



**Legislative Assembly of Manitoba**

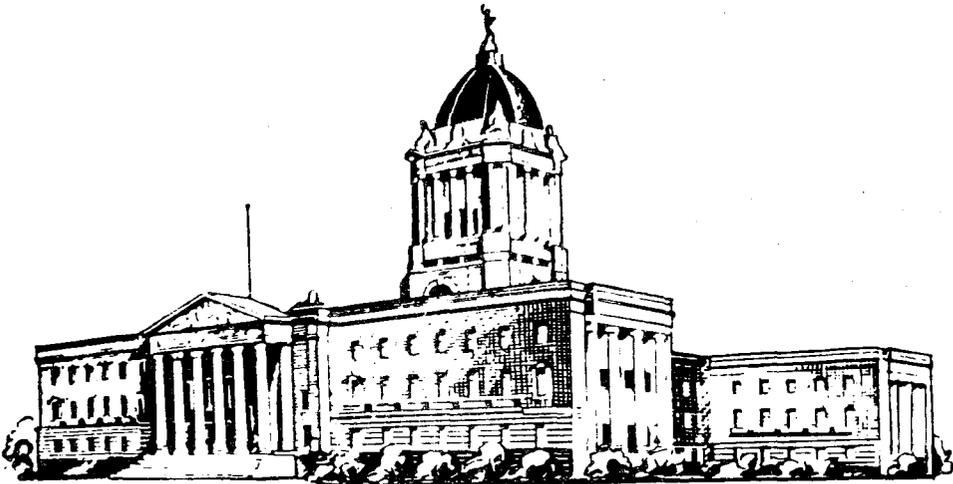
**HEARING OF THE STANDING COMMITTEE**

**ON**

**PUBLIC UTILITIES AND NATURAL RESOURCES**

**Chairman**

**Mr. Harry Shafransky**  
**Constituency of Radisson**



**THURSDAY, March 24, 1977, 10:00 a.m.**

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**TIME: 10:15 a.m.**

**CHAIRMAN, Mr. Harry Shafransky.**

**MR. CHAIRMAN:** Order, please. We will proceed with the Annual Report of the Manitoba Telephone System for 1975-76. Mr. Holland. We have some people to ask questions yet. Mr. McGill, he is not present. Mr. Graham, not present. Mr. Lyon.

**MR. STERLING R. LYON:** I think we are still, are we not, Mr. Chairman, on the report that the Chairman gave to us at the first meeting?

**MR. CHAIRMAN:** Yes. He distributed his opening statement and you have it before you. There are questions still open on that section and any other matters, then we will go on to page by page review of the actual report. Mr. Lyon.

**MR. LYON:** I think when we left off, Mr. Chairman, we were at the point where you were trying to explain to an untutored layman how the cablevision system worked vis-a-vis telephone system, and I think we had gotten to the point where you had indicated that the telephone system while it installed the so-called hardware — that is the cable — was totally recouped by the companies for that installation, and that in addition there was a line charge that the telephone system received for this continuing service from the cable TV companies. Could you give us some indication, through you, Mr. Chairman, to Mr. Holland, what the revenue to Manitoba Telephone System has been from these cable services over the past number of years?

**MR. HOLLAND:** Mr. Chairman, I would like to call Mr. Backhouse, I think he would . . .

**MR. CHAIRMAN:** Mr. Backhouse, would you please come forward.

**MR. BACKHOUSE:** Mr. Chairman, I believe the question was, what are MTS annual revenues from cable company rentals? The annual rental from both cable companies in Winnipeg, over the last year, was \$437,800.00.

**MR. LYON:** That was for March 31st, 1976, Mr. Chairman, the year ending that year, or are we talking calendar year?

**MR. BACKHOUSE:** The last calendar year.

**MR. LYON:** Could I ask, what are the offsetting expenses against that revenue item, if any?

**MR. BACKHOUSE:** I don't specifically have that information available, Mr. Lyon. The expenses specifically are those that relate to the maintenance of the duct systems, the pole plant and the supporting messenger strand which the cable companies' cables are attached to. It's a share of MTS's costs for the maintenance of that plant support structure.

**MR. LYON:** Which I take it, Mr. Chairman, would be part of the general maintenance of the System in any case, that is maintenance of the pole system so on and so forth.

What I am trying to get at not to beat around the bush, what I'm trying to get at is that that figure I would judge is pretty much a net figure, that there aren't too many offsetting charges or expenses by MTS.

**MR. BACKHOUSE:** That's really a question of how one chooses to allocate the costs associated with that fixed MTS plant. We contend that the cable company since it uses the majority of that plant should be assessed a charge which reflects the value of that plant. That is what those revenues are intended to cover.

**MR. LYON:** Would you have any comparative figures — would Mr. Backhouse have them, Mr. Chairman — with respect to how these charges would compare and how this revenue item would compare, say, with similar numbers of hook-ups in other provinces, either through the Bell System or through Sask. Tel or any of the others. I know the agreements are different.

