



Legislative Assembly of Manitoba

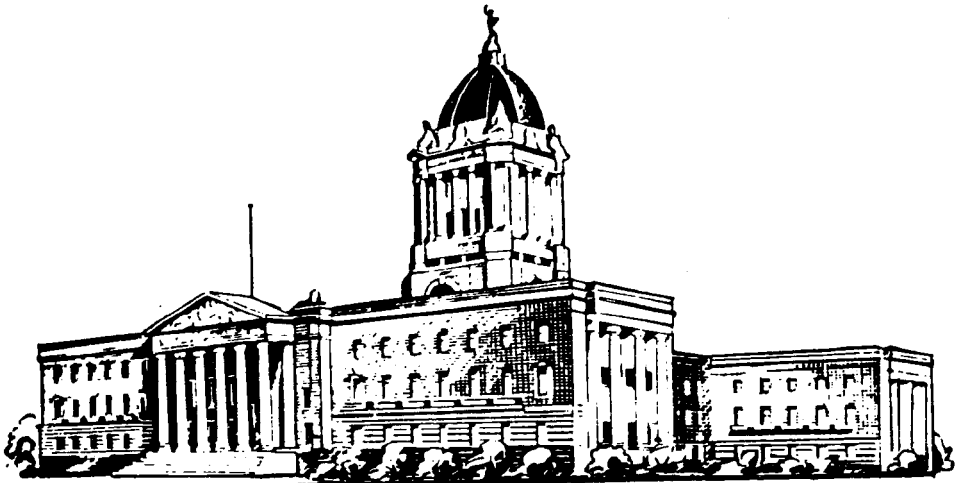
HEARING OF THE STANDING COMMITTEE

ON

PUBLIC UTILITIES AND NATURAL RESOURCES

Chairman

**Mr. Warren Steen
Constituency of Crescentwood**



Tuesday, May 30, 1978 10:00 a.m.

**Hearing Of The Standing Committee
On
Public Utilities and Natural Resources
Tuesday, May 30, 1978**

Time: 10:05 a.m.

MR. CHAIRMAN, Mr. Warren Steen (Crescentwood)

MR. CHAIRMAN: Gentlemen, come to order. We have a quorum. Today before the Public Utilities and Natural Resources, we have the Manitoba Telephone System. The Minister responsible for the Telephone System, Mr. McGill.

MR. EDWARD MCGILL: Mr. Chairman, I'd like to introduce to you and to the members of the committee, Mr. Gordon Holland, the Chairman and General Manager of the Manitoba Telephone System who will in turn introduce his supporting staff and present a report to the committee on the operations for the Telephone System for the period ended March 31st, 1977.

MR. CHAIRMAN: Mr. Holland.

MR. GORDON HOLLAND: Mr. Chairman, I would like to introduce my colleagues from MTS who are here this morning. Glover Anderson, the Assistant General Manager; Dennis McCaffrey from my office; Don Plunkett from Manitoba Data Services; Gordon Backhouse, Marketing and Administrative Director; Bob Vannevel, our Director of Finance; Ed Peterson, Director of Operations; and Ken Beatty, General Counsel.

Following our usual procedure, Mr. Chairman, and with your permission, I would like to make a few comments on the 1976-77 Annual Report as well as on some of our current activities and then make every effort to answer questions of the committee. The report was mailed to all members last fall and tabled at the session held late last year. A brief examination of the financial statistics in the report shows that total revenues over this period increased by 20.7 percent, total expenses increased by 15.7 percent, the net income for the year was \$9,247,000 — up by \$6,191,000 from the previous year.

The capital construction program authorized for 1976-77 was in the amount of \$79,007,000.00. There was a gain of 30,772 telephones during the year and by the end of the year, we had a total of 609,161 telephones installed.

The total investment in telephone plant reached \$542,710,000 at the end of March, 1977, an average investment of \$891 per telephone, up from \$619 ten years earlier.

It has been customary to supplement information contained in the Annual Report with information concerning recent and current activities. May I therefore comment on the System's major programs and activities for the period from April 1st, 1976 to the present.

The System's net income for the year ended March 31, 1977, as mentioned, was \$9,247,000.00. For the year ended March 31, 1978, it was \$7,470,000 subject to final audit. Part of the explanation for this financial performance lies in an extensive cost restraint program and significant improvements in productivity which have been and are taking place in all areas of the System's operations with the co-operative support of MTS employees.

Perhaps I could mention several telephone industry indicators which illustrate the results which have been achieved. In terms of operating expense per telephone among the major telephone companies in Canada, the System shares the best record with Bell Canada even though Bell enjoys significant economies of scale. In operating revenue per telephone, the system ranks lowest S/ in Canada. MTS has shown a steady growth of telephones in recent years and in the year ending March 31, 1978 a net gain of 31,092 telephones was recorded bringing the number of telephones in service to 640,253. With regard to the number of employees per thousand telephones, MTS ranks second in Canada and first in the rate of improvement in recent years. The System has the lowest plant investment per telephone of any Canadian telephone company.

Another factor in the financial performance has been the additional revenue resulting from rate increases requested by the system in 1975 and confirmed by the Public Utilities Board in 1976. The rates in effect following the increases approved by the Public Utilities Board in 1975-76 remain generally the lowest in Canada. During the 1975 rate application, a three-year fiscal plan was filed with the Board. The System's financial forecasts in 1975 have proved to be close to the actual net income experienced in the fiscal years ending in 1976, 1977 and 1978. In spite of uncertain national economic conditions and persistent cost inflation, debt charges rose from \$22.8 million in 1975-76 to \$33.8 million in 1977-78. These debt charges represent 23 percent of total operating revenues, the highest percentage of the major Canadian telephone companies.

In a public corporation such as MTS, net income is reinvested. A capital intensive business such as this demands a high level of such reinvestment. For the year just ended, capital expenditures of \$85 million were authorized bringing the total plant in service to a figure of \$618,512,000.00. These expenditures were required to meet the rapid increase in telecommunications needs of Manitobans as evidenced by the growth in MTS revenues from \$82,500,000 in 1973-74 to \$154,600,000 in 1977-78.

The Rural Service Improvement Program continues to receive high priority. The program has two elements, each with a 1981 completion date. Under one element, multi-party line loadings are being reduced to no more than four per line with an average of 2.6 benefiting about 44,000 customers. During 1977-78, more than 9,600 of these customers were provided with four party service. Between March 31, 1970 and March 31, 1978 average line loadings were reduced from 5.78 to 4.2. Under the other element of the program, individual line service is being extended to 14,000 customers in 170 communities which previously have had multi-party service. In 1977-78 individual line service was extended to more than 1,600 customers in 25 communities. It's estimated that more than \$25,500,000 will be spent on the Rural Service Improvement Program between 1976 and its completion in 1981.

The System's major northern service program is now virtually complete. This program which began in 1973 will have brought expanded and improved service to about 18,000 residents of 39 communities by the end of 1978 at a cost of about \$18,700,000.00. All of these communities will have received toll service and many will have regular dial exchange service as well. Little Grand Rapids and Pauingassi will be provided with service improvement later this year under different construction programs.

Work is proceeding on the installation of an electronic long-distance switching machine at the Thompson building. When it is placed in service this winter the new equipment will handle all directdistance dialing and operator-assisted calling in Northern Manitoba.

The extension of radio relay facilities in Northern Manitoba has made it feasible to arrange for the provision of network television throughout the area. Through arrangements with the Canadian Broadcasting Corporation, network television service has already been furnished to 35 northern communities. When CBC TV is extended to the few remaining locations, 99.9 percent of Manitobans will be able to receive at least one television channel.

The System has opened two additional phone centre stores in the past year, one in North Winnipeg and one in Brandon. In all, four stores have been opened in less than three years. This expansion clearly indicates the high level of customer acceptance of the phone centre concept. About 115,000 residences in Winnipeg, more than one-half of the total have been converted to phone centre style jacks and plugs and it is hoped that the entire city can be converted by 1980. In Brandon, 3,000 residences, or about one-quarter of the total have already been changed over and we hope to complete the conversion work in the city by the end of 1979. Expansion to other communities is being considered. In the phone centre areas established to date, more than 95 percent of the eligible customers have taken advantage of the free telephone conversion. Other indicators have also shown that our customers fully endorse this new approach in customer service. Many customers have expressed their approval of the faster service and lower service charges which the phone centre concept allows.

On June 2, 1977, the System became 100 percent dial-operated with the conversion of the Rapid City exchange. Direct Distance Dialing or DDD is now available to more than 97 percent of Manitoba telephones. In western Manitoba 65 of a total of 67 communities have DDD at present, due to a \$10 million program which began in 1975 with the introduction in Brandon of an electronic longdistance switching machine.

Of the two remaining communities, Cartwright will receive DDD on May 25 — that should read past tense — and Minto in June. On April 10 the System inaugurated customer dialing to 27 countries from Winnipeg. This convenient customer dialing service will be extended to Brandon and eight other

western Manitoba communities in July, and to other communities later.

Another new dialing service recently introduced is known as zero-plus calling. It speeds up operator-assisted long distance calls and is similar to DDD, in that the customer dials the call instead of the operator. With zero-plus the operator comes on the line briefly to enquire about the type of call being placed and then the call goes through as dialed. This service was introduced first in Brandon last November and has since been extended to Minnedosa and Winnipeg. It will be provided to additional communities later.

In 1977 the CRTC held public hearings for cable T.V. licence applications to serve 28 Manitoba communities outside Winnipeg. In its August, 1977, decision, consistent with the Manitoba-Canada Agreement, the CRTC dropped the mandatory condition that licencees own their own amplifiers. It did, however, recommend that cable operators retain house-drop ownership.

The MTS local and inter-city delivery facilities will be ready to meet the following cable T.V. non-service dates pending clarification of the drop ownership issue and determination of the cost-sharing agreements by the Association of Cable Operators of Manitoba and the CRTC. In the fall of 1978 Beausejour, Brandon, Carberry, Gladstone, Minnedosa, Neepawa, Portage la Prairie, Rivers, Selkirk, Stonewall and Teulon; and for the fall of 1979 Altona, Birtle, Boissevain, Carman, Dauphin, Deloraine, Gilbert Plains, Grandview, Killarney, Melita, Morden, Roblin, Russell, Souris, Ste. Rose du Lac, Swan River, Virden and Winkler.

CN-CP Telecommunications recently applied to the CRTC for an inter-connection to the Bell Canada network. This step could lead to similar applications across Canada, but because of the potential impact on long distance, and other revenues, as well as the overall pricing structure of the telephone industry, MTS, in co-operation with Sask. Tel and AGT intervened and appeared before the CRTC in April, 1978.

Manitoba Data Services was formed as a division of the Manitoba Telephone System in September, 1975. In its first full year of operation, 1976-77, it continued to pursue the rationalization of Data Processing Services of provincial departments and Crown agencies, and the development of a level of expertise and computing capacity sufficient to meet this challenge.

In April, 1976, MTS installed an IBM 370168, which along with the two existing machines, was required to meet the growing requirements for Data Processing in the public sector. During the year, MDS also began a program to upgrade its operating system, which has now been completed with improvements in the productivity of the installed equipment, in the range of 30 percent.

