by this time, but I think it is probably going to take considerably more time.

First, there are a couple of pending lawsuits against MTX from former employees that have not been settled. Both of them, as far as I understand, have gone to the discovery stage. So right now they are at a pre-trial stage.

* (1100)

Then there is the receivable from Bassam International. The receivable notes are overdue. A Saudi lawyer has been employed to try to collect these. So until these matters can be resolved the MTX corporation will not be finalized.

Mr. Roch: The lawsuits are pending against whom? These are lawsuits filed by the corporation, or against the corporation?

Mr. Stefanson: These are lawsuits by former employees of MTX, one by a Gregory Sidebottom, and another by a Vince Loptson. They have gone to Examination for Discovery and they are at the pre-trial stage. What the outcome will be we have no idea.

Mr. Roch: Do you have, and I realize it is a pretty tough question to answer, but do you have any idea of when the total and complete winddown will be completed?

Is there any expectation as to when it might be completely done away with?

Mr. Stefanson: Well, I would hope that it would be completed within the next 18 months or so. There is no great benefit in continuing with this thing and I would think that if there is no movement on the receivables within that period of time that they could be considered dead and non-collectible.

In regard to the lawsuits, who knows how long the courts are going to take. As I said, they have gone through the discovery stage. So they are now approaching the trial stage so I would think that would also be completed within, say, an 18-month period.

Mr. Roch: So if I understand you correctly, there is a possibility that some of those monies which are owed by notably Al Bassam International may not be ever collected.

Mr. Stefanson: That is a very good possibility. The notes are overdue now and as a matter of fact the due dates on them were \$32,000 Canadian on September 30, 1988, and another \$127,000 was due on December 31, 1988, and with the balance of \$159,000 due on March 31, 1989. So all monies, the entire \$318,000 is now considerably overdue.

Mr. Roch: What about the other aspects of the whole MTX situation as far as I believe Cezar Industries out in California and there were other small components in other parts of the world. Have those operations all been wound down?

Mr. Stefanson: Everything has been wound down with the exception of these items. So far the potential losses are within the budget of the \$27 million-plus. The only possibility of slightly exceeding that number would be as a result of either a bad decision on the lawsuit that would go against us and being unable to collect the receivables.

Mr. Roch: So if I understand you correctly then the only outstanding aspect at this point is the one dealing with Saudi Arabia specifically, Al Bassam International.

Does the corporation have any idea of what the total cost of this MTX enterprise to use the term politely will have been to the ratepayers?

Mr. Stefanson: Yes, the total loss to date, which is the same as on the books in the year previous, the fiscal year-end of the MTX Corporation is March 31. The total loss on the books at both March 31, 1988, and 1989 is \$27,621,000.00. There is still provision, an additional \$50,000 provision for potential losses from the collection of this receivable or from the lawsuits. In other words it could increase slightly if the losses from those two sources exceed \$50,000.00.

Mr. Roch: I believe you meant that the fiscal year end is December 31, is it not? It was changed in 1987 I believe.

Mr. Stefanson: Well, the financial statements are still being prepared on a March 31 basis for MTX. Oh, MTS?

Mr. Roch: I understand what you mean, okay.

Mr. Stefanson: Yes, MTS was changed in 1987, but MTX is still at March 31.

Mr. Roch: Mr. Chairman, I have a different line of questioning here. I would like to ask a question of the Minister which last year, and I am certainly not meaning to be disrespectful or reflect upon any MTS employee, but the Minister did say last year at that time that he would like to pay particular tribute today to the high level of ability of the Chairman of the Board Mr. Paul Thomas. Could the Minister give us some detail as to why Mr. Thomas was dismissed as chairman of the board?

Mr. Findlay: Mr. Thomas had a two-year assignment as the chairman of the Manitoba Telephone System which expired in August of this past year. His two-year term was up. We decided to appoint Mr. Tom Stefanson as his replacement. There seemed to be a desire in the business community that we needed a strong business orientation to this corporation in the future. We were looking for someone with practical business experience to be the chairman of the board henceforth.

Mr. Thomas served his term and did a good job. Nobody is guaranteed continuity forever and a day. We decided to appoint Mr. Stefanson.

Mr. Roch: I thank the Minister. I believe that is what has been said before. I just wanted to confirm what had been reported in the press.

To go on to another matter, is it possible to obtain a copy of MTS' budget? I am talking about the overall document, the complete budget, prior to the next sitting of this committee.

Mr. Bird: Let us just understand the question, Mr. Chairman—

Mr. Roch: No doubt that before the year starts or you prepare a budget for the whole corporation, I realize it must be an extensive document, I would assume that this being a Crown corporation it is available for public scrutiny. I am not talking about the upcoming budget, but I am talking about the 1989 budget. Is it possible to go over that budget?

Mr. Bird: Although the decision is not mine I do not believe it is a public document. As I indicated, in our strategic business units, we have competitive strategic business units, it would be up to the board. The document is presented each year to the board in November and they scrutinize it and agree with the budget and then it is tabled with the board, but the document in its entirety is not made public for the reasons that I have mentioned. Cellular and some of these business units we are in, as I said did line-by-line the money we spend on our strategies and so on in the competitive environment. So it would be up to the Minister and the chairman, but I do not think it would be made public in its entirety, no.

Mr. Roch: Could I ask the Minister the same question.

Mr. Findlay: Yes, I would have difficulty in releasing the budget because of certain confidentiality matters that may well be in it. Cellular is one example and the emerging need for the competitive environment in maybe some other areas of the future would be—I think it is important that the budget be kept confidential to the corporation and the board. The Annual Report is the information that is going to the public, and the quarterly reports that come to the Legislature.

Mr. Roch: First of all, the annual reports and the quarterly reports are just sensitive financial statements, they do not really give one the needed information if one wants to review them in detail. I realize there is an issue of some other aspects which may be of a competitive nature, but as far the items dealing with the capital cost, for example the installation of the individual line service, the installation of the trunk lines, the installation of—I am sure there are a lot of items in there which will only be able to be done by MTS. Is there no possibility of obtaining that information? I guess I address that to the Minister.

* (1110)

Mr. Findlay: I would continue to say that I see some difficulty in that because there are contracts that are let, competitive contracts, and there could well be information in there that should not be released in that regard, in terms of confidentiality of competitive contract letting. I am prepared to take that under advisement and then I will consider whether there are ways and means portions could be released, but to release the entire budget I would think would not be in the best interests of the corporation or the public in the long term. I will consider whether we could release portions of it that would not jeopardize the ability of the corporation or expose them on the confidentiality basis.

Mr. Roch: It is not so much those areas which—I can understand where he mentions Cellular or other items which may be open to competitions in the future. I would not want to be MTS and be able to have a competitor of MTS have information which MTS is going to obtain from them, but the vast majority of its budget would not be dealing with those items and—I am glad to hear the Minister is willing to consider giving that information because it is after all a Crown corporation, it is not a private corporation. Not only Members of the Legislature but the members of the public who ultimately own the corporation should have access to these documents, I would think. How soon can the Minister let me know as to whether or not I or anybody else can see those documents and which ones we would be allowed to see.