**MR. BACKHOUSE:** Yes, certainly the agreements are different. The most predominant principle in other administrations is a pole attachment charge which is charged to the cable company for the similar reasons that MTS assesses this rental. Our rental is expressed as a 60 cents per 100 feet of cable, and other administrations assess a pole attachment charge and a rental for duct space and those rentals vary depending on what administration you are dealing with. I don't have specific figures.

Alberta probably is the one that perhaps most recently entered into a new agreement with the cable operators, and their charges for provision of a similar service, I think, work out to something less than Manitoba Telephone System's.

On the other hand Bell Canada is in negotiation with the cable people on the basis of a tariff for provision of this kind of service, and my best knowledge of the impact of that tariff is that it produces costs roughly comparable to ours. However, that agreement to the best of my knowledge has not been executed yet.

**MR. LYON:** I see. Would it be a safe generalization to the extent that any generalization is safe, to say that this item of \$437,000, a large percentage of it is net profit accruing to the MTS — and if it is I'm happy. I'm not trying to colour your answer, however.

**MR. BACKHOUSE:** Well, . . .

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**MR. LYON:** I'm really getting at the point that this \$437,000 that the System have collected, Mr. Chairman, from cable companies is a good solid revenue item for our System, a fair percentage of that is contributed right into the net profit of the operation of the System annually.

**MR. BACKHOUSE:** I guess the best I can do, Mr. Lyon, on that one is to reiterate what I said before, that that charge recognizes the fact that the cable operator should be required to contribute something towards the cost of provision of those structures, since their plant couldn't exist without them; and that it is a good and solid revenue, I don't deny that.

**MR. LYON:** Good. Would it be also fair to say that your line maintenance costs would be practically the same in any case, whether cable were using them or not; you would still have standard maintenance that you would have to carry out' pole maintenance.

**MR. BACKHOUSE:** Yes, but the question can't be answered that simply in my experience. A good percentage of the cable company's cable plant is carried through system underground ducts. Now it costs money and substantial construction costs to install a duct system underground in the city and there certainly are instances where because the System has made that duct available to carry a CATV cable, this then hastens the time at which MTS has to expand that duct system, and there are identifiable costs associated with that kind of thing although I don't have figures to quote them this morning.

Again, there are instances where the supporting wire between poles on which the telephone cable and the CATV cable are overlashed have created situations where it has been necessary to install another support wire to carry a telephone expansion cable because the capacity of the original support wire is used up.

Now had cable television not been on that support wire, then the MTS cable could have been overlashed and we would have avoided the cost of running another support strand. So those represent real costs associated with the presence of cable television on our plant.

**MR. LYON:** I believe you said that the present agreement was entered into in 1967 and terminates when?

**MR. BACKHOUSE:** It terminates in 1979, but is open for renegotiation in 1978.

**MR. LYON:** Are those renegotiations under way at the present time, Mr. Chairman?

**MR. BACKHOUSE:** We are engaged in meetings — I guess you would call them negotiations — to endeavour to establish the principles of how a new agreement might be construed on the assumption that changes were to be made in the existing agreement. I think I should probably point out that there is a clause in the existing agreement that makes provision for its extension for a further five year period, if neither party signifies an intent to change it or renegotiate it. No formal indications have been given by either party that there is an intent to necessarily renegotiate the terms of the existing contract, although it is understood that some renegotiation and change is desirable by both parties.

**MR. LYON:** There was some talk in the newspapers several months ago, Mr. Chairman, about negotiations between MTS and the cable companies that might have a retroactive effect on the fees that consumers of cablevision pay. I don't pretend to be fully up to date on all of that. Could Mr. Backhouse, Mr. Chairman, tell us what likelihood, if any, there is of increased charges as a result of those negotiations?

**A MEMBER:** That would be speculation though?

**MR. LYON:** Was that speculative or what? —(Interjection)—

**MR. CHAIRMAN:** Yes, Mr. Enns.

**MR. BACKHOUSE:** I believe the issue that you are making reference to has to do with the fact that the cost of installing buried cable increased, and CATV cable has distributed in a common trench in many instances with Hydro and MTS cable. And the arrangements that we work under are arrangements which share the costs of that trenching and laying of cable and backfilling of the trench. As a result of a cost study that was undertaken jointly between Manitoba Telephone System and Manitoba Hydro, the costs of the trenching work were found to have increased, and the understanding and decision was that those costs would be apportioned to the utilities based on the date of the study which took it back to 1974. The Manitoba Telephone System agreed with Manitoba Hydro on that basis and since the cable companies benefit from the availability of common construction work for the distribution of their plant, it was thought to be totally reasonable as far as Manitoba Telephone System was concerned that the cable companies should also pay their proportionate share of the increases. And that matter insofar as the retroactivity component of it is not resolved at the present time, but it is agreed to the best of my knowledge that the new costs will be applicable on new construction.

The retroactive costs as they turned out were substantially less than the indicated costs which were reported in the newspapers at the time.