The rationalization of Data Processing in the public sector is proceeding satisfactorily. MDS has successfully completed the migration of the computer processing for MTS. An agreement was concluded with Manitoba Hydro in 1977 and during the next year, it is planned to migrate the workload of Manitoba Hydro to the central complex. MDS was awarded the data processing service for the Manitoba Health Services Commission and the migration of that agency's data processing to MDS should be completed in the latter part of 1978.

During its first full year of operation, 1976-77, MDS reported a deficit of \$1,738'000 with total revenues amounting to \$6,202,000.00. In the fiscal year just ended, there was a deficit of \$1,213,000 with total revenues reaching \$9,124,000.00. MDS expects to reach a break-even position in the 1978-79 period with positive net earnings following. The results achieved to date have been in line with the original development forecast that required substantial investments in the business over the first three years to ensure that MDS was capable of responding to its clients' needs and could provide high quality service at competitive industry rates. The need to make significant early investments in the business has been demonstrated in the financial results of comparable Canadian computer utilities.

As one of the province's foremost employers, the System has a work force which has grown steadily over the years from 3,500 in 1962 to 4,700 today. The rate of growth has slowed down in recent years due to increased productivity through the use of new technology and, more recently, to general reductions in the rate of growth of service utilization. In seeking to develop better ways in which we can serve our customers, our employees' ideas and suggestions are proving very helpful. The fact that our employees are located in 64 communities across Manitoba adds to the value of many of their suggestions. For example, a major pilot project in the western region where some 500 employees took part in idea sessions has resulted in a restructuring of the organization in the area to make it more responsive to the needs of our customers and of our employees. This included the appointment of a general regional manager last December 1. Under the new structure, there is substantially increased decision making and managerial responsibility in the region. The result has been both better customer service and greater employee satisfaction.

The System is presently testing a new concept as part of its effort to retain as many jobs as

possible throughout the province rather than see increased centralization of employment opportunities. Eight remote operator positions have been located at Minnedosa for this trial. This means that Minnedosa operators are now handling calls from anywhere in the Brandon toll centre area in the same manner as their Brandon counterparts.

In conclusion, Mr. Chairman, may I emphasize that the progress which the System is making would not be possible without the strong motivation and high level of performance of our employees. I hope that our employees continue to merit the support of this committee in our efforts to provide Manitobans with an effective service at the lowest possible cost.

MR. CHAIRMAN: Mr. Pawley.

MR. HOWARD PAWLEY: Mr. Chairman, I would like to thank Mr. Holland for his very comprehensive report. I note that on the second last page in the report, Mr. Holland makes reference to an increase in the number of employees from 3,500 in 1962 to 4,700 today. I wonder if Mr. Holland also could provide us with information as to the increase in operating expenses from 1962 until today in the MTS.

MR. HOLLAND: Mr. Chairman, in the published Annual Report, pages 18 and 19, there is historic data including operating expenses and numbers of employees which would show trends.

MR. PAWLEY: Well, I would then point out that in the 1968 to 1977 period, there is an indication of a tripling in the total operating expenses. My question to Mr. Holland, because certainly Mr. Holland has had involvement with the Task Force, the tripling of the total operating expenses would be pretty well proportionate to the increase in expenditures in the Provincial Government as a whole during that same period of time, would that not be correct?

MR. HOLLAND: Mr. Chairman, I don't have that comparative data. I think there are some other interesting facets here. Interest on long-term debt, for instance, which is a somewhat peculiar factor in our capital intensive industry, has gone from \$8 million to \$27 million and I think \$33 million for the year just ended, so that there would be probably different components.

MR. PAWLEY: But you are not in any way, shape or form, suggesting that this increase in expenditure from \$33 million to \$100 million has been an unreasonable increase in the amount of operating expenditure on the part of the Telephone System in the years 1968 to 1977. Are you satisfied that that has been a reasonable pattern of increase in expenditure considering inflation, increase in service, customers, etc., during that period of time?

MR. HOLLAND: Well, Mr. Chairman, in context with the other MTS indicators, I think it's a most reasonable rate of change. Again, one looks at revenue. It's gone from \$44 million to \$137 million which shows something of the tremendous growth in services provided.

MR. PAWLEY: In your work on the Task Force, did you have opportunity to ascertain whether or not there was any identifiable waste or fat within the Telephone System?

MR. HOLLAND: Mr. Chairman, on the day of the first meeting of the Task Force, I indicated that I would absent myself from discussions of that corporation about which I couldn't possibly be objective.

MR. PAWLEY: Did the Task Force locate any fat or inefficiencies, any unnecessary layer of expenditure?

MR. HOLLAND: Their published report . . .

MR. PAWLEY: Possibly I should ask the Minister that question, Mr. McGill.

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: Mr. Chairman, I think just making a general observation on the way in which the committee will receive this report, I wonder if it would help the deliberations to perhaps deal with the period under review, that is the period covered by the report in front of us, that is for the period ending March 31st, 1977.

Mr. Holland could perhaps respond to any questions that committee members might have on

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he operations for that period of time then we might, I think, after having received a report, perhaps deal with the period of time since that date, with the general kinds of questions that the . . .

MR. CHAIRMAN: Mr. Pawley.

MR. PAWLEY: Well, Mr. Chairman, if I could just point out to Mr. McGill, that Mr. Holland, himself, pointed out to me that on Pages 18 and 19 of the report, there is a comparison, 1968 to 1977, on total operating expenditures. So that in view of the reference in the report itself to those comparisons, I do not feel that it is unreasonable to discuss a pattern of growth of the total operating expenditures over that period of time. I know it's unfair to ask Mr. Holland about the Task Force Report, due to the fact he is the General Manager of the Telephone System, but I do think that the Minister should be in a position to advise us whether or not the report, which indicates a total operating expenditure of some \$100 million, an increase of \$13 million in expenditure in one year alone, for 1976, whether the Minister is satisfied that the Task Force did not identify any areas where there could be an elimination of expenditure. In other words, whether there were areas of waste and fat within the Telephone System, within this government Crown corporation.

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: Mr. Chairman, we're dealing with the period of the activities of the Manitoba Telephone System, which was not covered by my responsibility. It was a period under the previous administration and I think that I am not able to comment, in any detail, on those activities which terminated with March 31, 1977, and those are the figures that you're referring to in that table of reports.

We're dealing with a report for a period which terminated a year ago and more. And we're dealing with a report, the activities of which were under the direct responsibility of the previous administration. —(Interjection)— We, I think, are not here today to deal with a set of recommendations that were presented by a Task Force to this present administration. These Task Force recommendations have not been dealt with in detail by the present administration and it would not be very responsible of me to begin to deal with them at this time, before the whole matter has been reviewed in its entirety.

MR. PAWLEY: Mr. Chairman, could I ask the Minister whether the Minister made any enquiries of the Task Force as to whether or not there were areas of waste or inefficiency within this Crown corporation? I know the Task Force examined this Crown corporation. Did the Minister make any enquiries of the Task Force, whether or not they were successful in identifying areas of waste or fat within the Crown corporation?

MR. MCGILL: Mr. Chairman, my relationships with the Task Force were only in respect to responding to any interviews which they may have arranged. There were no other meetings held with the Task Force, specifically, to deal with Manitoba Telephone System. So that question was not put to the Task Force by me specifically.

MR. PAWLEY: Well, I would ask the Minister whether, in view of the statements which had been made of a general nature, about his government, by his government, in connection with fat and inefficiency throughout the departments of government and Crown corporations, statements made in the past, would he not intend to make such an enquiry of this Crown corporation?

MR. MCGILL: Mr. Chairman, I don't know what statements Mr. Pawley is referring to. I do know that there is a Task Force Report with recommendations, and those recommendations will be dealt with in due course. I have no further comment on that.

MR. PAWLEY: Well, let me just conclude, Mr. Chairman. If Mr. McGill wishes to disagree with my conclusion, I must assume that the Minister has not — because of one reason or another — identified any areas that he would like to point out to this committee, of unnecessary expenditures within the corporation, any areas of waste, any layers of fat that should be trimmed, within the Manitoba Telephone System.

MR. MCGILL: Mr. Chairman, Mr. Pawley can reach any conclusions he wishes. I don't think I'll bore you again with restating my position in respect to recommendations that have been made by the Task Force and the review of those recommendations, which will take place in due course.

MR. PAWLEY: Mr. Chairman, my next question would be directed toward Mr. Holland, or if the

Minister would like to answer. Could the Minister indicate how many contract employees were employed for the Manitoba Telephone System as of October 24, or if he wishes to give us a date thereabouts, within the Manitoba Telephone System?

MR. CHAIRMAN: Mr. Holland.

MR. HOLLAND: Mr. Chairman, I don't have that statistic here. But my impression would be, certainly less than 10.5

MR. PAWLEY: Are those individuals still employed as contract employees within the Telephone System?

MR. HOLLAND: Most of our contract employment is for short-term projects. I'd be glad to check that precisely, but again my impression would be, that most of them would not at this time, but there may be other specialists engaged for short-term projects.

MR. PAWLEY: Have contract employees been placed on permanent staff since October of 1977?

MR. HOLLAND: My staff says a couple.

MR. PAWLEY: Two have been placed on permanent staff. Could the Chairman indicate to me insofar as the increase of employment from 3,500 in 1962 to 4,700 today, whether that increase reference is made in the report, that in recent years there has been a decrease in the rate of growth of that employment? During what period of time is the General Manager referring to as being a period in which there has been a slowing down in that rate of increase of employment within the Telephone System?

MR. HOLLAND: Mr. Chairman, generally with the Canadian Telephone Industry there were periods of very substantial annual growth and utilization. Perhaps the period 1972 through 1974 or early 1975, that rate of growth — and I emphasize "rate" — has reduced since then, which of course affects our capital investment and our staffing and gearing to respond to that adjusted growth rate.

MR. PAWLEY: I want to just ask one further question of the General Manager. Insofar as the comparative telephone rates that are shown on the final attachment of the report, showing higher rates in Toronto, Ottawa, Quebec City, Montreal, Halifax, St. John, are all those centres in provinces where the telephone system is operated under the authority of a private company, or is it a public utility, or is there a variation?

MR. HOLLAND: Mr. Chairman, the three prairie provinces have publicly owned corporations. These comparative data have to be read with some understanding. First of all, it's customary in the industry to rate local exchange services roughly according to the number of telephones in that exchange so that the comparable sized cities should be looked at. There are many other factors such as capital investment required which is dictated by terrain and density of population and the public corporations, of course, do not pay federal income tax and many other factors that have to be taken into account in trying to answer the question of why there is this variation.

MR. PAWLEY: Well, I wasn't really asking why the variation but does the Bell Telephone System, a private company, operate the telephone system in the provinces in which it is shown the higher rates?

MR. HOLLAND: Bell Canada operates in Quebec, Ontario, and in the Northwest Territories to some extent.

MR. PAWLEY: And what about in the Maritime provinces? Who operates the system?