Mr. Findlay: I will ask the board for a reaction at the next board meeting or the board meeting after. I will give them the licence of two board meetings to consider it. They will make a recommendation back to me and then I will respond to the Member obviously before the end of the Session which could be some months away, but we will respond.

Mr. Roch: It might be some time before we pass the report. Mr. Chairman, I am not too sure to whom to

address a question to. Is it possible to obtain a list of projects the development teams are currently working on as well as the titles of these projects and teams? I am referring specifically to projects, for example, the credit card telephones, the marketing of fax machines, so on and so forth. I take it these are done by individual development teams who go forth and develop these particular projects.

Mr. Bird: Again, we have a marketing group and a marketing product manager in each of these areas, though in a greater, and a greater, and a greater percentage of our business, it is either competitive or is going competitive, and that information is extremely valuable information for a competitor to get. The information is available. There are marketing plans. There are subplans of each strategic business unit which shows the plan to market this product or that product, but again I would think that most of that information would not be available for public use.

The other question, I would say, is if you go right down to a product level the amount of information would be overwhelming. Secondly, it changes so continually that you almost have to deal with it on a daily basis. So in answer to your question, it is available, but I would be very reluctant to recommend to the board or the Minister to release any of that, of a competitive nature, to the public.

Secondly, the aspect of our business with long-haul toll, that information is extremely valuable to CNCP, or to Teleset, or other people who want to know when we are building facilities, where we are building them, the cost, and so on, as they venture to get into this business. I would even suggest that information, I would be reluctant to put in any public form.

Mr. Chairman: Mr. Roch, Mr. Uruski is getting edgy, and—

Mr. Uruski: Mr. Chairman, perhaps—

Mr. Chairman: I certainly will not cut him off or anything. We will come back to him a bit later. Mr. Roch.

Mr. Roch: It seems to be very difficult to get information from this publicly owned corporation. I realize why, in some aspects of it, but surely in matters—credit card telephones, I am sure there are no great secrets there. When I refer to credit card telephones, I am not referring to the ones that take strictly the calling card, the MTS or the telephone calling card, I am referring to those which will take American Express, Visa, Mastercard, so on and so forth.

I understand that this is a project which is common across most North American centres. Winnipeg I believe has six or eight of them located in various parts of the city. That particular team, for example, I understand there must have been a certain budget in order to study the feasibility of—and from that it may have been—what is it called?—SBU, strategic business unit, or part of one in order to implement it. What kind of costs were entailed in developing that and getting to where we are with six credit card telephones?

Mr. Bird: Mr. Chairman, if we could, with all due respect, get a specific request from you for information we could address that, but to debate here the broad spectrum on that specific question I do not have that answer at the tip of my fingers. If you have an example where you have asked us for information and we have denied it to you, I would assess that. On the other hand, if you want to request information of us we will evaluate it. We are in the information business. We have no secrets from our board, from our Minister, or from anyone; that is public information.

I would like to add, however, that we do—the budget is scrutinized by our board. We have an accountability council which scrutinizes our budget. We have the Public Utilities Board which goes over our budget. We have four levels of auditors that go over our budget, so there is no attempt here to hide or mislead this committee. We are a Crown corporation but we are also in an industry which as you know is changing significantly and all of it towards the direction of greater competition. That makes information very valuable to people who are coming after your business.

Mr. Roch: I understand that, but I also understand there are many parts of MTS' area of business which are not subject to competition, not subject to other people being involved in it.

If I understand you correctly, there are certain specific—I was just using the credit card telephones as one item, because I just happened to notice not too long ago that we had them and I had never seen them before in Winnipeg, just in the last little while I am sure they have become available. If I understand you correctly and obviously I do not expect you to have all the information on all the specific projects at your fingertips here, I could contact your offices and then a decision would be made as to whether or not the information would or would not be made available.

While I am on that line of questioning, is it possible to obtain from the corporation a map of the actual physical boundaries of the existing wire centres, the exchange districts?

Mr. Bird: Absolutely. Yes, we have that available and we are pleased to supply that to you.

Mr. Roch: Do I have to just call and make a specific request or can you take it as notice now?

* (1120)

Mr. Bird: We will supply it. We have a public relations area that if anytime you or any of your assistants or any of your associates want to call a public relations area of MTS they are in the business to give out information and provide you with any information request that is not confidential.

Mr. Roch: In your comments, Mr. Bird, you mentioned one of the corporate goals of MTS is to pursue aggressively market opportunities. Could I get a more precise definition of what that means? I forget if it was Mr. Bird or Mr. Stefanson.

Mr. Bird: Mr. Chairman, as I outlined in my opening remarks, the industry is changing significantly. One element that we are working on is the morale of our employees and to provide customer satisfaction to our customers. What we have done is implemented a culture in MTS, and we have done it through this third goal to say, when we do something we do it aggressively. You are either in something or you are not into something.

We send a signal down to our employees that, get out there and meet those customer's needs and do it aggressively. Be prepared to take a risk to meet a customer's need.

If we are in the cellular business for example, our plan was to have Winnipeg covered in the first year. We found that the customer response was overwhelming. We went back to our board and to the Minister, and we got approval to not only cover Winnipeg in the first year, but we expanded beyond the boundaries. Today 75 percent of Manitoba is covered. We have 17 cell sites up and working. Our original plan was somewhat less than that. That is an example of an aggressive opportunity that we capitalized on.

We tabled a report with the Public Utilities Board that we would implement individual line service starting in 1990 to 1996, and when it was approved we aggressively attacked that. As a matter of fact, as the Minister stated, we cut the first one over six months ahead of time. When you instill that culture in an organization and your employees recognize the fact that you are really going to address the market, they get turned on and they start to produce and the customer benefits and the morale benefits, and you do it through having a signal down to the organization that we are prepared to pursue aggressively. In a competitive environment or any environment you either go ahead or go back. You never stay the same.

So we are saying we are going to go ahead and meet the telecommunications needs of Manitobans aggressively. We have been rewarded with that strategy with increased morale and a bottom line of a financial position that looks fairly healthy.

Mr. Roch: If I understand you correctly then, I must say I was glad to hear—somewhat relieved by your statements because I was not too sure what that meant. It appears from what you said that it means you will aggressively pursue those areas which are within the MTS mandate, which is essentially the communications business. The Minister mentioned when I asked my question vis-a-vis the replacement of the former chairman that he was—part of the reason was that the business community wanted a more business orientation to the MTS board directors.