**MR. LYON:** That is the costs going back to 1974.

**MR. BACKHOUSE:** Right. The reported figure as I recall it was something in the order of \$300,000 retroactivity which turned out to be approximately \$12,000.00.

**MR. LYON:** And that figure is now accepted, Mr. Chairman, by MTS and by the cable company?

**MR. BACKHOUSE:** Not the retroactivity payment, has not been accepted by the cable companies

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as of this point in time, but is still a matter under negotiation between the two parties.

**MR. LYON:** But it is \$12,000 rather than the \$300,000 that you mentioned.

**MR. BACKHOUSE:** That's correct.

**MR. LYON:** So it is down to sizeable proportions. The consumers need not worry too much — of course that's up to the cable companies as to how they choose to pass it along, if indeed they do.

**MR. BACKHOUSE:** That's my understanding, yes.

**MR. LYON:** Now what about the future without impinging upon negotiations or matters that are currently on the table between the System, Mr. Chairman, and the cable companies, what general prospect can the consumers of cablevision, say in the Greater Winnipeg area first of all, look for with respect to future charges? I know that you are not setting those charges except that the MTS component is the main factor in the cable companies when they arrive at charges that will be assessed against consumers. Can we look for a status quo situation, a slight increase, a large increase, or what would be your general prognostication?

**MR. BACKHOUSE:** Well, I think I would want to say in connection with that question, Mr. Lyon, that Manitoba Telephone System certainly does not agree that its charges for the services it provides the cable companies represents a significant component in the make-up of the cable companies' charges to its subscriber. I think I would like to point out at this stage that the \$437,000 figure that I quoted as representative of MTS's total revenue equates to 31 cents per subscriber per month of the subscriber rate of \$5.50 which is applicable for Greater Winnipeg cablevision at the present time. I can't acknowledge that our charges, indeed, are that significant a factor in the charge of the cable company to its customers.

With respect to the future likelihood — and these are matters of course which are currently under negotiation — but I would point out that MTS's cost for the services that it provides is exactly the same rate which was in effect in 1967. And we have found that the cost to us for the placement of duct systems and the kind of plant that carries the cable companies' services have escalated pretty dramatically over that 10-year period.

So we believe that as part of the negotiation that rate should be looked at and adjusted as necessary to reflect what has happened to costs in the interval.

**MR. LYON:** Would you be able to give us, for comparative purposes, the capital costs that MTS incurred which in turn they recouped from the cable companies — that is in addition to the \$437,000 fee charge, because that, of course, is another component, that I presume the cable companies have to work into their rate schedule.

**MR. BACKHOUSE:** I can't quote figures on it, but I have no quarrel with what you are saying. The present agreement is such that generally speaking Manitoba Telephone System installs the plant which — that is the distribution cable and drop wires — and under the terms of that agreement the costs of the material and labour to install the plant are billed to the cable company. Now I can't quote specific figures on what those costs have been. I don't have it.

**MR. LYON:** Would it be possible, Mr. Chairman, for Mr. Backhouse to give us at a later time, even though we may well have passed through the report of the Telephone System, some idea as to what those recoup.

**MR. BACKHOUSE:** Yes, I think that information is certainly available.

**MR. CHAIRMAN:** . . . then, Mr. Backhouse will have them prepared and we'll distribute them to the members of the committee.

Before I ask the next person, Mr. Holland has some answers to questions which were posed at the last meeting and he would like to give answers and then there's some statistical information that will be distributed to the members. Mr. Holland.

**MR. HOLLAND:** Mr. Chairman, just a last comment on the preceding discussion, perhaps it should be recorded that the cable subscription fees are subject to approval by the CRTC and that the Federal-Provincial policy agreement stipulates that if there are differences between MTS and the cable companies, there's provision for review by the Public Utilities Board of Manitoba in those cases.

**MR. LYON:** The point being, Mr. Chairman, that the cable companies are not free agents to set whatever charge they wish, they're subject to review by CRTC and the Public Utilities Board.

**MR. HOLLAND:** Yes, Mr. Chairman, the point being that there's provision for independent review, both of our rates and the cable rates.

**MR. HOLLAND:** A question was asked, Mr. Chairman, at the last meeting: Could we comment on reports that provision of telephone service is taking an unusual length of time in Woodlands and Warren. The current situation in both exchanges is that our normal service intervals are being followed and we have no outstanding orders for service. There was a short period of time in the fall of 1976 when temporary shortages of cable and switching equipment did cause some delays in providing service.

Another question was asked on the situation in Oak Bluff where an equipment dealer had requested an additional individual line. He's located in an area where our standard offering is multi-

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party service and individual line service is provided on a premium basis if there are spare cable facilities at the point in time. This customer has two individual lines on a premium basis and one multi-party service all on the Winnipeg exchange.

We have a November 1976 letter requesting an additional individual line and we have no spare cable facilities at this time so we will be looking at this area to see if some suitable plan can be worked out to give him this service. He did get a second individual line service in late January of this year.