MR. HOLLAND: It is a privately-owned, regulated company.

MR. PAWLEY: That's all the questions I had.

MR. CHAIRMAN: Mr. McBryde.

MR. RONALD McBRYDE: Mr. Chairman, I just wonder here on a matter of procedure. I have a number of questions that go through this report or this report, whichever way, and I would certainly welcome, if I'm on one specific subject, if other members have questions on that subject, to allow them to stick to that subject before I go on to another subject.

I suppose my general comments, first of all I want to thank Mr. Holland and the Minister for presenting the report and allowing the committee to get started five minutes after 10 o'clock, with all members present. At the risk of upsetting the Minister or Mr. Holland, I would like to point out that this is, in my mind, one of the publicly-owned corporations in Manitoba that operates in a very socialistic manner. The rates are fairly well equalized throughout the province; the people in the City of Winnipeg are assisting those of us in the north to have the lower telephone rates and lower telephone service. There is a measure of equity or equality throughout the province the way this system operates and I would compliment the Telephone System for how it has proceeded and how it has extended services into northern Manitoba and made them available to the residents of rural and northern Manitoba on a very reasonable price basis.

That would lead into my first question. I would like some reassurance from the Minister that there is no intention to sell the Manitoba Telephone System.

MR. MCGILL: Mr. Chairman, to Mr. McBryde, there is no intention to sell the Manitoba Telephone system.

MR. McBRYDE: Okay, on the second page, the financial page of the report, I wonder if Mr. Holland could summarize the extensive cost restraint program and the significant improvements in productivity. Could you give us some more detail on that?

MR. HOLLAND: Yes, Mr. Chairman. The Canadian telephone industry has developed a multitude of indicators that are shared between the major companies, the Trans-Canada companies, which permit an exchange of experiences and information in almost every area of operations and it is through the comparative data in our plant performance or maintenance performance or the commercial department or wherever that we are able to gauge the performance by MTS and put under the microscope those areas where we don't measure up or don't compare. So it has been an intensified process of seeking acceptable productivity performance standards in virtually all areas of the operation, watching very carefully, I may say, our standards of service to the public which have not been altered over this period.

MR. McBRYDE: Then one of the methods of making a more effective system is to compare in detail sort of operational sections with other systems and if your costs are higher sort of in a type of section of the operation, then you can thoroughly examine that to find out why your costs are higher or to compare your method in co-operation with other systems to see if you can bring your cost down in that particular area. Am I understanding your . . . ?

MR. HOLLAND: Yes, those would be included in the array of indicators that I mentioned. Some are unit costs, some are work hours per task, they are broken out by business installation and residential services and all facets of the operations.

MR. McBRYDE: In your reply, you mentioned the customer services. How do you measure that? What instruments do you use or what technique do you use to judge the customer service or how the customers are regarding the service?

MR. HOLLAND: Well, there are really two categories. One would include, for instance, answer times by our operators, time from service order to provision of the service comparatively, troubles per thousand lines which may indicate that our maintenance and preventative services are falling off. The other broad category would be customer reaction and that is done primarily through survey by monitoring customer complaints very closely. We try to keep a close reading on those and they are summarized monthly and reviewed very carefully.

MR. McBRYDE: Mr. Chairman, further down this page, I just want to make sure, with regard to the number of employees per 1,000 telephones, MTS ranked second. I assume that meant second lowest as opposed to . . .

MR. HOLLAND: Second lowest.

MR. McBRYDE: One of the members prompted me to ask the question: Who is ahead of you?

who is the lowest?

MR. HOLLAND: I prefer not to mention names of my fellow companies but it's a very large organization to the east.

MR. McBRYDE: I think we can safely assume that the reason for that would probably be the market area or the availability of the density, I assume, of that operation. Would that . . . ?

MR. HOLLAND: The size, the density, the distribution at large, very large centres and so on makes it a different economy in which to work.

MR. McBRYDE: I want to move over to the next page; we are still on the financial part of it, Mr. Chairman.

MR. CHAIRMAN: Just before you carry on, Mr. McBryde, I would like to point out to the members of the committee that I believe that the method that we should handle this is that we are dealing with Page 1 which is the General Manager's Report, whether it be what is written in the report or the report that was read into the record this morning. Then when we get through with the general questions on the General Manager's Report, we'll go page-by-page through the actual annual report. Is that agreed — the method of handling this? So perhaps we can have our general questions to Mr. Holland on the General Manager's Report and then go page-by-page.

Mr. McBryde.

MR. McBRYDE: Well, Mr. Chairman, the General Manager's Report is . . .

MR. CHAIRMAN: Is a very broad one.

MR. McBRYDE: . . . is a summary of this whole book so we should be able to move fairly quickly once we finish with the General Manager's Report.

MR. CHAIRMAN: I would think so.

MR. McBRYDE: On the General Manager's Report, on the second financial page — I guess this is the third page of the report, I'm not positive — there is a discussion of the capital expenditures authorized and I wonder if we could be brought up to date on the amount of capital authority that will be required for this operating year, this fiscal year.

MR. HOLLAND: Mr. Chairman, I think that has been published, if I'm correct, with the Budget Speech. The amount that will be sought this year, including MDS, is about \$92.5 million.

MR. McBRYDE: The figure that you have here for the year of the report, the \$85 million is for telephone services solely or does that include the Data Services as well?

MR. HOLLAND: That figure is MTS only.

MR. McBRYDE: And what would be the figure for this year then, for MTS only, without the Data Services?

MR. HOLLAND: Approximately \$81 million.

MR. CHAIRMAN: Mr. Walding, or does Mr. McBryde have further questions?

MR. McBRYDE: Mr. Chairman, if somebody else has a question on that same subject, I will just let them go ahead because I'm moving on now to rural services in my questions.

MR. CHAIRMAN: Okay. Mr. Walding, Mr. Hanuschak and Mr. Minaker in that order please. Mr. Walding.

MR. JAMES D. WALDING: Mr. Chairman, I had a question on the System's constraint program for the 1976-77 year as mentioned in the report. I would like to ask Mr. Holland about that constraint program as to when it came in and why it was introduced and what has been the results of that program.

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MR. HOLLAND: Mr. Chairman, I would say it was introduced about the time that our rate case was being heard and shortly thereafter. It was initiated generally by the board in looking at MTS's performance indicators and their ongoing monthly scrutiny of performance. I would say that we have had unusual support and understanding from all our managerial and staff in the program. In fact, it's been a considerable source of pride, the improvements that have been effected. Are those the questions, Mr. Chairman, that were sought?

MR. CHAIRMAN: Mr. Walding, is that the answer to your question that you were looking for?

MR. WALDING: Yes, I believe it did. Can I ask Mr. Holland whether the new government gave MTS any directives in the area of cost restraint following October 24?

MR. HOLLAND: Mr. Chairman, we were asked to observe the general governmental policy that was introduced in the period following October 24th having to do with review of travel and other facets of the operations and did observe those general policies.

MR. WALDING: Can I ask Mr. Holland whether the government gave MTS any new policy directives generally and specifically having to do with cable T.V. or interconnection?

MR. HOLLAND: Mr. Chairman, the only obvious one that comes to mind is the Minister's announcement in December that, in the area of cable television, the government would support in regard to the four new licensees, the principle of hardware ownership by MTS. That was made public and passed to our board.

MR. WALDING: But other than that there were no new policy directives that came down to you?

MR. HOLLAND: I would say that there have been many requests for briefings and information in the familiarization period but I can't think of any other policy directives.

MR. WALDING: Thank you. I had a couple of questions arising from the Task Force Report, Mr. Chairman. I look to you to see if it would be in order to ask Mr. Holland to comment on them at this time. If it would, I would like to ask Mr. Holland if he could comment on the recommendation of the Task Force that the office of chairman should be separate from that of the chief executive officer. Do you have any comment to make on that recommendation?

MR. CHAIRMAN: I would say, before Mr. Holland answers, that if he doesn't wish to answer, that's his right regarding Task Force questions. You might direct them to the Minister if you wish.

MR. WALDING: I was asking Mr. Holland, as a member of the Task Force and . . .

MR. CHAIRMAN: If he wishes. I just said that, as chairman of the committee, I'm saying that he doesn't have to answer the questions on the Task Force.

MR. WALDING: I realize that.

MR. CHAIRMAN: Mr. Holland, do you wish to comment?

MR. HOLLAND: Well, Mr. Chairman, my board as asked that there be an analysis and review of all recommendations of the Task Force on MTS and MDS and that has not taken place. It likely will at the June meeting so that anything I say is not my board's viewpoint at this stage.

The second observation is that appointment of the chairman and the general manager is a problem of the Executive Council. They make those appointments so that they are the ones who will have to dissect and consider that proposal. My personal observation is that it's another case where there are clear advantages and some disadvantages and I think that criteria would produce different conclusions with different agencies and commissions depending on the nature of their program and the ongoing reporting procedures and so on. I think that it is difficult to categorize 158 boards, agencies and commissions with one particular role. I think they have to be studied individually and the best structure developed for each one.

MR. WALDING: Thank you. I have then a couple of financial questions here arising from the Task Force recommendations. First of all, the Task Force says that "We believe it inappropriate that a Crown corporation should be required to assume the risks associated with fluctuations in the currency

exchange rates." Now, first of all, did the Task Force talk to MTS about this subject and what is the Telephone System's position on assuming the risk of fluctuations in currency rates?

MR. HOLLAND: The answer is yes, the Task Force did discuss this with officials of MTS. The fact is that the currency fluctuations have impacted us quite heavily as they have other agencies. One of the problems, of course, is that it is an unexpected distortion of the financial plan for the year. It's unpredictable and one can't plan for it. On the other hand, the agency for our debenture issue and handling is the Ministry of Finance. And we have had extremely good service from that agency over the years and think their decisions have been borne out to be in MTS's advantage in virtually every case, even with the fluctuations that have occurred.

MR. WALDING: The suggestion here, of course, is that MTS would lose because of devaluation of different currency. Is it not also a case that MTS might gain because of revaluation of currency?

MR. HOLLAND: Yes, of course.

MR. WALDING: Does MTS have a position as to whether it should continue to assume those risks or whether those risks should be borne by the government with, in effect, MTS borrowing directly from the government in Canadian dollars?

MR. HOLLAND: Mr. Chairman, we don't at this time but it is being analyzed and the Board will be considering that recommendation, I suspect, at the June meeting and any views they have will be passed to the Minister.

MR. WALDING: Would it be appropriate for me to ask the Minister, Mr. Chairman, if he has any comment on this particular item?

MR. CHAIRMAN: Yes. Mr. McGill, do you have any comment?

MR. MCGILL: Mr. Chairman, I don't know how appropriate it is but it seems to fall into the category of the earlier exchange we had with respect to Task Force recommendations and the position of this administration as not having dealt with them — not being in a position at this time to comment on the recommendations, whether we favour them or whether we do not.

The question of the currency fluctuations and whether or not MTS should be placed in the position of having to take a plus or minus net result, as a result of international fluctuations, is certainly a policy on which we would welcome the recommendations or the positions or the suggestions of the Board of Manitoba Telephone System. I have no further comment to make on it.