I have to say, and I do not know which business community or which sector of the business community he was referring to, but coming from a small business community myself and being a small business operator, I have to say that many small business operators right now are less than enthused with MTS' aggressive pursuit of the retailing of products which are already being retailed by existing business operators, which is

why I was asking Mr. Bird what he meant by the statement and he did not touch on that. I take it that this must be done as a matter of policy of the Government or individually by other sectors within the corporation.

I have been told by more than one source that when customers call MTS for a fax line they are asked, why is it they are not leasing or buying one from MTS. I will submit that contrary to the Minister's statements in the House, people who want fax lines are indeed being aggressively encouraged to obtain their fax machines from MTS. This is not necessarily from the sales department, it is from the people whom they contact for fax lines as a general inquiry. I believe this is very unfair competition for small independent businesses which are involved in the sales and service of fax machines. I know the Minister said this policy might be reviewed, but it is seen as part of the overall telecommunications business.

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

There is the area of computers. I recall as I stated before, in May of 1987, the Premier who was then Leader of the Opposition stated that MTS had no business being involved in the sale of computer equipment and telecommunications. Now it appears that quite the opposite is happening. It seems MTS at least appears to be aggressively pursuing a policy of what would seem unfair competition against both the small business, the small independent computer retailers, as well as the independent fax machine retailers.

I would like to ask if this is going to stop. If so, when? It is very nice to have a business orientation to the telephone system to carry out the mandate of the Telephone System. I certainly commend the Government for doing that and as I said a while ago I certainly compliment Mr. Bird and the staff for having implemented these strategic business units, but there has to be a commitment as well to the small business operators in this province. I think they have to be allowed to make a living, and I would like to know if the Government is going to stop competing with these small retailers, these small dealers, who do not have anywhere near the resources that MTS has within its possession.

Mr. Findlay: I guess my first comment would have to be that we have taken the position that the Crown corporation is at some arm's length from Government, and we do not order the corporation to do any particular thing. I wonder if the Member is saying the Government should start ordering Manitoba Telephone System to do this or that.

I will just give you a little background as to what the process is. The Telephone System position is that they receive a lot of requests from its customers for end-to-end telecommunication service which means putting the unit on the end of the line, maybe a fax or maybe a computer. They believe that they want to serve that need when they are requested that a fax machine be part of the package of putting a telecommunication

system into a business, as an example, or a computer at the end of the line in a business situation. They believe that when those requests come forward they want to be able to serve that. That is the nature of discussion that has occurred at the board in terms of looking at ability to serve that need without competitively going out and selling the machines.

They are not aggressively selling machines and maybe the chairman would comment further on that. The number of fax machines sold have been very, very small in terms of the total number sold in the province. The number of computers sold I am sure would also be very small in terms of the total number sold in the province. I also personally have grave concerns about whether we are competing fairly with the business community which we want to support and see succeed in this province. Everybody knows that they can have a competitive advantage over the private business sector because they are there putting in the lines and the telephone, and they are not paying the full tax load that the private sector is paying.

* (1130)

So as I mentioned to the Member in the House, I have written the board chairman asking them to analyze the position of MTS on the issue of fax and computer as to whether what they are doing is totally responsible in the eyes of the business community. The Member may well know that in the cellular, we supply the cellular service but we do not sell the cellular telephones. That is sold entirely by the private sector. That arrangement seems to have worked quite well. So I am not ordering the board, nor will I order the board or the corporation. I will ask the board to assess the question, and they have made an assessment over the past number of months and I have asked them to reassess it again.

Mr. Bird: Yes, Mr. Acting Chairman, I would like to comment on that because there was some impressions left that we are in the business to drive fax dealers out of the marketplace. As a matter of fact, it is just the opposite. I would like to tell you some facts about fax. We have 12,000 business customers in this province. We have 4,003 of them outside of Winnipeg; we have 8,000 of them within Winnipeg. Two hundred of those customers give us 56 percent of our revenue. That is, 2.5 percent of our customers give us 56 percent of our revenue; .2 percent of those or the top ten give us 25 percent of our revenue. That is the customer area that we are looking at.

We sell fax machines and P.C.s which are in fact communication devices, and there is no difference today in this world between a telephone because telephones are integrated in fax machines and P.C.s networked together. We have these large customers which we must take great care of because they are your customers as your telephone company, and if we do not meet their needs with telecommunication services then they will go somewhere else.

One only has to look in the Free Press where the big firms say MTS must go because we are not meeting their telecommunication needs. We have to provide those needs. We provide telecommunication services

network-oriented in the form of P.C.s or fax machines if they are part of a total network for those top 200 customers. Since we do provide those services, if someone comes in off the street and begs us to sell a fax machine, we will sell them a fax machine because we have a fax machine, but we are not in the commodity process of selling P.C.s and fax machines to the little person or the little business. There just is not any money in it and as you quite rightfully stated, there is enough people in that business.

However, through our advertising and through our size, we can stimulate that market to in fact increase the market demand for those facilities by individual line service and by our advertising so that those small entities in fact will do better in Manitoba. If we are not in this business, if our strategic business unit which sells those, and only in the strategic business unit which sells those, gets out of that business, that void as you stated would be met by somebody with our size and clout.

We have size and clout and as such we can go up and provide the services necessary for that market niche in our industry which is the top 200 customers. If we do not meet it, Bell Canada will meet it; and if Bell Canada does not meet it, CNCP will meet it. I prefer that MTS, which is owned by Manitobans, is in that marketplace and meets all those telecommunication needs of all those customers and not those other organizations.

Again, we are in that market niche, we do not sell a fax line, there is no such thing as a fax line. A fax machine sits on the end of an individual telephone line and we sell telephone lines. I have never heard, and I will stand on record that we do not and we have never said to somebody, why do you you not get your fax machine from MTS. If we did, it is an employee who has stated that off the top of his head, and it is not our policy.

On the other hand, if someone comes to us and demands a fax machine from us, we will sell a fax machine and particularly in a rural part of Manitoba. We cannot compete in price, but we can compete on service and particularly for that large end of the marketplace which is indicated in the Free Press and the Globe and Mail wants us to meet their telecommunication needs. That is the business we are in, Mr. Acting Chairman.

Mr. Stefanson: Mr. Acting Chairman, I just have a few more comments to add to this. I might add that the issues of fax and computers, et cetera, have taken up more time at the board over the last year than any other issue. I think it is fairly common knowledge that there are varying opinions on the board in regard to the issue.

It is a two-sided argument and both sides make an awful lot of sense. It is an issue that we plan to address by turning over to some consultants. There is a strategic business review, it will take place in the very near future. As a matter of fact, I think the proposals are probably going out today to the various consulting firms. This question will be addressed, it is the hope of the board

that we can come out of the global policy in regard to this kind of issue so that everytime a fax question or a computer question comes up, we will not have to address it individually.

I would suspect that this whole process is probably going to take another three or four months. Hopefully sometime in the spring that we will be able to make some kind of a global decision in regard to this. Thank you.