Another question: The situation in the Morris exchange where some multi-party line loads are reported to be ten or higher. The average load in the Morris exchange is five customers and there's only one line with more than eight and that one line has nine customers. We do try to follow these closely and reduce line loads through regrouping or placing additional facilities. Morris exchange is scheduled for the general rural improvement program in 1978-79 and as a matter of interest that project, including Lowe Farm and Rosenort, will likely cost about \$1 million.

A question, Mr. Chairman, on comparative telephone rates for Canadian telephone companies. Mr. Backhouse.

**MR. BACKHOUSE:** Mr. Chairman, I have comparative information here which I can file with you. I also have copies of newspaper clippings which are a very convenient digest of the comparisons. One is from a newsmagazine put out by Bell Telephone Company and the other one is a recent treatment in graph form of comparative rates at main centres in Canada which appeared in the Toronto Star and those are a good digest of where the rates are at.

**MR. CHAIRMAN:** Thank you. These will be in answer to the questions that have been posed before. We can proceed. Mr. McGregor. Are there any other questions? Mr. Holland?

**MR. HOLLAND:** Yes, I had a couple here.

**MR. CHAIRMAN:** I'm sorry. Proceed, Mr. Holland.

**MR. HOLLAND:** There was a question about the MTS installation intervals compared with other companies. That is a very difficult thing to quantify. It depends what time of the month, whether it's the busy period of the month and so on. Roughly speaking, the best service is offered within 48 hours, within two days, generally speaking the service is from two to five days. MTS's average for 1976 was 3.86 days. We do follow the two to five day target. That can vary, of course, on the traditional moving dates — the first of the month, when the University students are returning, but generally speaking two to five days.

**MR. MCGREGOR:** Yes, Mr. Chairman. When you're lining up your rural lines, is it looked down upon a particular family that has six or eight people in it against the other customers on that line? For my own case, I've always been fortunate to have been on good lines and I could always get access to except my own family where we have six people talking; often when I call at night I know no one else is tying the line up but it's my own daughter lying on the floor with her feet up the wall and I tried to make a ruling to stay off the line at a certain hour so I can at least phone home. The problem is that my family uses that line more — twice — to all the rest of the line and if I was the other person down the road, I would feel that this was rather imbalanced and selfish of that family for having that amount of mouths and the question is: Is that taken into consideration when you're setting up your rural lines?

I've got a further question, Mr. Chairman. The other question was: In a rural constituency, we have several pay phones and I know over the years I've been a member, there's been notice given that a certain phone is going to be disconnected and in one case, I asked for reconsideration out of the Brandon office, which was given, and I watched that particular pay phone fairly closely and one morning there were two credit card phone calls to it, there was one cash customer, immediately it triggered, well how does that pay phone get the benefit of the credit card users? I understand up to now, there has not been any mechanism as again in our way of society most of us go with credit cards. Is there a future that any particular pay phone will be getting the credit for the users that are using credit cards?

**MR. HOLLAND:** Mr. Chairman, in answer to the first question, I would say where possible, yes. Particular situations on the multi-party lines are taken into account. If there are long-standing complaints or difficulties or abuse, our people will try to reconfigure the lines so that service is improved for all. That is a very difficult task but there is an attempt made to respond to complaints that they cannot access the line and we look into these very thoroughly. That is an ongoing, year-round process.

The answer to the second question — and I hope Mr. Backhouse will confirm this — is that we are now looking at total revenue generated by the pay stations and that will be a factor in determining location and whether we leave them or move the locations and so on. I think Mr. McGregor's referring to the fact that in the past we used only the coins in the station itself to judge whether or not we should continue that location and we are now able to follow total revenue and use that as a criteria.

**MR. MCGREGOR:** Mr. Chairman, in other words that credit card will somehow kick a signal that says that \$2.80 is credited to that corner of 83 and 259 phone booth or whatever the number is.

**MR. HOLLAND:** Yes, and refers charges and so on of the different types.

**MR. CHAIRMAN:** Mr. Sherman.

**MR. SHERMAN:** Thank you, Mr. Chairman. My questions are related specifically to the area of the

cable T.V., Mr. Chairman, and MTS's relationship to cable T.V. operation and operators in the province and might better be directed to Mr. Backhouse but I will start with the Chairman if I may. I would start with the Chairman but with a comment that was made by Mr. Backhouse, Mr. Chairman. Mr. Backhouse made the point that the cable companies use the majority of the plant available for cable T.V. distribution and I would ask you, Sir, how many channels of the MTS's LB network are available for cable operators?

**MR. BACKHOUSE:** Mr. Chairman, my statement that the cable companies use the majority of the plant was related to the fact that the cable companies cable uses the majority of MTS poles and messenger support wires and duct runs and underground distribution structures rather than being related to the portion of the coaxial cable used by the cable company.

**MR. SHERMAN:** Well, Mr. Chairman, under the total spectrum, how many channels are made available by MTS to cable operators and how does that figure compare with the total number available in the spectrum?