MR. WALDING: I realize, Mr. Chairman, that it will be a government policy decision. I wonder if the Minister was in a position to recommend to the government, to his colleagues in Cabinet how this matter should be handled.

MR. MCGILL: I think it would be a proper sequence of events for the Minister to wait until he had some indication from the Crown corporation for which he is responsible, as to their views and their recommendations. I would, in turn, review that and make my positions then known to the Executive Council.

MR. WALDING: Thank you, Mr. Chairman. I have one other question on this and it has to do with the dead equity ratio, which has been mentioned as being in the order of 86 percent. I know that the Board has considered it in the past and there have been various recommendations concerning that ratio. The Task Force recommends that further studies be carried but in the interim — and I quote — "A target of 70-30 for the dead equity ratio should be adopted."

Can you explain to the committee what the effects of moving towards such a ratio would be on Hydro borrowings and on telephone rates?

MR. MCGILL: Hydro?

MR. WALDING: I said telephone; did I say hydro?

MR. MCGILL: Yes.

MR. WALDING: I meant telephone.

MR. CHAIRMAN: Mr. Holland.

MR. HOLLAND: Well, Mr. Chairman, this is a topic which the Board has followed very, very closely and has shown great concern about. The difficulty, of course, is that there is no one correct figure but, at the same time, the absolute figures shown in the trends as debt costs is increasing year by year and that is a built-in load that must be met as a first claim on our revenues.

So the impact of reaching a 70-30 ratio would depend what the expression "in the interim" means, whether that is 3 years or 10 or 15. Roughly speaking, we would need probably net revenues of \$17 million or \$18 million a year to effect a 1-½ percent drop in that ratio per year over the next three years. So that's something of the magnitude.

MR. WALDING: I'm sorry; would you give me those figures again please?

MR. HOLLAND: MTS would need net earnings for reinvestment of something between \$17 and \$18 million a year to effect a drop of about 1.5 percent per year over the next three years.

MR. WALDING: \$17 million to \$18 million a year to effect a drop of 1.5. And if it is to go down from say 85 to 70 that would be 15. My arithmetic then indicates somewhere in the region of \$170 to \$180 million.

MR. HOLLAND: I think it would be ten years at that rate; am I correct? 1-½ percent per year to bring it down 15 points would be ten years.

MR. WALDING: Do I then follow from that that MTS would need to increase its revenues from telephone rates of somewhere in the region of \$170 million to \$180 million, and that's per year?

MR. HOLLAND: Well, the net earnings have been \$9 million and \$7.6 million respectively the last two years. So it would be a matter of an increase in net earnings from that level to the \$17 million or \$18 million mark.

MR. WALDING: You tell me that that would have to continue then for ten years in order for that 70-30 ratio to be achieved. Is that what you're saying?

MR. HOLLAND: Yes, all other factors remaining roughly the same. All other trends remaining roughly the same.

MR. WALDING: If that ratio were to be attained this year, 1978-79 year, what would the effect be?

MR. HOLLAND: Well, it would be a 1.5 percent drop if the net earnings this year were something around \$17 million. So it would go from roughly 85 to 83.5.

MR. WALDING: I'm not sure I fully understand the figures that are being put out. If MTS were required in this year to drop from its 86 percent figure to a 70 percent figure in this one year, by how much would telephone rates have to go up to reach that figure?

MR. HOLLAND: That's a calculation that we would have to doodle with.

MR. WALDING: Would you have to double them, triple them, or . . . ?

MR. HOLLAND: I don't know that at this point, Sir. Perhaps Mr. Vannevel, our financial advisor, can tell us. It would be a great deal of money.

MR. WALDING: What is a great deal of money?

MR. HOLLAND: That is what Mr. Vannevel will undertake to calculate and show you.

MR. WALDING: I have no further questions on this.

MR. CHAIRMAN: Mr. Hanuschak, please.

MR. HANUSCHAK: Yes, Mr. Chairman. The follow-up to some of the questions posed by my colleague, the Member for Selkirk, and I believe that in final response to him the Minister indicated that he considers that it would be unfair to comment on the efficiency or inefficiency of the operations of the Manitoba Telephone System for this fiscal period of time, which is prior to the date at which this government had taken office. However, I would like to remind the Minister, Mr. Chairman, that about two months ago his Leader, I believe it was in closing the Throne Speech, or it could have been a bit later in the Budget Debate — I have forgotten which of the two it was — but nevertheless he did indicate in proceeding through the Estimates each Minister in turn will unravel the whole series of horror stories of lack of control, lack of accountability, mismanagement, etc., that this government has been able to detect upon assuming office.

So therefore my question is simply this: Has the Minister any horror stories to tell us about the operations of the Manitoba Telephone System that he was able to discover upon assuming office on October 24th, or at some time thereafter prior to this date?

MR. MCGILL: No, Mr. Chairman.

MR. HANUSCHAK: Thank you very much. I think it could be recorded then that here is another Crown corporation, another agency of government, within the operations of which there was no evidence of horror stories, such as alluded to by the First Minister some time ago.\$

My question to the Chairman and General Manager — I have a couple of questions; perhaps they are somewhat unrelated. The first one is perhaps a somewhat simpler one.

I seem to recall that in years past there was comment made, I think it was annually, about the progress made by the Manitoba Telephone System in burying telephone cables in rural Manitoba. Has that program pretty well been completed?

MR. HOLLAND: Mr. Chairman, it's progressing at probably an even faster pace than in the past, but I think we have some data, open wire versus buried, probably. I think the rural upgrade program is resulting in an acceleration of buried . . .

MR. HANUSCHAK: I'm sorry. Was there reference in the . . . Now, I'm not quite sure that I understand Mr. Holland. Was there some difference of opinion, perhaps, as to the advisability of burying telephone cable as opposed to above ground or whatever else?

MR. HOLLAND: There is no change in the policy.

MR. HANUSCHAK: So you are still proceeding with your program to bury telephone cables.

MR. HOLLAND: Yes.

MR. HANUSCHAK: Only in rural Manitoba, or will this also be possible in some urban communities?

MR. HOLLAND: Wherever it's possible in new subdivisions that is planned.

MR. HANUSCHAK: I see. My other question, Mr. Chairman, is: You no doubt know for the past while there has been considerable concern and apprehension about wiretapping, telephone bugging, and so forth. Are the two synonymous or not? I really don't know the two expressions? Well, my question is: Has the Manitoba Telephone System or has any telephone company in the world any devices or any means of detecting the likelihood of wiretapping or bugging, and then to take whatever action must be taken to put an end to it? In other words, if there are telephones being tapped today somewhere, have you the ways and means of determining whether that, in fact, has happened?

MR. HOLLAND: Mr. Chairman, I wonder if it would be in order to ask Mr. Beatty to respond to that. He, as well being our General Counsel, is also the MTS Security Officer and he likely would be much more familiar with it than I.

MR. HANUSCHAK: He keeps his ear to the, you know . . .

MR. CHAIRMAN: Mr. Beatty, you could sit over there and we could use microphone 14 for him.

MR. J.K. BEATTY: I wonder if I could ask for the question again, Mr. Hanuschak?

MR. HANUSCHAK: Have you a way of detecting whether telephone wires have been tapped or bugged, or whatever, and take whatever action must be taken?

MR. BEATTY: Yes, the Telephone System has ways of determining. Most of them relate to actual physical inspection. We investigate all complaints made to us by people who are concerned that their telephone may be tapped or bugged, as you put it. So that Manitoba Telephone System carries out physical inspections of premises and equipment under those circumstances. Is that the question?

MR. HANUSCHAK: So therefore you merely respond to a complaint. If someone suspects that his telephone may be tapped, then you would inspect it. Is that correct?

MR. BEATTY: That is generally true. It can happen in other ways as well; for example, in dealing with routine repairs or things like that, it might come to the attention of our employees when repairing telephones.

MR. HANUSCHAK: But there is no device, and you must pardon my naivety; I know very little about the technological aspects of phones, so I'll put it in a very, perhaps rather simple and crude way. There is no light that flashes, or a bell that rings, or something somewhere in the Manitoba Telephone System that alerts you, that warns you, that a phone is being tapped somewhere?

MR. BEATTY: There is no ongoing monitoring, if that is what you had in mind.

MR. CHAIRMAN: Mr. Minaker and then Mr. Pawley, in relation to questions to Mr. Beatty. Mr. Minaker.

MR. MINAKER: Mr. Chairman, through you to Mr. Beatty. If you were requested to go out and find that, in actual fact, the phone is being tapped, what do you tell the customer?

MR. BEATTY: In the case of a customer complaint, if the telephone is being tapped at that time illegally, then we advise the customer that any illegal device has been removed from the equipment.

MR. MINAKER: The next question is, if the phone through the proper legal jurisdiction is being tapped, would you know beforehand, the Telephones, that it has been tapped for security reasons, say, or for different reasons? And then, what do you tell the individual?

MR. BEATTY: Well, Mr. Chairman, in regard to legal wiretapping under the Criminal Code by virtue of court authorizations, any complaint by a customer is investigated. The Manitoba Telephone System is aware of all, and is served with, the court authorization, and is aware of any legal wiretap, and the customer is advised that there is no illegal wiretap on the premises.

MR. MINAKER: What if the customer asks, is there any legal tap?

MR. BEATTY: We're not at liberty to respond to that, Mr. Chairman.

MR. MINAKER: My next question, Mr. Chairman, would be the legal tapping of telephones. Is that being carried out by the Manitoba Telephone System personnel, or is that carried out by a different . . . ?

MR. BEATTY: Well, that is carried out under court authorization by the law enforcement agency to whom the court authorization is directed.

MR. MINAKER: So, it is not installed by an actual Telephone employee, then?

MR. BEATTY: That is difficult to answer in a single approach, Mr. Chairman. The cross-connection within the central office, and I'm technically incompetent to go further than that, Mr. Minaker, but the cross-connection in the central office is made by the Telephone System employee, but that does not lead to the wiretap itself.

MR. MINAKER: So that the actual wiretap, when it's secured to MTS, is done by somebody other

than the Telephone people themselves?

MR. BEATTY: That is correct.

MR. MINAKER: So that the actual knowledge of the tapping of an individual's phone legally, under present law, is limited to a certain number of people within the Telephone System or . would it be open to other people to trace it out if they wanted to?

MR. BEATTY: I can only respond to the first part, Mr. Chairman, in the sense that the wiretap authorizations are centralized to certain, very minimum, few people within the System, and are not general knowledge.

MR. MINAKER: Are you at liberty to say who those particular individuals are, or would that create a problem with regard to security?

MR. BEATTY: Mr. Chairman, I would decline to name those people.

MR. MINAKER: That's all I have on that particular subject, Mr. Chairman, so I'll turn it over. But I have on the item . . .

MR. CHAIRMAN: Mr. Pawley on this particular subject.

MR. PAWLEY: Yes, Mr. Chairman, to Mr. Beatty. When a court order has been obtained to legally wiretap, it is not the actual order that is handed to you at the Telephone System, or is it?