Mr. Roch: I have more questions but I did agree to - (interjection)- I could take up some time though unless you want to—I will turn it over to my colleague, to the Member for the Interlake (Mr. Uruski).

Mr. Uruski: Thank you. Mr. Acting Chairman, I want to indicate that the approach being taken by MTS has been on the way of expansion of services and extending the calling areas, and probably it is the largest change I think MTS has seen in several decades. It is almost comparable to rural electrification in the communications sense.

The rural electrification of the '50s and in terms of communications, it is the rural communication improvement of the '80s and '90s. The key issue that really has to be addressed is the issue of sustainability of this announced policy. As I understand the announcement, it is basically about an \$800 million futuristic development plan; but that whole plan has been placed at risk by the recent announcement of the federal Government.

I would like to ask, just so that I would have a clear picture of what is the potential risk in dollar terms, as I see the latest annual report, the long distance service revenues of the corporation are about 56 percent of total revenues. Are those revenues as stated in that report the revenues that are at risk or do those long distance service revenues include both interprovincial and intraprovincial? Are those the global long distance charges? Which revenues in fact would be at risk, or what percentage of that 253 million would in fact be at risk should the federal proposal go through?

Mr. Bird: The question is very appropriate because potentially it is all those revenues that are at risk, but initially it will be the long-haul revenues between Winnipeg and Montreal, Winnipeg and Vancouver, and perhaps Winnipeg and Brandon. The issue is that the long-haul competitor that would come into the marketplace will pick his spots, and obviously he will pick the big heavy using routes. Of our total toll, 260 million, just going out of Manitoba into Bell territory, which is probably between Winnipeg and Toronto or Montreal, there is about 9 percent of that, or 46 million and I would assume that the majority of that would be very vulnerable to competition.

Across the rest of Canada intraprovincial toll was 100 million, and that is going to Calgary and to Edmonton and so on, any place other than Bell. I would expect that a large percentage of that would be at risk. The intra toll which is 92 million or 18 percent, with the exception of Winnipeg and Brandon, I do not think—and even that I question—a competitor initially probably would not be too interested in that traffic.

* (1140)

If you are in Alberta, you would certainly be worried about the Edmonton-Calgary route, but in Manitoba, which is one dominant centre, it is going to be the toll leaving Winnipeg. It is going to be the Great-West Life's and the Investors and the big businesspeople who make the long distance calls to New York, Montreal and Toronto who are going to be vulnerable to competition if it comes, Mr. Acting Chairman.

Mr. Uruski: Mr. Acting Chairman, just so that I understand the answer, so that roughly 60 to 70 percent of the long distance service initially could be and would be subject to increased competition, that is 146 million out of 260 million roughly. So we are looking at that percentage that is then subject to potential competition. Is that correct?

Mr. Bird: Give or take, that is correct, yes.

Mr. Uruski: Mr. Acting Chairman, the local revenues of \$166 million that are shown there, is that strictly the monthly subscriber rates that Manitobans pay, or does that include their long distance charges from community to community?

Mr. Bird: Mr. Acting Chairman, that local rate includes their local service plus their terminal service, but not their long distance service. I might add the terminals also could be subject to competition.

Mr. Uruski: Then, Mr. Acting Chairman, of that \$166 million, what percent of the revenues would be attributable to terminal income?

Mr. Bird: Mr. Acting Chairman, based on the way it has opened up, I would say that all of it will be subject to competition. To be more precise, however, what one has to worry about is the fact that such a large percentage of our local revenues are from such a few portions of our customers. It is those 200 big customers who are going to be targeted by the competition that we must take care of. So, although all of it potentially will be opened for competition, the small business, shall I say in Miniota, who has a small key system, the probability that he will stay with us is far greater. The large 200 customers in Winnipeg will be very, very vulnerable to it, and if they go they carry with them a disproportionate amount of that terminal revenue.

Mr. Uruski: Mr. Acting Chairman, are there other areas in terms of existing revenues that would be subject to competition and opening up and being vulnerable to the proposed changes?

Mr. Bird: Yes, there is another area, it is called "Private Line." Long-haul Private Line presently has been requested to open it up to competition. Mr. Acting Chairman, to be quite frank, there are very little bits of our business that is not in some way, shape or form being attacked by someone, but it is the long-haul toll first; it is the private line long-haul, which probably makes up 2 percent of our revenues; it is the terminal; it is the cellular is open to competition and by-passing

of our toll network; and the cable companies, Mr. Rogers, who owns the cable company, is now making overtures that he wants to buy the cable systems from us.

A large portion of our revenue is open, with the exception of the loop and the central office switches, which we provide dial tone to your home with in the rural areas, and no one wants that right now because that does not make any money and is subsidized by the other parts of our business.

Mr. Uruski: Mr. Acting Chairman, that service then in essence that provides 99.9 percent of our customers with the basic phone rate is the overhead costs that with this competition will have to be substantially increased. What work is the corporation doing presently to estimate the kind of initial attack and the vulnerability and the strategy that it is going to employ in this whole area?

Mr. Bird: Well, Mr. Acting Chairman, we belong to Telecom Canada, which is a network of all the 10 telephone companies in this country that built this system and are being inundated by Mr. Rogers' threats to take over our system. What we have done is put together a policy. As a matter of fact I have some of it here, which is stating to the public that we are not opposed to competition, but we want the facts on the street so that when decisions change, and undoubtedly they will change in some way, shape or form, all of the facts are placed in front of the public. We concur with the results of the Sherman Task Force Report, which indicated that if long-haul competition becomes competitive that nine out of 10 customers in Canada will in fact see significant increases in their rates, and 10 percent of the customers will see a reduction in rates.

We also have made a position statement that to combat the large businesses which say that their long-haul toll is so expensive that they cannot compete internationally, which is an erroneous and false statement. If you take the total telephone bill of a long-haul businesses, it is four components. It is long haul in Canada, which in fact is more money than equivalent rates in the United States. It includes intercountry toll between the two countries. Ours is 30 percent cheaper than calling from the United States to Canada. If you call from Canada to the United States it is 30 percent cheaper. They fail to mention the local rates, far cheaper in Canada than the United States, and they do not mention that intraprovincial rates are roughly the same.

A study done by the FCC in the United States showed that overall Canada is second in the world in the cheapness of price of its telecommunication service. Only Sweden, in a business sense, has cheaper toll telecommunication rates than Canada. We have the best system in the world, so we have the second cheapest rates and the best system. We want that message from Telecom Canada to get on the streets. As I say, of our total revenues \$2 billion of them already are open to competition, so we are not afraid of competition, we just do not want the public to be misdirected. The federal Government will tell you in the regulation, and as well, Mr. Rogers, that your local

rates will not go up. What they are saying to you is this: you will get a bill next month, locally it will be the same, but you have a line in their called "service access charge" of \$6 a month and you will ask, what is that? They will say, well that is just for your right to access the toll network. Then you will say, well I had that access before. They will say, yes, but you were not paying for it, now you are. Your local rate has not gone up, but you have just got a \$6 hit on your telephone bill called an access rate which will be put on there, brought to you by the federal Government or brought to you by the CRTC or whatever.