**MR. BACKHOUSE:** I would answer that under the agreement that we have, the cable companies have access to all of the BHF channels and the FM channels which are slotted between Channel 6 and Channel 7 on your television set. Your question is perhaps what portion does that represent of the total potential of the cable? It probably represents of the order of 90 percent of the use which can be made given the other disciplines of that system and by that I mean the capacity of the amplifiers that are presently installed.

**MR. SHERMAN:** Approximately 90 percent? But Mr. Chairman, it's my understanding that the LB network has a spectrum that would accommodate 35 channels. In other words, the plant, the facilities, the machinery that's in position could be exploited to use 35 channels. What I want to know is: How many channels are available to and are used by cable operators?

**MR. BACKHOUSE:** Well the cable itself has channel capacity which is not developed at the moment, the restriction being the capacity of the amplifiers which are connected to the cable and, of course, the amplifiers are owned by the cable operator. You can't put a signal down that cable in a component of the cable that isn't amplified by the electronic amplifiers that are associated with the cable. What I have said is that the existing amplifiers that are a part of the cable system aren't active over the full range of the cable and that the portion being used by the cable companies is of the order of 90 percent of the capacity which has been developed by the existing amplifiers.

**MR. SHERMAN:** But it's the intention of the Manitoba Telephone System to continue to develop that capacity in fact, the system has embarked on expansion of that capacity now, is that not correct? You could bring it up to a spectrum of 35 channels.

**MR. BACKHOUSE:** I agree that by changing the make-up of the cable system and by that, a different kind of an amplifier you get additional channel capacity and I don't quarrel with your figure of 35 channels.

**MR. SHERMAN:** And if you do come up to 35 channels, the percentage being used by the cable operators will be relatively minor, at least it will certainly be in the minority. It would probably be something in the neighborhood of about 33-1/3 percent, about one-third. Would that be correct?

**MR. BACKHOUSE:** I can't confirm that, no.

**MR. SHERMAN:** Well, Mr. Chairman, could I ask Mr. Backhouse on roughly the same point. Mr. Backhouse said or at least I inferred from what he said that MTS pays for most if not all of the plant — we can use the term plant to describe the technological equipment that is in use in the cable distribution system — is it not correct that the cable operators pay for a great deal of that plant themselves?

**MR. BACKHOUSE:** Yes, that's true. If there's any misunderstanding I'd like to correct it. I hope I didn't say that MTS has paid for the cable plant. Any statements I made about Manitoba Telephone System's cost have to do with the supporting structures that that plant is connected to, not to the plant itself and I presume we're talking about Winnipeg.

**MR. SHERMAN:** Yes, we're talking about Winnipeg and perhaps you didn't say it, Sir. What I said was that I inferred from what you said, I don't mean to suggest that you did say it but I got the impression that that was what was being said and I think that it would be fair to say that the cable operators have paid for most if not all of that plant that they are using themselves. You said that a good percentage of the system is carried through an underground duct system or a good percentage of the distribution is carried through an underground duct system and I assume that the Manitoba Telephone System is pursuing a policy of adding to that equipment, adding to that technical capacity. Could you tell me why the MTS is pursuing that policy in the light of technological developments occurring every day in the broadcasting and electronic industry which suggests that that system may be obsolete within ten years?

**MR. BACKHOUSE:** MTS believes that the most expeditious way to provide communication service is to have a vat cable system or indeed any coaxial cable system so structured that its use can be optimized for any and all communications purposes. And of course that is the principle behind the Manitoba Telephone System local broad-band network concept that we are proposing for new applications in the province. The concept is that Manitoba Telephone System would own the cable

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and the amplifiers, the complete distribution system, and it would undertake to make available to a cable operator the communication channels necessary to provide the services that he is furnishing to his customer. As you pointed out earlier, if that cable system is designed so as to be equipped with amplifiers that are capable of permitting the maximum number of channels to be developed then there is additional capacity which can be used for providing other communication services which MTS feels it's responsible to provide as a common carrier. That's the reason that we support the local broad-band network concept and with respect to the observation that coaxial cable systems, or that particular cable, may be obsolete in ten years, I think the position today is that it does represent the latest viable technology and certainly can be used to provide significantly more communication service than just television channels.

**MR. SHERMAN:** Mr. Chairman, I'm not sure whether Mr. Holland or Mr. Backhouse said correctly that MTS's rate to the cable operators at the present time is the same rate as was charged in 1967, but I would ask either Mr. Holland or Mr. Backhouse how that 1967 rate charged by MTS compared with rates charged at that time by other telephone companies and common carriers to other cable operators in other parts of Canada.

**MR. BACKHOUSE:** The Manitoba Telephone System rate, generally speaking, was higher than that charged by other telephone companies to cable operators in 1967.

**MR. SHERMAN:** And if the new rate being proposed to the cable operators by MTS, at this time

**MR. CHAIRMAN:** Mr. Sherman, I believe it has been indicated that there have been no new rates proposed; that the negotiations have not really begun. There have been some discussions so I don't know how you can become . . .