MR. BEATTY: I believe what we get, Mr. Pawley, is a certified copy of the order. It is a signed order that we get, signed by the judge.

MR. PAWLEY: Is there any information given to you beyond the telephone number that is to be tapped?

MR. BEATTY: Mr. Chairman, because the order is made, not only upon a location but a particular person, and because the person has a tendency to change locations during the term of the order, the order in full is given to us at this time.

MR. PAWLEY: So you would have the name of the individual and the telephone number and the location would all be contained within the order that you would receive?

MR. BEATTY: That order, that information is centralized within one person of the Telephone System, yes.

MR. PAWLEY: Mr. Beatty, I would like to then relate that to a trunk line, because as you are probably aware, there was some problems there in connection with several parties sharing a trunk line, one party being under criminal investigation, but other parties using the same line. There was some tightening up of control in this respect. Can you offer any opinion to us as to whether there are now adequate safeguards insofar as others using that line, say, an office trunk line type of arrangement, and their conversations being listened to, Mr. Beatty.

MR. BEATTY: I presume you are referring to multi-party subscribers, Mr. Pawley.

MR. PAWLEY: That's right.

MR. BEATTY: In that connection, I would say that all effort is made, where facilities are available, to isolate the — may I use a police expression, "target party I would say that we have avoided, . " I think, as far as possible, any multi-party lines or other conversations being monitored of parties not covered by any authorization, if that's your question. We try to isolate the target party.

MR. PAWLEY: I don't want to be unfair to you, and I don't want to request an answer if you prefer not, but I'm relating back to the unfortunate incident involving the tapping of a phone involving several judges, during the process of the investigation of one judge. I am wondering, Mr. Chairman, if that type of incident can reoccur?

MR. BEATTY: Mr. Chairman, that incident didn't occur through any written authorization, and in

fact, was improperly done.

MR. PAWLEY: Would Mr. Beatty wish to elaborate on that?

MR. CHAIRMAN: Mr. Beatty, any comment?

MR. BEATTY: I don't have the particulars in front of me, Mr. Chairman, so rather than mislead the committee, I would have to leave it on that basis, that we do not believe that that kind of thing can occur or will occur under any written authorization obtained from the court.

MR. PAWLEY: At the present time?

MR. BEATTY: At this time.

MR. CHAIRMAN: Any further questions to Mr. Beatty? Mr. McBryde?

MR. McBRYDE: What would be the role of the Telephone System, you know what tap's in place, in the process of routine work one of your people discovered that in fact, they were getting more than one line or that it wasn't done properly, would they just completely ignore it because you have that order, or what would take place?

MR. BEATTY: If it was come across by accident, I think is the question you are really putting, the Telephone employee would not automatically remove it; he would report it and on those kinds of reports a check is made, whether or not there is a legal order, written legal authorization, in the hands of the System.

MR. McBRYDE: I assume from you answer, it would be a fairly difficult procedure to say that there was more than — let's say it was a repairman in this case, saying these eight lines were in fact affected by this tap, when you have official notification of one of these lines or one person to be tapped. Or if one of the other parties inquired as to whether their line was being tapped, and they happened to be on the same trunk line with someone who was legally authorized to be tapped, I guess it would be very complicated to sort that out and get the law enforcement agency here. Who would get the law enforcement agency to make the correction in that case?

MR. BEATTY: Well, the Manitoba Telephone System would. Before putting the necessary cross-connection in place, it would try to isolate the authorized tap so that no other lines were involved. Now, there may be circumstances where that cannot be done, but I think the law enforcement agency is encouraged to seek orders on specific phones that can be isolated in that manner.

MR. McBRYDE: Maybe, Mr. Chairman — I'm not sure Mr. Beatty is the one that could do it — I'm not clear of the technology of it then. The Telephone System itself, employees of the Telephone System, do have to take specific action in the case of an authorized tap; they have to do something to the telephone lines themselves; it's not done solely by the law enforcement agency?

MR. BEATTY: That's right. Certain work is done in the central office by the Telephone employee.

MR. McBRYDE: And then I assume, from my limited knowledge of the technology, that certain work would be done closer to the phone itself for the target person, plus the work in the central office?

MR. BEATTY: If I may avoid going into the details of it, that answer is, generally, yes.

MR. CHAIRMAN: Mr. Pawley, on this, to Mr. Beatty.

MR. PAWLEY: What Mr. Beatty is indicating is that there is someone centrally within the Telephone System that has to do something as far as the technology is concerned in order to facilitate the tap, as well as someone from the police department would be involved; two individuals would be involved in undertaking the mechanics of the actual tapping?

MR. BEATTY: There is certainly work done by the Manitoba Telephone System employee in the central office for cross-connection purposes. That's the only work we do, and have knowledge

MR. PAWLEY: Well if that MTS employee does not undertake his or her part of the operation can the tap still be completed, without the MTS employee's involvement?

MR. BEATTY: I think, Mr. Chairman, it should be recognized that a tap can be placed on telephone lines without the knowledge of MTS at the time of the tap being made.

MR. PAWLEY: And we are referring here to legal taps?

MR. BEATTY: No, I'm not referring to legal taps. We would be aware of any authorizations and therefore we would be aware of any. The legal tap would be done through the facilities of our central office, in most cases.

MR. PAWLEY: I don't just know what area I'm really entering into here, but it does pose the natural question, relating back to the earlier question that I had asked, as to how that particular Public Safety Building incident would have occurred if the MTS employee had not been involved centrally in the tapping?

MR. BEATTY: Mr. Chairman, in response to that particular incident, there was a written authorization for tapping of certain private residential telephones issued by the courts, that the System employee, at the time of completing the work necessary under that authorization, was informed that an additional telephone should be tapped. That employee carried out that without checking to see whether or not the authorization covered it, and in fact the authorization did not cover that telephone. And when it came to our attention as a result of the employee's report, that tap was disconnected immediately.

MR. PAWLEY: So that the tapping was done by the employee beyond that which was provided for in the order itself?

MR. BEATTY: That is correct, Mr. Chairman, on advice given to him by the law enforcement agency.

MR. PAWLEY: Then I think it's only fair to ask, can we be assured that some method has now been developed to cross-check so that we may be assured that that type of situation will not re-occur, where an employee might tap beyond the authority provided for in the court order?

MR. BEATTY: Mr. Chairman, in answer to that, the System's procedures were revised because of that incident at that time, so that I would hasten to assure the committee that internally, within the Manitoba Telephone System, we do not believe that that incident or an incident of that type could happen again.

MR. PAWLEY: Would the problem, Mr. Beatty, relating to that incident, have been that up until that point court orders in regard to tapping, were general and did not necessarily specify the particular telephone number so that the Telephone System was working under a more general order, whereas now you would be working under a more specific order from the court, spelling out the exact or the precise telephone number that is to be tapped, or earlier would the order have simply read, "Telephones ordinarily used by the John Doe." and have been too wide in latitude?

MR. BEATTY: Mr. Chairman, I don't think the former style of the order has changed regarding locations or telephone numbers. I think what may have caused that problem, that I think Mr. Pawley is referring to, stems from the fact that it was early in the time — it was soon after the amendments to the Criminal Code, which led to authorizations being issued by the court. I would suggest that it was more of our inexperience at the time in dealing with these orders, and developing internal routines to handle that. I would like to suggest to the committee that those routines have been tightened up as a result of that and we believe that it would be almost impossible, if not impossible, for that to happen again.

MR. PAWLEY: Thank you very much, Mr. Chairman.

MR. CHAIRMAN: Mr. Walding and then Mr. Minaker on the same general topic. Mr. Walding.

MR. WALDING: Mr. Chairman, could Mr. Beatty indicate to the committee, the number of court orders referring to legal wiretaps were dealt with in the last available year?

MR. CHAIRMAN: Mr. Beatty.

MR. BEATTY: During the calendar year 1977, the Manitoba Telephone System was served with 37 court authorizations involving some 97 locations and 94 persons.

MR. WALDING: Do you have a figure for the preceding year, 1976?

MR. BEATTY: I'm sorry, I don't have the comparative figure with me.

MR. WALDING: Do you recall if it was less or more or approximately the same?

MR. BEATTY: I'm sorry, I haven't looked at it lately.

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman, I wonder if Mr. Beatty can advise, I presume that the Telephone System is notified when the legal tap has been removed. Is there any obligation of the security people to — the RCMP or whoever — to advise you that they have removed the legal tap?

MR. CHAIRMAN: Mr. Beatty.

MR. BEATTY: Mr. Chairman, the authorization itself spells a specific time frame, from date to date, and in fact from hour to the particular hour on the last date. Unless that authorization is renewed by subsequent court authorization, the tap is discontinued by action in the Manitoba Telephone System.

MR. MINAKER: My final question on this subject, Mr. Chairman, is: Mr. Beatty, are you at liberty to say what happens to the court orders that you receive after the tap has been removed? What happens to them? Are they destroyed or are they retained or are you at liberty to say?

MR. BEATTY: The copy served upon the Manitoba Telephone System is destroyed. I cannot say what happens to other copies of the court order that may be in existence.

MR. MINAKER: Thank you.

MR. CHAIRMAN: To members of the committee, any further questions to Mr. Beatty on that particular subject? Mr. McBryde.

MR. MCBRYDE: I'd just like some reassurance from Mr. Beatty. We don't know exactly the technology of going about a wiretap. But could he reassure us that the Telephone System or none of its employees are utilizing the other aspect of the more localized, the central office, there is some work that has to be done in terms of a wiretap, a legal wiretap? I wonder if he could reassure us that in terms of outside of the central office, there is no way that MTS would be involved, that all of that would be completely up to the particular police force involved.

MR. CHAIRMAN: Mr. Beatty.

MR. BEATTY: To my knowledge, Mr. Chairman, that is correct. I would hasten to assure the committee that even the people within the central office are limited to a number of staff, who are all supervisory people, and that we try to keep that limited to the number of people who actually have to be involved.

MR. MCBRYDE: In his role as security, has there been an instance in the Telephone System where an employee has, in fact, had outside employment that related to his job, where you've discovered an employee who has done wiretapping, or that type of work, illegally in your system?

MR. CHAIRMAN: Mr. Beatty.

MR. BEATTY: Mr. Chairman, it would have to go back in the system before my time. . .

MR. MCBRYDE: Not recently, then?

MR. BEATTY: . . . for any actual case that I'm aware of.

MR. McBRYDE: That's all, Mr. Chairman.

MR. CHAIRMAN: Any further questions to Mr. Beatty? If not, Mr. Minaker is next. That's for general questions to the General Manager.

MR. MINAKER: Mr. Chairman, relating to Mr. Holland's report to the committee, there's an indication that there is an extensive cost restraint program and improvements in productivity I might say, Mr. Chairman, that my experience with the Telephone System, particularly in the commercial end of it, in new construction, has been excellent. But there was one instance where one of my customers and one of the telephone customers was interested in having work done, in a period of time, that would require overtime work and I was advised by one of the staff that because there wasn't enough backlog of work that the employees couldn't do overtime work, and I was wondering if that is the policy of the Telephone System or was it just in that particular period of time? It had occurred, I'd say, about four months ago, and we were advised that even though the customer would pay the required double time or triple time, that the policy at the time — or at least it was indicated — was that there wasn't enough backlog at work so that they weren't putting their employees on overtime.