We want those facts to be on the street. You and I will realize that if you get a \$6 increase in your bill, whether it is local or not that means your bill has gone up just for you to have the right to access. That is what is happening in the United States.

That rate by the way has dropped from \$6 per local in the United States to \$3.50, but it is still there in your bill every month, \$3.50 just on your bill to indicate that you have been getting access to the long-haul network and have not been paying for it. Then they reduced the long-haul rate because we are getting this \$3 or \$6 a month for the local area. They have done that in the United States.

In Canada, as the Minister has indicated, we have reduced the long-haul rate three times in the last year and done it without any increase in local rates and no access charge. We have done that through increased productivity.

The federal Minister will state, but your rates in Manitoba for example have gone up. Well, the local rates have gone up, but not significantly. They have gone up because we have implemented a very aggressive program for rural service improvement. Basically that is why those rates have gone up in local, but toll has dropped significantly.

* (1150)

If you look at the average bill to most of our subscribers, which is composed of local rates and long-haul rates, the long haul in Canada has dropped more than the local has gone up. The average person, and there are very few average people, but the average person's bill has in fact stayed the same or decreased at the same time we have increased better service to this country.

Why you would play around with a system which is the best in the country is one that Telecom Canada says, be careful before you fool with something that is working as well as our telephone system in this country is working. We just want the facts on the table. That is the strategy that Telecom Canada has adopted.

The three western provinces, who are most affected by this because we are owned by Governments, have gotten together and meet on a regular basis and are in fact trying to ensure that our federal M.Ps from the three prairie provinces are informed of the facts of the case.

Mr. Uruski: Mr. Acting Chairman, essentially the application by or at least the contention made by Mr.

Rogers of CNCP is that all he and his corporation want, and the notion that is out there publicly, is competition. That is the notion that is out there; all they want is competition.

What I am hearing here today is that competition is being requested, but only on a selective basis. Is this essentially the message that the corporation is attempting to get out to the public? How is it going to do that by the beginning they have taken, and how does it intend to get the public involved in the process of—I guess what I am saying is, how are you intending to politicize, because it is a political decision, your customers to know what the implications of the federal action are going to basically cost them in their pocketbook?

Mr. Bird: I can again just state the facts as I have outlined them. We try to stay away from the politicized end of it. We try to inform our contacts in Ottawa through Telecom Canada what the facts are. We keep our board and our Minister involved, who are the owners of the facts, and we walk a fine line.

If you go too far in Telecom Canada you are accused of being opposed to competition and we are trying to get that message that we are not, and we have bill stuffers, Bell Canada has a bill stuffer they are sending out. We will be sending one out shortly. I do not have a copy of ours here, but I have a copy of Bell Canada's that we will be sending out to our customers at the appropriate time. Right now the focus of our attention is on the decision-makers in Ottawa through meetings with Telecom Canada at DOC who are really pushing this thing just so that DOC knows the facts before they make any significant changes. I might add, based on what has happened in the last little while, that it appears our efforts have not been all that successful.

(Mr. Chairman in the Chair)

Mr. Findlay: I will add to that, yes the Member is right. It is coming down to a political question; a political pressure has to be brought to bear. We have aggressively moved in that. As I indicated earlier, the moment we found out about their intentions to change The Railway Act was in the Financial Post the day before it happened. As well, the Oppositions Parties found out at the same time.

Our statements in the House have been followed up by a letter from the Premier (Mr. Filmon) requesting that the process be slowed down or delayed and that meaningful consultation continue. We have used that approach with the federal Minister and with other M.P.s from western Canada, and I am referring now to all three prairie provinces. As I indicated earlier, there now seems to be a desire from the Maritime provinces to also support us in terms of not wanting to see Bill C-41 proceed through the federal Parliament. So that process of strong lobby is going on.

I have been out to different public meetings in rural Manitoba where the question has been asked. I have talked about telecommunications and they have asked that specific question about what will happen if the CRTC takes over. We have talked about it and I

indicated to them that if they have a desire to make their opinion known, particularly through their M.P.s, that they should well do it. It will help to support our cause, but there is a certain element of urgency, and we are proceeding as rapidly as we can to be sure that the M.P.s know of the consequences out here, the concern of the citizens, and the lack of consideration for provincial jurisdiction that is really occurring in this particular case.

Mr. Uruski: I can only remark that the process that the federal Government appears to have set its course on can only be described as selective pirating because that is in essence what they have allowed or are in the process of allowing, Mr. Rogers—and I am assuming there may be others, but I doubt whether there will be any other significant players in this field.

I want to know, and it has been raised in the media and maybe I do not understand it correctly in this whole area, is there a two-part question to this piece of legislation? There seems to be some in the political field who agree that one aspect of the legislation is acceptable while the other aspect of competition is not acceptable. Maybe I have missed some of the issues that are in the proposed legislation. Perhaps the Minister or his staff can enlighten us on the actual—are there additional proposals over and above the proposal of competition which in fact will negatively impact on all Manitobans and western Canadians and the likelihood of Maritimers as well?

Mr. Findlay: There is one element that we know, and there is another that is a suspicion down the road in regard to what we know, that they have made it a proposed amendment to the Railway Act in which they will take away Crown immunity for us in this province, Saskatchewan and Alberta and will allow a federal regulation of telecommunications. That is the only issue that is on the table right now.

With regard to competition we would assume, and I say the word assume, that if that Bill passes they will then table the Telecommunications Bill that may well then allow the competition side of the question. So we have had a first step. The second step is supposition that it will occur, and we are supposing that the Rogers lobby will lead to opening up competition and a new Telecommunications Act, but the only one we have in front of us right now is a small amendment to the Railway Act.

Mr. Uruski: Mr. Chairman, is the Minister indicating that it is not likely that the next shoe will drop as a matter of course? Is that a possibility unless there is political action from primarily western and eastern Canada?

Mr. Findlay: I guess we are worried about the first shoe right now and the first shoe is Bill C-41, the amendment to the Railway Act. It is our initiative, and it will be intensified in the coming weeks, to get them to withdraw that Bill or to back off and do meaningful negotiations with the provinces.

As I indicated earlier, there seems to be the vast majority of provinces on the side of not wanting to

interfere with provincial jurisdiction which is really what the question is with regard to the changes to the Railway Act. It is a federal takeover of provincial jurisdiction and that is the first issue we are going to fight. We want to win that issue and then we will deal with the second issue. We have not seen what any amendments to the Telecommunications Act will be. We have not seen it, nor am I aware that any province has seen it, if they exist.