**A MEMBER:** Clairvoyant.

**MR. CHAIRMAN:** That's right.

**MR. SHERMAN:** It's not difficult, Mr. Chairman.

**MR. CHAIRMAN:** Not difficult. You must have some information on that fact.

**MR. SHERMAN:** Well it's a matter of somatics. I'll change the terminology. If the new rate under discussion between MTS and its cable clients here in Winnipeg would extend and perpetuate . . .

**MR. CHAIRMAN:** Mr. Sherman, the questions had been posed by Mr. Lyon. You're following the same line of questions. I don't know if you were there right from the beginning when Mr. Lyon was asking the question . . .

**MR. SHERMAN:** I was, Mr. Chairman.

**MR. CHAIRMAN:** You are following the same line of questions. I don't know if it is in the interests of the committee to hear a repetition and hopefully some . . . I don't know what to expect. Proceed Mr. Sherman.

**MR. SHERMAN:** I was here for Mr. Lyon's questions, Mr. Chairman, but questions that are asked by one member often lead to supplementary questions for others. I think you would agree. Mr. Chairman, I'll change the line of questioning.

I would ask Mr. Backhouse what is the monthly charge for cable operators renting back the cable that was paid for by the cable operators to begin their operations. What is the monthly charge that they pay?

**MR. BACKHOUSE:** I'm not sure I'm clear on your question, Mr. Sherman.

**MR. SHERMAN:** Well you own the cable, Mr. Backhouse, that the cable operators use to distribute their programs. They own the amplifiers and the service drops but you own the cable. What is the monthly charge that they pay to rent back that cable? They paid for the construction of that cable to begin with. They now have to rent that cable back from you. What is the monthly charge that they pay?

**MR. BACKHOUSE:** There is no monthly charge and they do not rent back the cable.

**MR. SHERMAN:** Well how do they pay for the cable. If they don't rent back the cable what is the revenue structure, in terms of their relationship to you as they use your facilities?

**MR. BACKHOUSE:** Our charge to the cable company is compensation to MTS for the use of its cable support structure. By that I mean poles, I mean the supporting wire that holds the cable up in the air between the poles, and I include in that the value of an underground duct system, and the rates that we charge are related to the value of those services. They are in no way related to a rental for the cable which, as you have said, was paid for by the cable operator.

**MR. SHERMAN:** Well what is the per foot per month charge that they pay related to then?

**MR. CHAIRMAN:** These questions have been asked, Mr. Sherman. The answers have been given. You have not changed any one question. Mr. Backhouse, do you wish to repeat your answer?

**MR. SHERMAN:** Mr. Chairman, let me put it this way to Mr. Backhouse. It's my understanding that the cable operators have to pay MTS a certain per footage charge per month. I'm asking him what is that related to? Is that not related to the use of the cable?

**MR. BACKHOUSE:** The charge that we make to the cable company for administrative

convenience is expressed in terms of 60¢ per 100 feet of cable but it is not a charge that should be construed as a rental for the cable.

**MR. SHERMAN:** Well that was the figure and relationship that I was trying to get at and it is not to be construed as a rental for the cable.

**MR. CHAIRMAN:** That has been indicated a number of times, Mr. Sherman.

**MR. SHERMAN:** To what degree is it proposed by MTS and under discussion between the two parties—is that figure going to be increased? You were talking about a new arrangement with the cable operators. Presumably that 60¢ per foot per month charge would be reviewed, upwards or downwards.

**MR. BACKHOUSE:** Well, Mr. Sherman, the negotiation or perhaps better the meetings that we are holding are exploring the methods under which MTS and the cable companies would go forward with into a new contract and they really haven't progressed far enough for me to feel comfortable about answering that question specifically. Our objective, of course, is to strike an understanding with the cable companies whereby the unused capacity of that cable in Winnipeg is available to MTS for providing other services besides simply the cable television that it carries at the present time. And these, as I'm sure you are aware, are very involved negotiations and they just have not progressed to a point where I could quote charges or conditions or what is likely to come out of it all.

**MR. SHERMAN:** Well, Mr. Chairman, so as to avoid your wrath may I put it to Mr. Backhouse directly whether MTS calculates that it is going to have to charge \$1.25 a month to the cable operators to justify what they feel is the objective in their budget.

**MR. BACKHOUSE:** We have indicated to the cable companies that our assessment of the shift in costs since the 60¢ rate was struck produces figures of that order, yes.

**MR. SHERMAN:** So you're looking at about approximately \$1.25 a month which would represent an increase of something over 100 percent, 107, 108 percent. Could you tell me, Mr. Backhouse, through you, Mr. Chairman, how that compares with the situation in eastern Canada where Bell Telephone is engaged in a similar relationship with cable operators?