MR. CHAIRMAN: Mr. Holland.

MR. HOLLAND: Mr. Chairman, I'm not familiar with that type of thing happening. Generally speaking, we do watch overtime work by the staff because it, of course, is now at very heavy premium pay costs, so is monitored very closely.

Generally, except in situations that are deemed by management to be emergencies, overtime is largely voluntary by our staff. But in the situation that you describe, if the customer was willing to pay a premium cost to advance his in-service date, that would normally be arranged. Perhaps if I had the specific case, we could go back and identify what happened.

MR. MINAKER: Mr. Chairman, I think that's adequate. I was just wondering whether there had been the policy, because it can create quite additional costs to the overall program of a new building or renovation work, that if the customer is prepared to pay the overtime, I'm happy to hear from the General Manager, that it will be available to him providing the equipment and everything else' and the manpower, is there to do it.

MR. HOLLAND: And, Mr. Chairman, if our general pleas to contractors and developers and so on are not met, such that we have the facilities being installed as the project develops, we have a major program going with architects and such that this type of thing shouldn't happen. It should be planned right along with his own construction critical path.

MR. CHAIRMAN: Mr. Pawley.

MR. PAWLEY: Could I just ask, Mr. Chairman, a question on that subject matter, if I'm not detracting from Mr. Minaker's questions?!

Mr. Holland mentioned the developers and the pressures that that's placing on the system. I would just like Mr. Holland, if he would care to, to comment about the pressures that the urban sprawl and the areas adjacent to the City of Winnipeg places upon the Telephone System, the problems that it creates for existing customers when suddenly slapped right down in their neighbourhood is a large /-scale subdivision, 40 or 50 further subscribers. I believe that this is creating considerable problems and that people who were customarily used to only 2, 3 or 4 on a party line, end up with 10 to 15 on the party line. I wonder if Mr. Holland could comment on that and as well, the cost factors to the System of that type of unplanned sprawl in the areas surrounding the City of Winnipeg.

MR. CHAIRMAN: Mr. Holland.

MR. HOLLAND: Well, that has been a very difficult problem over the past years, particularly strip development, which is unknown to our planners and engineers, and unexpected growth of every sort. The customers demand service so that we use existing facilities and the party lines increase and they're generally very unhappy with that kind of service.

I have the impression that in the last year, that we're starting to reduce the problem on the

Winnipeg periphery, particularly perhaps in the north and east areas. We have now been able to design increased facilities in the plant and effect a very substantial improvement in most of those areas. So I hope this new capital investment will meet the unanticipated growth for the next while.

MR. PAWLEY: Do the improvements relate to internal improvements in the capacity of the Telephone System to handle the problem, or does it relate to the development of District Planning Boards and some tighter control on lot splits, etc., which have occurred in the last year or two years?

MR. HOLLAND: I don't think it's as sophisticated as that. I think it's just a case that we have caught up with the unexpected growth areas and made some better forecasts and provision for the rate of growth in those areas.

MR. PAWLEY: Could I ask Mr. Holland, then, if he could deal with the cost factor? I am curious as to whether a subdivision in a rural area, a sparsely concentrated area, that the telephone subscribers there pay for the additional costs of service. In the same way, I would wish Mr. Holland's comments in connection with, say, a lot split a quarter of a mile away from the next subscriber, a number of those lot splits allowed to pass through and thus sprawl development, whether or not subscribers under those circumstances are paying for their own — carry themselves — or does that burden end up being loaded onto the subscribers in general, in the province?

MR. HOLLAND: Well, our costs are almost a direct function of density and distance. In the cases that I think we're both discussing, they do not meet their own costs. Of course, it's our custom, for standard service, to provide standard rates according to the size of exchange, so that there's no variation by distance and density in those cases. They receive the standard rates.

MR. PAWLEY: Would you be able to offer to the committee, any approximation as to what this strip development or sprawl development, what type of additional costs, since it's not carrying its own cost burden, what costs that thrusts upon the system as a whole?

MR. HOLLAND: Mr. Chairman, it would be an extremely difficult task, I think. The fact is, of course, that the major rural upgrade program will not, in any way, support the capital investment that's being made for that. It is an enhanced service and the rates will remain standard for it. So there are many other similar economic situations. I think the only answer to it is that M8TS8 historically has adopted a price averaging principle for charging. Some of the other cities in Manitoba have had unexpected growth on all four sides of the city which, of course, is incredibly costly to us and very difficult to forecast which way the growth is going to occur. That also is an expensive proposition.

MR. PAWLEY: Thank you. 8

MR. CHAIRMAN: Mr. Minaker.

MR. MINAKER: Mr. Chairman, through you to Mr. Holland then, really if I understand you correctly, whether it's a sprawl outside the city or whether it's opening up the Telephone System to the north or in rural Manitoba, the Telephone System has taken the attitude that if the budget has the capital available to provide a service, then it's done so at a certain standard rate to whoever it is, other than if it's a commercial type of outlet, rather than residential, is that correct?

MR. HOLLAND: And by size of exchange, our rates vary by size of exchange.

MR. MINAKER: You haven't designated that we'll do this in the north, or we'll do this in the City of Winnipeg, or we'll do this type of policy in rural Manitoba, you have the one general policy?

MR. HOLLAND: For standard service.

MR. MINAKER: Mr. Chairman, I have a question relating to the debt charges, and I was wondering, in the report it says \$22.8 million increased to \$33.8 million, does that include the MDS as well, the debt charges for the capitalizing of the data system? I didn't seem to be able to pick it out of the actual report, it's on page 13.

MR. HOLLAND: The answer, Mr. Chairman, would be that it does not include MDS, I'm looking to Mr. Vannevel for confirmation.

MR. MINAKER: Then is that because the MDS wasn't in full operation at that time, and it was in a construction or growth stage?

MR. HOLLAND: The accounts are kept entirely separate for MDS. There are advances from MDS and the costs thereof and so on are fully displayed in their financial reports. They're on page 1 and 11 of the published report.

MR. MINAKER: Mr. Chairman, it wouldn't end up in your summary of Statement Operations on page 8 then, would it? In other words, is MDS being run completely as a separate entity from the Telephone System accounting?

MR. HOLLAND: It's kept entirely separate, but on the balance sheet you'll see the advances from MTS to MDS are listed.

MR. MINAKER: So, they will be tied back to the balance sheet?

MR. HOLLAND: Oh, yes.

MR. MINAKER: And be interpreted in the operating revenues or losses, or whatever?

MR. HOLLAND: Yes.

MR. MINAKER: Do you have any idea, maybe I'll pick it out of here, what the debt charges are for MDS at the present time? And maybe, rather than the exact number with the debt charges is it the intention of the Data Services Branch to include the debt charges into the operating costs of any services provided to any other Crown agencies.

MR. HOLLAND: Yes. In the year in question 578,000 is the cost of MDS debt shown on page 10.

MR. MINAKER: Now I've got it, you're right. I think that's all the questions I have at the present time in that part of the report. I have later on under Data Services, but I'll wait until we get to that section of the report.

MR. CHAIRMAN: Mr. McBryde.

MR. McBRYDE: Mr. Chairman, I wonder if the General Manager could just explain the phone centre I assume that the phone centre thing is a couple of stores, and it's also a different method of phone installation. What is it all about?

MR. HOLLAND: Briefly, it's a program under which MTS teams progressively work through neighbourhoods offering our customers the installation of jacks and plugs on the telephones. They're offered four free, or two additional to what they have, whichever is the greater, so that it can be done quite efficiently by specialized teams covering whole neighbourhoods. The principle is that in a very mobile society it's become increasingly difficult to schedule and plan times when our craftsmen can visit the residence, make the changes, gain access and that's become a costly feature. Our costs of residential installation services have increased dramatically. With this program, new customers can go to the phone centre, provide the necessary information, pick up the phone, take it home, and normally the same day, the central office will be switched and they have service, as opposed to phoning the business office and waiting for two to five days until it's scheduled. There is also a preferential rate for the customers who do that. It is less than a home visit. The customer can also take his phone in if it's misbehaving and have it repaired or obtain a new one, at no cost.

MR. McBRYDE: Would that apply if I'm moving; rather than phone you up and tell you I'm moving, to just pull my phone out of the wall and bring it into the phone centre and say, well, I don't need this phone anymore.

MR. HOLLAND: That's encouraged and the customer receives, I think it's a \$3.00 credit if you do that in that it's saving us a pick-up service.

MR. McBRYDE: How much in the city is it covered in?

MR. HOLLAND: Over half at this point. We have three phone centre stores in Winnipeg and one in Brandon and they've become very busy, very high customer usage.

MR. McBRYDE: It's just a much simpler system because the customer can do it themselves, or they can move their phone around. You said there's four jacks, they can move it to four different locations without any . . .

MR. HOLLAND: Yes. They can move one or two phones to four locations, so that's very convenient. It also allows us by the way to interface directly with our customers which all business has historically been transacted by telephone and we're finding that that is very satisfying. We can discuss with the customer his particular wants and advise and so on more easily than over the telephone in all cases.

MR. McBRYDE: Because there's still a central switching required to the new number and the new phone, there's no problem with people having their own phone on their own jack and being able to come along and plug in, although they could plug into the other, the extra jacks, I guess, if they wanted extra phones without you knowing about it.

MR. HOLLAND: We hope that there's no problem.

MR. McBRYDE: Okay, switching the subject, the cable T.V. licencing, could you summarize fairly briefly the position that MTS took in regard to that the whole process?

MR. HOLLAND: Yes, I could even provide the committee members with a brief summary that we have done for our own staff who asked a great many questions about it. It provides a very brief history of it.

MR. McBRYDE: Sorry, was the position taken on these hearings, was that MTS position, or the Province of Manitoba position, or were they the same position?

MR. HOLLAND: Mr. Chairman, historically MTS has advocated a policy under which the hardware or the transmission of signals be done by MTS and under which the broadcast or content component is regulated by Canada. That was confirmed formally as policy by the completion of the Canada/Manitoba Agreement in November, 1976, and my Minister has confirmed that that is the policy with the four new rural licensees, and he announced that in December.

MR. McBRYDE: Would the technology enable the person to use one of these four jacks to plug his T.V. into, or it's completely different?

MR. HOLLAND: No, it's coaxial cable, . . . wire, so it's a different network, for the time being although Mr. Anderson would say that there's a trend towards single conveyances, or single electronic highways carrying a great variety of messages and signals and data.

MR. McBRYDE: The northern services, how has this schedule been coming? We received last year, or a year and a half ago, a schedule of installation of microwave systems, etc. to the various remote communities. Has that schedule pretty well been met now, and is there many places left to go? You mentioned Little Grand Rapids and Pauingassi which I recall there's a special problem at Pauingassi because of the airport location and a tower location.

MR. HOLLAND: That's since been clarified, Mr. Chairman.