Mr. Uruski: Mr. Chairman, then I ask the Minister how far is he prepared to go in terms of seeking the assistance of Manitobans and basically informing them of what—well Mr. Bird from the corporate sense understandably is reluctant to get into the whole area of what one could say is political public relations. The fact of the matter is that unless Manitobans are well informed of the potential that exists by the proposed move, our proposed expansion of services at the cost we have now quoted is generally at the very least slowed down and at the very worst substantially increased in terms of the cost that Manitobans will have to pay to have this project implemented. Second, the ongoing costs will be substantially increased over the period of time.

I ask this Minister, how far is he prepared to go?

* (1200)

Mr. Findlay: How far are we prepared to go in terms of informing the public of Manitoba as to what the issues are and what the consequences are. Well, we have put the facts clearly on the table whenever asked the question when speaking to the public. We are giving consideration to whether we need to put out a general piece that does detail all of the eventualities that could well happen if the federal Government proceeds in the direction it is going. We are giving consideration to that level of informing the public.

We are going to be as Ministers of the Government—and I ask all Members of the Government or anybody that has knowledge of this to explain the issue to anybody that asks the question or any groups that they meet. Yes, we are giving consideration to a piece that does explain the question. You have to be concerned about whether we overly alarm the public that the telephone costs are going to skyrocket, or do we fight the issue at the political level where the question really is right now since it is in front of the federal Government, through the M.P.s to convince them of the position of the provinces with regard to what they are doing.

I might further add that it has been disconcerting to see the federal Liberals supporting the federal legislation that the federal Government is bringing in.

Mr. Uruski: That is absolutely what bothers me and that is why I asked the question about whether there are two parts to the whole process that has been developed. Interestingly enough, we have Liberal Members who in fact are journalists who—or former journalists and reporters—as critics have placed on the record that they are supporting this move.

Federal M.P.s just like provincial MLAs hear the march of the ballot box and listen to their constituents through

the footsteps to the ballot box. One sure way of getting that message very clear is getting right to those who carry the ballots, and that is all of our constituents.

Is the Minister prepared to go beyond his present stand of putting something in the Bills and go out and hold public meetings, whether they be all-Party meetings, and say, here are the implications, get to your M.P.s? What is the script in terms of where we are heading other than lobbying in Ottawa at the present time?

I want to urge the Minister to consider a public process to say in fact what has been said today. More than half of the revenues of MTS stand to be eroded, and the services to northern Manitoba and rural Manitoba and the expansion of services in urban Manitoba are for the vast majority—other than the 200 key customers, that we were told at this meeting are the beneficiaries or the potential beneficiaries is 200 customers—of a million Manitobans are losers. We need those Manitobans to speak loudly, and the best way to speak loudly is to get on our case and on the case of M.P.s and say, what are you doing?

Mr. Findlay: I think what the Member is indicating is under consideration and it is fair to say it is under consideration. I think we have had an element of success already in terms of the federal Government's reaction through the reaction from the three prairie provinces to the initial tabling of Bill C-41. The comments made by the Premiers at last week's First Ministers' meeting has had an impact, and the rallying of other provinces in eastern Canada to support the issue I think is an element of success developing at that level.

If we deem it necessary in the next week or two that we feel we need the additional support of a strong public lobby, we will through a piece that is going to be published be prepared to go out to the public to explain to them what is happening and that they must lobby their M.P. to give us support. If we need to do that, we will give it serious consideration. We seem to be achieving some level of success at the federal level where we have to have it, and it has to happen right now to hold them up from putting that amendment through all three readings.

Mr. Uruski: Mr. Chairman, is the Minister indicating that while the Bill has been tabled there is some indication from Ottawa that they are prepared to back off? Is that what he is telling me?

Mr. Findlay: That is my understanding, that is what we are seeing happening.

Mr. Uruski: Mr. Chairman, the Minister will know in the next week or two and be prepared to advise that if necessary we will become as Manitobans and spokespersons on behalf of Manitobans much more aggressive than we have been up to this point.

Mr. Findlay: I can tell the Member we have been very aggressive at the lobby level with the federal Government, very aggressive. We were the first province to state a position in response to what they were doing

and it is not our intention to lose the issue. If we deem it necessary to go to the public to ask for them to lobby the M.P.s to raise their concerns, we will. I am sure it will happen in all three prairie provinces if it is deemed necessary to have to do it, or maybe even some eastern provinces.

As long as we are achieving success, which I believe we are in terms of a lobby at the political level, then I think we are achieving our goal, the goal that you want, the goal that we want, and the goal that all Manitobans want.

The responsibility is ours to effectively make that lobby work. It is our belief at this point, in answer to your question, we are achieving some level of success. If it was deemed necessary to get the very vocal support, we will then pursue that direction.

Mr. Uruski: I do not quite share the Minister's sentiments of the aggressiveness that we have taken up to this point. Last committee meetings we raised this very issue and the concerns that we had about what the outcome would be if the federal Government moved, and the Minister said, oh, the relationships are good, everything is going nicely and we do not want to become alarmists. We said let us raise the awareness of Manitobans. That is what we basically said, let us raise the awareness of Manitobans as to the potential impact of the good announcements and the long-term development that is necessary, that all Manitobans have wanted for years that may be, in fact, in jeopardy here. We were pooh-poohed by the Minister here in this committee room saying, you guys are just a bunch of alarmists so settle down, we are doing it nice and quiet and we have all our antenna here in Ottawa and everything is just going smoothly.

We have now had one major shoe drop, and we are still being told by the Minister, well, we are concerned and we have said we are going to fight, but let us not become alarmists essentially is what I am hearing. When do we cross the point of being nice and quiet?—when in fact it is like your house is on fire and you say, gee, only the back porch is on fire. We should not call the fire department and raise the alarm, because the fire is only on the back porch, so we will try and fight it. Then when the fire moves to the kitchen we are saying, well, gee, maybe we had better not call the fire department yet, we are working on it, our neighbours are here and in fact we will control the fire. When the fire is starting to move into the living room and half of the house is starting to erupt in smoke, we are still saying, gee, I am not sure whether or not we should call the fire department. In this case the analogy is the fire department or the people of this province. They are our best allies and our best support.

What I am hearing from the Minister is it is not time to call the fire department and announce the alarm. I, for one, on behalf of our group, because I do not want to see these services in jeopardy, am sure all members of your board want to see this plan go through at the proposals and the rates and the projections that have been made to put in this plan. It has taken several years of hard work on both respective boards. I want to urge this Government and you, Mr. Minister, to start calling in the fire department.

* (1210)

Mr. Findlay: I will thank the Member for his comments, but if you just think back to what we were in a year ago. A year ago we had a Supreme Court decision that was pending. The fear was we would lose the Supreme Court decision and the world would come tumbling down. We did not lose the Supreme Court decision, Crown immunity was recognized in the second aspect of that decision of the Supreme Court. The federal Government essentially lost what they thought they were going to gain out of the Supreme Court decision. They now have to make a major move of taking away provincialized jurisdiction to amendment of the railway act which is a very dangerous move for them, which gives us a basis on which to fight a federal-provincial question.