**MR. BACKHOUSE:** Well I can't do any more than repeat my former answer on that. My understanding of the rates which Bell is reviewing with the cable companies generally produce revenues that are close to the existing MTS rate. Now that's in broad terms. Their proposed tariff is a complex one and you have to take each component of poles and ducts, and so on, and work it out under the conditions that exist in Winnipeg to get a more definitive comparison. We haven't done that. We've taken a general look at it and that's my understanding of what it would likely come out.

**MR. SHERMAN:** Well, Mr. Chairman, I know what the prior existing rate was that Bell was charging its cable clients. I don't know what they may be contemplating right now which is the reason for that question. The existing rate that Bell has been charging has been 26¢ per 100 feet which compares with MTS's 60 cents per 100 feet and Bell, I understand, recently asked for an increase to 32¢ and that was denied by the Anti-Inflation Board. So what I'm getting at is the justification for the possible increase in excess of 100 percent here. Are my facts correct, that Bell asked to go from 26¢ to 32 cents and was turned down by the AIB?

**MR. BACKHOUSE:** I can't comment on that. I'm sure I don't know.

**MR. CHAIRMAN:** Well, Mr. Sherman, you've been able to get some information which I don't see how it is relevant to the questions before us on the Annual Report of the Manitoba Telephone System.

**MR. SHERMAN:** Mr. Chairman, in defense of my position I would suggest to you, Sir, that it is highly relevant. I have a number of questions that I'd like to ask. I don't want to impose on the work of the committee and I don't want to utilize more than my fair share of time. I'm willing to pass the microphone and then come back to some questions but I suggest it's very relevant . . .

**MR. CHAIRMAN:** Proceed, Mr. Sherman.

**MR. SHERMAN:** My justification for asking them, Mr. Chairman, and I don't mind offering the justification, is that MTS has not, in my view and in the view of many, provided sufficient information and justification for the position it's taking *vis-a-vis* cable operators. That's very relevant to the Annual Report of MTS and to its projections and its budgeting plans for the future.

Mr. Backhouse, could we take a look at the intercity facility rates for a minute, intercity microwave rates. The intercity facility rate at the present time levied by MTS for cable TV services is \$1.60 per month, I believe. Is that correct, or is that just a projected rate, \$1.60 per month per subscriber.

**MR. BACKHOUSE:** That is the rate that we have indicated to applicants wishing to make application for cable television service at the communities outside of Winnipeg.

**MR. SHERMAN:** Is it correct that the Alberta rate is 50¢ and the Saskatchewan rate is a proposed 75¢?

**MR. BACKHOUSE:** I don't have those specific figures. I don't think that that is a relevant comparison simply because rates which would be being quoted in Saskatchewan would include the major cities in Saskatchewan and the \$1.60 rate that we have proposed for Winnipeg does not propose a charge of \$1.60 for a Winnipeg subscriber.

**MR. SHERMAN:** Well can you tell me what the basis is for these intercity facility charges, these microwave charges. What do you base that on?

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**MR. BACKHOUSE:** We based it on our estimate of the costs to extend three channels of television from Winnipeg to twenty communities which fall within the B contours of Winnipeg, Brandon, and Dauphin.

**MR. SHERMAN:** Then it would be a flat rate right across the province to every community.

**MR. BACKHOUSE:** It would be a flat rate to the communities that we are dealing with under the present licensing call of CRTC.

**MR. SHERMAN:** Is it correct that there is a minimum monthly revenue that has to be guaranteed by cable operators wishing to deliver into those markets, to MTS.

**MR. BACKHOUSE:** Yes.

**MR. SHERMAN:** How do you relate that minimum monthly requirement to your costs of providing that facility? There is a wide variation, I believe, in those minimum monthly requirements. You take a look at Brandon, for example, the minimum monthly requirement there is something in the neighborhood of \$18,000, and I suggest to you that it's absolutely impractical and unrealistic to expect a cable operator to be able to guarantee that kind of monthly return within the first three years, as a minimum, of his operations. How do you arrive at that required guarantee?

**MR. BACKHOUSE:** Well the basis for that is simply that under the proposals that we have made MTS undertakes the total investment to provide the local distribution system and ultimately the microwave system to provide the signals there and it feels that that is a viable and desirable business practice for us to enter into so that there will be a positive incentive to a cable operator to market his service and generate the revenues needed to keep his business buoyant and so that Manitoba Telephone System can support its capital expenditures.

**MR. SHERMAN:** Well, the record of cable television operators though in the market, sir, indicates that the fill rate that they can hope to achieve in the first three to five years of operation is a very low percentage of the potential market. I would ask you in applying the requirements the way you have whether MTS is not asking private operators to guarantee the capital and operating expenses of the Manitoba Telephone System without any risk to the telephone company.

**MR. BACKHOUSE:** That is not the basis of the way we have developed those rates, and a recent experience that we have examined indicates that the potential fill of a cable system can now be achieved much more rapidly than was historically the case.

**MR. SHERMAN:** Where do you get the evidence for that position? Do you compare it with other regional and provincial operators?