MR. McBRYDE: What communities are still left to receive that service.

MR. HOLLAND: The program has gone extremely well and largely according to schedule except that we had fires at two tower locations which delayed Gods River Narrows and Gods Lake and one other site. The two that are still in question are Shamattawa and Tadoule Lake and Brochet, and the question there is simply one of economics. They're extremely expensive systems to install.

MR. McBRYDE: Brochet, you still anticipate in the last list to providing that service where Shamattawa you've said no?

MR. HOLLAND: Mr. Chairman, they have not been approved to date. Our staff are investigating all possible transmission media and methods of getting reliable systems in. To this point we have not been able to reconcile the costs with our available capital dollars, but it's something that we are looking at constantly.

MR. McBRYDE: Has there been any specific problems in terms of dealing with communities in relation to the ins of this service?

MR. HOLLAND: Well, I think we had some difficulties at Pauingassi and Split Lake. The only other difficulties we've had is if there's any sign of a delay, we have the communities in touch with us very promptly and demanding explanations and so on.

MR. McBRYDE: There was a problem, I recall, at Jackhead. Was that resolved in terms of the tower?

MR. HOLLAND: That has since been resolved.

MR. McBRYDE: Okay. Now, Mr. Chairman, maybe I'll be able to move along quicker than I thought I'd like to get to the staffing and the technological changes and reduction in staff that I have asked the Minister about. On the employee contribution section, you mention the growth of staff and that the growth has slowed down in recent years. I wonder if the General Manager could indicate in what areas, what types of functions the staff been increasing and what type of functions have the staff been decreasing, and also the geographical location, is it increasing in the City of Winnipeg and decreasing in rural areas, or holding fairly steady, or what's the pattern?

MR. HOLLAND: Well, speaking generally, Mr. Chairman, the trend has been towards a containment of staff rather than fairly rapid growth that you can see in the published annual report. The reasons for that, I've tried to describe in my report. It's partly technological, partly increased productivity and partly reduced growth rates. One area in which we have had containment of staff is in the traffic operator's situation and that is quite directly related to two things. One is productivity of the operators and, secondly, automation.

We have been watching closely the distribution of our staff throughout the province, both historically and recently, and I think it's fair to say that we can see a trend towards growth in Winnipeg. So we have taken steps through establishment of the northern manager and the western manager, to put two very influential people there to watch closely how we are staffing and making decisions, and where the responsible managers are. So I think we will see that any trend in that direction will be halted.

MR. McBRYDE: You breakdown your staff per 1000. I don't assume that you have it in terms of management. That is, people that sit in the offices and do all the things that the people in the offices do, as opposed to service staff, operators. You wouldn't have a breakdown as to that sort of change over the last few years?

MR. HOLLAND: Mr. Chairman, I don't have that here but it also has been contained or slightly reduced. And if it would be useful to the committee, I could provide the Chairman with those figures.

MR. McBRYDE: Okay. I just want to clarify the situation at The Pas. The Minister has clarified some in the House but because there is a difficulty in understanding positions and operators, etc., maybe you could turn to your page on the changeover at The Pas, which is to come about, I believe, at the start of next year or the end of this fiscal year.

There is quite a difference between the material that the operator sent in and the material that the Minister presented, and I wonder if you could just clarify it for me further. Where the people at The Pas were saying that The Pas office has been supplying work for between 65 and 85 regular employees and 17 to 30 part-time employees; with the installation of computerized positions only 25 people will be employed. Now, I'm not clear whether that means there will be 25 left out of 65, 85 or add on the 17 or 30 to that. Maybe you could just summarize your understanding of what's going to take place there.

MR. HOLLAND: Well, this is part of the automated traffic operator positions at Thompson, a system which started in February of 1976. It arose because of the limitations of equipment at The Pas and Thompson and we had to expand and the existing equipment there was becoming obsolete or

At that time, by the way, we had another problem and that was a very high turnover rate of staff at The Pas — something like 150 percent a year. So we were in a position of transferring staff there temporarily to cover off.

We expect that in 1979 there could be 17 of the 47 full-time positions impacted. Only term employees would be laid-off, as is our practice. Any permanent employees would be offered positions in other departments or in other locations.

MR. McBRYDE: So your figures have 47 staff now doing the job, and of those 47, with the changeover, only 17 would be laid-off.

MR. HOLLAND: Our estimate at this point is 17. That, of course, is again dependent on traffic volumes and usage in the north.

MR. McBRYDE: That 47 figure then is permanent staff, or does that 47 include . . . ?

MR. HOLLAND: It's 47 full-time staff. I think that would include all of our full-time people, permanent and term.

MR. McBRYDE: So then that 17 could easily be the number of term positions, then, or is that way out?

MR. HOLLAND: I can only say that the planning indicates that only term employees would be affected.

MR. McBRYDE: When the people from The Pas wrote in the numerous letters to say that The Pas office was supplying work for between 65 and 85 regular employees that must be everything, not just — Your figures must be operators and their's must be all staff.

MR. HOLLAND: Yes, we have a fairly large commercial and plant staff in The Pas. They would be including those.

MR. McBRYDE: A similar type of change will be taking place, I understand, or further changes in operator reductions at Thompson and Selkirk. I wonder if you could put some numbers on those changes.

MR. HOLLAND: Selkirk, we have no plans at that location at this stage.

MR. McBRYDE: Thompson would be particularly important since Thompson has been affected by NCO and Provincial Government layoffs. I wonder if you could give some idea of the numbers affected at Thompson.

MR. HOLLAND: The best figures I have is that the complement of 34 could be reduced to 30.

MR. McBRYDE: So the reduction at Thompson would be fairly small.

MR. HOLLAND: Well, it should be very small and we hope that our traffic volumes will increase and take care of that problem.

MR. McBRYDE: Was there, as a result of discussions in the Legislature maybe the Minister would want to respond, or yourself. The Leader of the Opposition requested that some review take place to see if technological change should move at the present pace, and I recommended that it might be looked at to slow it down. One, because of the limited capital availability that the system is facing right now and, two, because of the unemployment problem. Is there some sort of review underway right now just to rethink or double-check the thinking on that matter?

MR. HOLLAND: Mr. Chairman, the Minister has asked that we consider our trends and policies in this area, particularly with regard to the communities where we are now very active, and our own employees. And that process is under way. We are very sensitive to it. We have already undertaken much of the installation tasks by our own staff, rather than contract that out, and other measures constantly to compensate for any effects of automation.

MR. McBRYDE: I would jump back a little bit, Mr. Chairman. You mentioned there were a couple

of fires up north. Were those accidental fires? Was there any concern that they were not accidental fires?

MR. HOLLAND: Mr. Anderson might be able to comment on that, Mr. Chairman.

MR. CHAIRMAN: Mr. Anderson, microphone 14, please.

MR. S.G. ANDERSON: Mr. Chairman, I believe we had three fires in total. Two were in the north one at Three Sisters Lake, which is a repeater station north of Oxford House, and we had the God Lake Narrows repeater station plus a dial office burn down completely, all within a short time of each other.

There was no firm indication of what caused the fire — we had this thoroughly investigated — other than to feel that it may have started in the diesel room and we took steps to tighten the fire security in that area and have instituted a Fire Protection Program throughout the System amounting to quite a substantial amount of money.

MR. McBRYDE: You mentioned the diesel room. How do you maintain the very remote stations and provide power to them, and do you hire any local people to look after the stations?

MR. ANDERSON: Mr. Chairman, the stations are alarmed to such places as Winnipeg, Brandon Dauphin, Thompson, and centres like that and we do get an indicator of when there is such a thing as a fire in an office.

In the case in question, the fires started prior to the turn-up of the alarm system in the north and the sites burnt down really without our knowledge. We weren't in service at these particular points.

MR. McBRYDE: I know there is quite a bit of lead time for electronic equipment and stuff. How long did it take you to get those back in service, or when will they be . . . ?

MR. ANDERSON: Mr. Chairman, the basic services, such as the television and long distance service were . . . The site was restored within, let's say, a few weeks to a month, I believe, by obtaining equipment from other carriers. It was rediverted. We still have not provided the dial service at God Lake Narrows, and that's why it's late. It was a matter of getting in over the winter.

MR. McBRYDE: So that's one of the things that the General Manager mentioned where you had fallen behind schedule, in that specific case.

I just want to, I suppose, thank and congratulate the System for having done a good job in getting the services into the remote communities that really need the service and had trouble depending upon the old radio system, especially in times of emergency. I think the people, for the most part, appreciate, although that's sometimes a poor word to use when dealing with some of the remote northern communities, but generally appreciate the service that has been provided.

There are a couple of questions, or at least one here, that I forgot back a ways, Mr. Chairman.

MR. CHAIRMAN: To Mr. Anderson, or to Mr. Holland?

MR. McBRYDE: No, they are general questions.

The upgrading of the rural multi-party lines — maybe the General Manager could just drop me a note on this — at one time there were up to 11 or 12 phones in the Gypsumville area of Fairford Lake, Lake St. Martin and Little Saskatchewan Reserves. I wonder if they could just let me know what that's down to now and what upgrading has been done in those particular communities.

MR. CHAIRMAN: Mr. Holland.

MR. HOLLAND: We shall provide that information.

MR. McBRYDE: Mr. Chairman, I think that I might have a couple of questions on the data system but Mr. Minaker can ask them, so I'll let him go ahead.

MR. CHAIRMAN: Mr. Enns is first. Mr. Enns.

HON. HARRY J. ENNS: Thank you, Mr. Chairman. I only have one question that I want to put through you, Mr. Chairman, to Mr. Holland. The Manitoba Telephone System, with regularity, reminds

ne to phone my mother, usually on prime time on the television. My question is: Can you single out the advertising budget that MTS spends on this kind of advertising?

MR. HOLLAND: Mr. Chairman, Mr. Enns is likely referring to the Trans-Canada series of nostalgia advertising.

MR. ENNS: Well, for me it's just a call from Woodlands to Winnipeg, but I suppose MTS would prefer her to live in Greece or Germany. Is that the Trans-Canada System that does the advertising?

MR. HOLLAND: Well, first of all, our program breaks down into two components. One is of an informational type and this is informing the public of our available services and how to get them, and new services, and how to use the services, and changes in rates or new offerings, or programs that will affect them.

The other portion of it is advertising. For the year ending March 31, 1978, our media program was \$367,594, of which \$212,305 was done as part of the Trans-Canada Telephone System — the long distance promotions.

MR. ENNS: Mr. Chairman, I am interested specifically in the amount that's dedicated to what I suppose you would call the greater utilization of the Telephone System. That is the direct appeal to citizens to make use of their phones more often. Is that portion that you have singled out, the 212,000, that fall into that category?

MR. HOLLAND: The 212,000, Mr. Chairman, is directly related to the promotion of long distance calling and related services. The MTS portion of 155,000 would include all promotional efforts by MTS and would include interprovincial calling, toll calling, our new products that we're offering, paging services, and vertical services of all types. That's our total promotional budget.