As I said to the Member, we are gaining strong allies in terms of that fight. It was addressed at the First Ministers' Conference, it had been addressed by Ministers responsible for telecommunications across the country.

I think we are on the right road to that success, but I have said repeatedly, if deemed necessary to call out a strong public lobby, we will do that. I have already had, I say, several public meetings with people, different organizations, where this question was raised. There is a concern out there and every citizen in the public is free to make his opinion known through his organization or as an individual to support us in the lobby whether he wants to go directly to his M.P. or however he wants to do it.

I do not want to be overly alarmist in terms of scaring people that they are going to lose their telephone service. They are clearly not going to lose their telephone service, nor are we going to lose all the revenue that you have highlighted, because MTS will remain competitive even if it is opened up to competition. The Manitoba Telephone System will be a survivor in this process.

In terms of reduced or cheaper long distance rates, I almost challenge some other supplier to compete with the rates that we will be offering as of October 1990. The net 43 percent reduction in long distance rates over a period of some 21 months, that is a major reduction, a response to competitiveness. The Telephone System is very competitive in the cellular business, they have the majority of the market in the province.

We understand the seriousness of the question and always have and are proceeding on that basis, and probably along with Saskatchewan, are the two most aggressive provinces in respect to trying to protect the ability of our Crown corporations to deliver service improvements that we deem absolutely essential to all our residents in our provinces.

Mr. Uruski: Mr. Chairman, it is the attitude of the Minister that worries me a bit in this whole question, especially when he just made the statement that he challenges anyone to take up this whole question of competition that the corporation will be aggressive. That

is exactly the line that Rogers and Company wants you to take. You are falling into his direct pattern, because he does not want the switching equipment, the high overhead costs of operators and the massive infrastructure, he only wants the key 200 customers, because they are the bulk of your revenue. That is who he is after.

In fact that is where I raise the concerns about not raising the alarms at the present time, because if the Minister comes out and makes those kinds of statements, Rogers will say, Mr. Minister, I am taking you on, you are on, I want that, I want that competition. But he will want that selective pirating, that selective competition, in a way that says you keep all your infrastructure which provides the services to Manitobans and you keep everything else.

In fact I agree with the Minister that our phone system will not go down. There is no one that is saying that. What will occur is the specialty services for handicapped, other areas, the remote communities, the advancement in technology for people who have really not had an opportunity to get into the communications era of today, their chance of getting into and receiving all this technology will be held back, because the kind of revenues and the cross subsidy that is required to put those services into place will be threatened. That is essentially the point I am making and those are the concerns that we have, that you take a greater proactive stand on this issue.

Mr. Findlay: I thank the Member for his comments and, yes, we will be, and if deemed absolutely essential that we have to have that support, we will probably know in the not too distant future what direction we will take in regard to soliciting the stronger public support that is necessary. The public support is out there, I mean everybody recognizes exactly what you have just said in that the ability to deliver the service package will be threatened if we do not have the revenues that are generated from the long distance toll that we are now getting. Everybody recognizes that. We recognize it and our mission is to deliver that package absolutely first and foremost.

Mr. Uruski: Mr. Chairman, perhaps one of my—in this area, I would move to another area—perhaps one of my colleagues has a couple of questions.

Mr. Harry Harapiak (The Pas): I just have a few questions, Mr. Chairman, and they are going to be pretty parochial in approach, and I thank the Minister for the information he has given us dealing with the Community Calling Plus Program. I, too, want to commend the Telephone System for making that aggressive move in reducing the number of calling areas. There are a couple of concerns I have and I think most of the Calling Plus areas are serving people for where to get most of their services from, either medical, or schools, or commerce.

There are a few areas that I want to address, and that is the communities of Easterville and Grand Rapids. They do most of their commerce in The Pas and even in long distance planning for 1993 those communities will not have their calling area extended to take in The

Pas area. Easterville will be connected with Barrows, which is further in distance than it is to The Pas, and they do not do any of their commerce with the Barrows area. I would suggest the planners look at that and see if there is any opportunity for connecting Grand Rapids and Easterville with The Pas area rather than extending it to the south.

It makes sense to connect Pelican Rapids with the areas that you are connecting in because they get most of their services in the Swan River area. Those two communities of Grand Rapids and Easterville deal with The Pas primarily and there are no plans to extend that. I think if you look at the distance across the country as you would deliver that, I do not believe you need the fibre optics to deliver that service. If it is done by air transmission then it would be a shorter distance than some of the services you are delivering presently.

Mr. Bird: Mr. Chairman, I will take that under advisement. I can assure you however from being in front of the Public Utilities Board at the last hearing that these type of concerns are very well scrutinized and the Public Utilities Board I am sure will direct us in the proper approach if we have missed something. I would also like to state though that the—it is nice and it is bad to be in this position. One, we cannot meet the demand of our clientele because of the cost of service and so on, and on the other hand it is nice to be able to offer a program that meets the majority of the demands. I cannot speak specifically of those points that are brought up right now because I do not have the map in front of me, but every exchange will be able to call every adjacent exchange.

I guess the point that is being brought up is that their commute of interest is even further than one exchange away. If that is the case and if that is what is being considered and if it is adopted, then you have other parts of the province saying, well if you can allow it to go over an adjacent exchange here then why not here. You open the whole situation again, so that is the other side of that coin. We will take under advisement your comments and see if there is anything we can do on that as soon as possible.

Mr. Harapiak: Mr. Chairman, I would suggest that you look at the map because they are not adjacent, they would not be adjacent areas. Those communities are not connected with any major centre, Easterville and Grand Rapids. They should be for the sake of getting their services, either health or education or just buying products, they should be connected in some way to a major centre, and The Pas is the logical major centre that those two areas should be connected with.

Mr. Bird: Mr. Chairman, we are looking at it right now and maybe we can answer it quickly but if not I will take it under advisement to see—is the concern that Grand Rapids would call the Pas?

Mr. Harapiak: Grand Rapids and Easterville.

* (1220)

Mr. Stefanson: From the schedules here it appears that they are adjacent to The Pas. One of the greatest

benefits of this program is the adjacent exchange concept which really means that the number of exchanges has been reduced far below 60. I would think that by studying this document in front of us that Grand Rapids and Easterville are adjacent to The Pas, which would result in them being able to call long distance toll free to The Pas, if I am reading this thing correctly.

Mr. Harapiak: I may be reading it wrong then because The Pas is not mentioned in the adjacent exchange when you are dealing with Grand Rapids. So maybe it is because of the fact that The Pas is in the Moose Lake area, then that would automatically take in The Pas, as well. I may even be misinterpreting the report, but if that is not so I would—

Mr. Stefanson: I am looking at page 15 where they designate the actual calling areas and then the adjacent exchanges to them to the right hand side of the column.

Well, Moose Lake and The Pas would be in the same calling area. Perhaps Mr. Wardrop could elaborate on this?

Mr. Dennis Wardrop (Executive Vice-President, Manitoba Telephoone System): Just looking at the map, Moose Lake would be adjacent to Easterville, and therefore, Easterville could call Moose Lake; Moose Lake is adjacent to The Pas, and therefore, Moose Lake could call The Pas; but I think your concern is that Easterville cannot call The Pas and that would appear the way it is set up at the present time, yes. That is what I think Mr. Bird indicated he would take under advisement and see what might be able to be done there.

Mr. Harapiak: That is fine. I have concern that is the area there are presently the trading centres and I cannot see that changing any, so I think that should be looked at very seriously. I think the distance is no greater, maybe it is more than a matter of distance, but for distance it is no greater than some of the other calling areas that are in existence. Thank you.

Mr. Uruski: Mr. Chairman, just to follow up on a general question so that we understand the documents and we thank the Minister for the document that he has provided us, the 28 page document of the new calling areas.

I am assuming that along with it was the rate schedule taking into account any exchange that takes in the differing population increases or telephone subscriber increases will increase their rates by that schedule, and I seem to have misplaced my one-pager that was provided to us. Is that correct, Mr. Chairman.

Mr. Findlay: Essentially what you are saying is correct, that is right, and Mr. Bird can give you further elaboration. If you are in a 400-phone community right now, and because of the larger area you get up to 3,000, you may increase in rate groups. There would be a small increase in costs because of the larger rate group.

Mr. Uruski: Taking any one of those changes that have been put into place, on a regular residence phone, if

my calling area increases 1,350 subscribers at 3,500 subscribers, my monthly base rate would go up \$2.50 a month, as per the schedule for residents that is provided. Is that correct, is that how generally it is going to operate?

Mr. Bird: Mr. Chairman, you have to be careful. It goes up that amount as the premium increase, but if you also, because of that jump to an extra rate group, you get that as well, which could be anywhere from 50 cents to a \$1.50, so there are actually two elements. There is the premium for the adjacent exchange, plus there is a rate group and that will come out very clearly in the Public Utilities Board, but there are two elements to it. The offset is because of that, you do not have that intra-toll so that intra-toll on your phone drops, but that local does go up.

Mr. Uruski: What will occur is this premium, as well as if our telephone calling area—maybe Mr. Bird can just add that on. To me, for example, taking that 1351 to 3500 gives us \$2.50 a month. I guess the assumption would be, how many subscribers are in our present exchange that would add to change the rating group? That will vary from .50 to a \$1.50 a month, is that generally correct?

Mr. Bird: You can give or take—you could have had before adjacent exchange 1250 subscribers that you are available to, but because of adjacent exchange you go from 351 to the 3500 which means you get hit with \$2.50. Let us say before that you only had 300, you would still go to the \$2.50 but because you went from 250 to 1300 you would probably go through a rate group change as well, whereas the other person would not. You would get hit with those two.

Mr. Uruski: I understand that. The rate group change rates, just so I understand, range from .50 per month to \$1.50 a month. Is that the range generally that one could see in rural Manitoba in terms of the rating group. Is that sort of the medium or the range that you would add on top of whatever community calling plus monthly rates would take into effect?

Mr. Bird: I believe that is correct. I would believe the maximum you might see is \$2 but that would only be if you went from a very small rate group to suddenly you had Portage la Prairie where you went to a—you might actually jump through three rate groups, if you know what I mean.

Mr. Uruski: In effect you would be looking at anywhere from an additional maximum of \$2-2.50 a month rating calls. The question that I raised in my earlier remarks about the communities in and around the City of Winnipeg—the whole process may have changed and when I appeared at the Public Utilities Board dealing with the question of Poplarfield and the community of interest I raised the point for those communities, I think I used the analogy, and I did not bring my notes with me—Anola, Dugald, and Hazelridge were on one calling area, but the new access to the Winnipeg phone that was being allotted at the time allowed only a portion of those communities to access and the other

community did not. Does this new proposal take care of that? That is basically my question. Do all of those communities of that calling area now have the same access to the city as before they did not have under the earlier proposal?

Mr. Bird: That has been brought up before and it is a valid concern. This proposal does not address that issue specifically. The problem with that is you get whipsawed to death. What will happen in this new proposal that was not under the old one is that presently Dugald can call Anola and Hazelridge, but it cannot call Winnipeg. It in fact is adjacent to Winnipeg. It is also adjacent to Oakbank and Lorette. Under the new proposal Dugald can call Hazelridge, Anola, Lorette, Oakbank, and if it chooses, only if it chooses, can call Winnipeg because it is adjacent to Winnipeg and pay the extra \$18.45.

However, since Hazelridge is one exchange away from Winnipeg, in other words Dugald is between it and Winnipeg, Hazelridge cannot—and I believe this is the essence of your question—call Winnipeg, although Dugald can. You will say, well, that is not fair. If you give it to Hazelridge, then Anola is just another half-step, well, why can it not? Then you get whipsawed right through the whole province.

Although we tried to limit it to a community of interest—and you will argue and quite rightfully that Hazelridge probably has a community of interest with Winnipeg—I would argue that it is probably not as great as Dugald's, because Dugald is closer. This is a step. I mean, we are moving out and I guess the next time, if there is a next time, we would include the next group of exchanges. Unfortunately the exchanges are not geographically symmetrical.

In other words, they are all different and they overlap each other in distance from Winnipeg. If you relax this criteria and say because Hazelridge is the same distance as some other entity from Winnipeg but is two

exchanges away, then someone else is going to come to you and say, well, I am two exchanges away as Hazelridge. Although I am a greater distance I am still only two exchanges, and I should have it as well. It never ends.

We are in the service to provide telecommunication services. However, it has been proven that demand on the system is so significant that if you move out too fast you cannot build the switches to take the incredible demand. It is anticipated with just this first ring going out that the demand on the switches, from Alberta's experience, is going to be five times to what it is now.

That is why we have to spend \$35 million dollars to upgrade our switches to handle this incredible capacity that they are going to experience. If we had gone to two exchanges out it might have been seven times or nine times, which means we would have probably had to replace more than the switches we have now—a greater number—not necessarily replace them but increase their capacity. It is just a matter of balancing our ability financially to meet the demands.

The short is answer, it is a plan. It meets Dugald, but if you are one exchange away it does not meet yours, and you are going to argue, and so on.

Mr. Findlay: I have just one brief comment. In the previous question we were talking about the increased cost on a monthly basis to the rural subscribers. One thing that was not mentioned was that those rural subscribers will pay much less local long distance calling charges, so their net bill will undoubtedly decrease. We have looked at a number of random bills and with less long distance charges offset partly by the increased monthly charge, the net result is the overall bill goes down. That is the advantage in the local area.

Mr. Chairman: The hour being 12:30 p.m. The committee rise.

COMMITTEE ROSE AT: 12:30 p.m.