MR. ENNS: Mr. Chairman, my point in drawing the committee's attention to this matter is simply that I don't think that there could be any concern or discussion undertaken about the necessity for MTS to continue and indeed, perhaps even expand the kind of informational advertising that's necessary for any utilization, proper utilization of its facilities in terms of information giving. But, Mr. Chairman, I do question the need for the kind of direct advertising calling for the greater utilization of the Telephone System. My understanding is that Manitobans hold a pretty enviable record in their utilization of telephones to begin with.

But more importantly, I draw to the committee's attention that several years ago, your sister utility, Manitoba Hydro, was questioned on their advertising program at that time about the encouragement of the greater utilization for a broad range of reasons of energy, of electrical supply, whether it had to do with electric toothbrushes, to electric heating in the home. And it was, I believe, at that time, a former member of this Assembly, Mr. Gordon Johnston, from Portage la Prairie, who drew the committee's attention to that; indeed, the Legislative Assembly's attention to it, and it's my understanding that Manitoba Hydro reviewed its policy with respect to the outright kind of, "come and use more electricity, if you can," advertising, and have since ceased from carrying out that kind of advertising program. I think it was a proper action on the part of Manitoba Hydro in the sense that we recognize that energy is not an inexhaustible source and it costs money.

Now, I put a question to the Chairman, to the committee, whether or not as separate and distinct from the kind of advertising that is informational in terms of the usage of the equipment and changes in the equipment, as distinct from the direct appeal to the public to the greater utilization of telephones per se, what that does to accelerate the increase for services that you have to put in place. I recognize that there may be a moral value in it in the sense that undoubtedly many mothers are made happier if, at the end of a day, they receive a phone call from their errant sons, but in terms of the rather substantial amounts of money that are being spent in this way, and in the sense that it is also an energy user, I simply put that question to the committee and to the Chairman for consideration.

MR. HOLLAND: Mr. Chairman, I think that, historically, there has been a theme — maybe an unwritten theme — that we should promote the so-called optional service, or customer initiated services, with the hope that the basic access costs could be held as low as possible so that virtually every Manitoban can afford his basic service, and that has been followed. I would hope that Mr. Enns would agree that it's a matter of being reasonable, and I think an investment of \$155,000 by MTS on revenues exceeding \$150 million is not an unreasonable provision. Long distance revenues

for MTS are \$79 million out of \$132 million total. They constitute an extremely critical source of revenues to MTS.

As far as conserving energy, one of our major themes is to conference call, use the telephone and avoid the very high costs of oil-guzzling airplanes and expensive hotel rooms and costly meals and so on. And by the way, that has been extremely effective; many, many, of our private customers are using the telephone more and more, and video conferencing is catching on with some popularity where you can have pre-planned meetings and so on. So that there are clear trade-off areas as well, and we would like to make sure that our option is before the customer.

MR. CHAIRMAN: Mr. Parasiuk.

MR. PARASIUK: Thank you. The Chairman is appearing before the committee as the Chairman of the Manitoba Telephone System, but he is also the General Manager of the Manitoba Telephone System. Now, the Provincial Task Force on Economy and Efficiency was somewhat critical of people holding those dual functions of Chairman and General Manager, and one of the co-chairmen . . .

MR. CHAIRMAN: I might interrupt and tell the honourable member that we did spend considerable time on the Task Force Report and its recommendations regarding MTS, and both the Minister and the Chairman made some observations at that time on that subject, and we just spent at least half an hour on wiretapping and so on, so to bring him up to date as to what we have been doing for the last two-and-a-half hours.

MR. PARASIUK: Okay. On that, I just want to know whether the Minister did deal with the question of the one person holding both the Chairmanship and the General Manager, and whether he was going to be coming up with a position on that.

MR. CHAIRMAN: Mr. McGill.

MR. MCGILL: Mr. Chairman, I don't want to repeat the observations I did make on my comment at this time on a set of recommendations by the Task Force. I pointed out, and the committee was aware at the time, that these are recommendations that have not been dealt with in detail by the Government of Manitoba, and one of the recommendations was the one to which you refer that is, the question as to whether or not the office of the Chairman of the Board should be related to, or served by one person, who is also the General Manager. Since we haven't dealt with those recommendations, we have not considered them, I do not wish to comment on that recommendation specifically, or in fact, any of the recommendations, until the government has had an opportunity to discuss them.

MR. PARASIUK: Well, can I then ask the Chairman if he feels that his performance has somehow been impaired by his being both General Manager and Chairman?

MR. CHAIRMAN: Mr. Holland, would you care to answer?

MR. MCBRYDE: Yes and no.

MR. PARASIUK: Well, that's fair enough.

MR. CHAIRMAN: Well, to the honourable member, I did point out earlier that I didn't feel, as Chairman of the committee, that Mr. Holland had to comment on the Task Force recommendations. He did indicate that he was not part of the Task Force that reviewed the Telephone System. So if he wishes to reply to your question, that's fine; if he doesn't, it's also fine.

MR. PARASIUK: I find that somewhat confusing, Mr. Chairman. It's not the sub-committee or the review team that made the recommendations; I gather that the eight review teams made a great number of recommendations and the Task Force then decided which recommendations it would accept and forward on to Cabinet, and which ones it would reject. For example, it was rumoured that one of the review teams recommended that Brandon University be closed down; well, I never saw that in the Task Force Report; I assumed that the Task Force, consisting of three people — one of which was Mr. Holland — looked at that recommendation, didn't like it and didn't submit it. And that's fair enough, that's the way a Task Force operates.

Now, this Task Force — not the review team, but the Task Force — has submitted a recommendation to Cabinet saying that the two positions shouldn't be held by one person

– and I think it's only logical to deduce that Mr. Holland agrees with that recommendation, and as made it.

IR. CHAIRMAN: Mr. McGill.

IR. MCGILL: Mr. Chairman, I'm sure Mr. Holland is appearing before us today as Chairman and General Manager of the Manitoba Telephone System. He's not here to be questioned on his role which he played in the Task Force operations. I think it would be appropriate for the committee to remain with the subject at hand, and that is, the report of the Manitoba Telephone System. If there is another opportunity when Mr. Holland can appear before the committee, for some other purpose, then perhaps that would be the time to pursue the matters which Mr. Parasiuk now brings forth. But I think it's not appropriate at this time when we are dealing with the Manitoba Telephone System, to ask Mr. Holland to act as a witness for another area of responsibility which is not before the committee.

IR. PARASIUK: Mr. Chairman, I disagree with that position; I'm not asking Mr. Holland to make any comments as a member of the Task Force; I'm asking him to make comments as Chairman and General Manager of the Manitoba Telephone System. We've had a Task Force Report that says that these two positions shouldn't be held by one person. In other committees, when other committees have met — Public Accounts Committee, for example — we've had the Deputy Minister of Finance, not feel constrained from indicating that he wasn't consulted by the Task Force with respect to a major recommendation, and that he, in fact, would be looking at that recommendation very seriously, and this concerned offshore borrowing. And we had the Auditor also indicate that he wasn't consulted with respect to that recommendation, and that he had some concerns with respect to accountability. Now, we have not been able to ask too many detailed questions about the Task Force, but we have had some statements made by the Task Force and by the other co-chairman, Mr. Riley, saying that he was really quite concerned about accountability, and that's one of the reasons why, using the Bank of Commerce model, he had suggested that the positions of Chairman and General Manager be split. I don't know how much research they did, and that's obviously something that will have to somehow be debated somewhere else, although I might note that we aren't able to debate that particular recommendation, seeing as how the committee closed off debate on the Task Force. But it is of great concern to me with respect to the Manitoba Telephone System, and that's why I asked, very genuinely, did the General Manager feel that his performance as somehow impaired by his holding both positions of Chairman and General Manager? That relates specifically and directly to the Manitoba Telephone System.

IR. CHAIRMAN: Mr. Holland, do you wish to respond?

IR. HOLLAND: Well, Mr. Chairman, just probably to repeat what I said earlier, that I did disassociate myself from MTS, MDS, and my co-chairman announced that, I believe, at the onset of the study. I think that the question of Chairman and General Manager being the same person, and whether the Chairman should be a Minister or not a Minister, are hardly new issues in public administration. There is considerable literature and discussion on them. Moving to my own case, I really think that's a judgment that has to be made by others than I; my appointment is a matter for the Executive Council; I did explain earlier that the Board has asked for a detailed analysis of all recommendations in the report, and I assume if they had any views from their perspective as to whether this works well, or could work better, they would feel free to pass those on to the Minister. We are just in that process at this point.

IR. PARASIUK: I must conclude then that the Chairman and General Manager of Manitoba Telephone System is not in a position to say, from his own experience, whether his holding both positions has somehow impaired his performance in either capacity. He leaves it open and I would think that seeing as how he has had some experience in holding both positions, that he should be able to tell the committee, from his own experience, whether in fact he thinks he's done a worse job as General Manager because he's Chairman, or whether in fact he might have done a worse job as Chairman because he's General Manager, and that has nothing to do with the general textbooks on Public Administration, or even more detailed articles in journals regarding the pros and cons.

There has been a blanket recommendation by the Task Force, and I think the Chairman has said that maybe it requires individual judgments, individual assessments, per Crown corporation or per agency and who is in a better position to comment on a person holding both positions than the person holding both positions? I would repeat my question: Does he feel that his performance

has in any way, shape or form been impaired by his holding both positions?

MR. CHAIRMAN: To the honourable member, I think that the general manager and chairman said that he would prefer to have that question answered by others and earlier he stated perhaps the Executive Council. Am I right, Mr. Holland? That question was asked to him about two hours ago and I think that was his answer at that time. Now, if he wishes to restate it, that's fine.

Mr. Holland.

MR. HOLLAND: Mr. Chairman, as well as the Executive Council, members of my board, members of this committee and the Cabinet are all in a position probably to be more objective in their assessment than I.

MR. PARASIUK: Well, I will serve notice that I will ask the question in Question Period. If the Executive Council doesn't answer it at the next meeting of the Public Utilities Committee, I will raise the question again because these questions keep being deferred to other groups and other people and we really can never ask the questions pertaining to this particular matter. So I'll leave this matter now but I will ask it in Question Period and if I don't get an answer from Executive Council, I'll come back here.

Now, I have some questions to ask with respect to the whole question of cable ownership. I know that it had been a policy of the past government, and I think it's a policy of this government

. . .

MR. CHAIRMAN: Just before the honourable member carries on, the hour of 12:30 has arrived. Do the members of the committee feel that they could wind up the Telephone discussion within the next half hour? If so, we'll carry on; if not, we'll set another date. What is the general feeling? Mr. Walding.

MR. WALDING: Mr. Chairman, we haven't got into the two areas of CATV and the Manitoba Data Services and I understand there are several members wishing questions on both of those topics. I think those are the two main topics still outstanding at this committee on the MTS report. I wonder if the committee might rise at this time with the indication that those would be the two main topics for discussion at the next meeting.

MR. CHAIRMAN: Before the committee rises, I might mention to all members that the next sitting of this committee will be Thursday at 10:00 a.m., Thursday of this week at 10:00 a.m.

Committee rise.