**MR. BACKHOUSE:** Compared with other experience that's been achieved elsewhere. I saw one recently where a cable system had developed an 80 percent fill within two years.

**MR. SHERMAN:** Well, the cable operators here project a 30 percent fill rate in the first year. On that basis of experience in Manitoba they feel that that is a maximum and a highly optimistic projection and possibly a 50 percent fill rate in the second and third years. If they are in that position with an \$18,768 minimum monthly requirement for serving Brandon, there's no way that they could be in anything but an extremely serious deficit position. I suggest to you that what is happening here is that the Manitoba Telephone System embarking into exotics, embarking into expenditures in the area of telephone company equipment is asking the private cable operators to underwrite their capital and operating expenses. Is that a reasonable comment?

**A MEMBER:** No.

**MR. SHERMAN:** Well I think that that's what the figures would indicate, when you can impose that kind of a monthly requirement on an operator in an unproven market. You tell me that you base your calculations on comparisons in other areas, but Mr. Chairman, a couple of minutes ago Mr. Backhouse told me that he couldn't tell me what the microwave rates were in Alberta and Saskatchewan, and yet MTS is prepared to establish a microwave right here.

**MR. CHAIRMAN:** He indicated that he did not have that information right at hand.

**MR. SHERMAN:** Well, I think it is important for the committee that he have it at hand. What are the MTS rates and calculations being based on? Are they being based on the experience of the market or are they being based on some plans and policies of MTS formulated independent of market experience in the cable TV field?

**MR. BACKHOUSE:** Well, I think they are developed taking all of those factors into account. I guess I would have to observe that the rate structure that MTS is proposing is essentially the same rate structure that it proposed prior to the 1975 CRTC hearings. That rate structure certainly wasn't rejected by applicants. We had applicants for the three communities that were being considered at the time, who were prepared to do business under that rate structure, which says to me that they thought it was acceptable.

**MR. SHERMAN:** Well, Mr. Chairman, the Manitoba Telephone System is in the cable TV business. They must be aware of the breakdown, the guidelines for formulating an operating budget and the ingredients that go into that in terms of revenues that go to licence, regulation fees and equipment, etc., etc. I suggest that the figures indicate quite clearly and the figures that MTS is discussing and contemplating in terms of the monthly charges being considered for levy and the monthly revenue requirements that they lead to a conclusion that the rate is going to be higher than the rate that would

be asked from a subscriber who was buying the service from an operator who owned and serviced his own equipment. And that leads to a pass-through situation where the cable operator becomes a bill collector for the Manitoba Telephone System.

**MR. BACKHOUSE:** The only observation I could offer there is that in past experience where there were two applicants for one of the three communities under consideration in Manitoba last year, one of whom was proposing to have MTS provide the cable plant; and the other operator proposing to provide his own; his rate was substantially higher — that is the rate that's on the record and quoted to the CRTC — as the subscriber rate was substantially higher than the rate proposed by the applicant who was going to use MTS facilities.

Well, I'm going from memory, but the applicant's rate who was going to use MTS facilities, as I recall it, was \$8.65; whereas the proposed rate of the applicant who was going to use his own plant was of the order of \$10.25. It was certainly over \$10.00.

**MR. SHERMAN:** Well, we know what the rates are charged at the present time by the cable operators in Manitoba. It is easy to go through the mathematics to arrive at a conclusion as to what the rates will be if current discussions between MTS and the operators conclude with a decision in favour of the MTS rate suggestions. I suggest there will be a wide discrepancy in those rates, sir.

Mr. Chairman, could Mr. Backhouse provide for the Committee some information and comparison, for example, of microwave rates, inner city rates in Alberta and Saskatchewan, those two provinces in particular, and as many other provinces in Canada as possible, so that we can see the comparison between the rates charged there for microwave service by the telephone companies and the rates that are being discussed here, and attempt to arrive at some justification for the MTS position.

**MR. BACKHOUSE:** We can provide figures, we could get them, but my concern is that in order to make relevant comparisons you have to compare relevant things. This is an area where in my view the particular population concentrations in Manitoba have a very profound effect on the costs of developing cable television systems as compared to Alberta, for example, where in the case of Manitoba we have the largest concentration of potential CATV customers virtually sitting on the signal which comes in from Tolstoi, Manitoba.

In the case of Alberta the similar concentration is located in Edmonton which is hundreds of miles from the signal source. And if you are going to compare microwave costs it is totally meaningless to compare them without reflecting on that kind of situation, in my opinion.

I would refer you to the situation in the Maritimes where the cable operators themselves provide a cable system and where the geographic anomaly has produced some pretty bizarre rates, in my opinion.

**MR. SHERMAN:** Well, Mr. Chairman, would it not be fair to say that it is only totally meaningless if the Alberta rates turn out to be higher than the Manitoba rates.

**MR. CHAIRMAN:** Well, Mr. Sherman, possibly you could suggest that Mr. Backhouse could compile those figures and make them available as a comparison and they can be made available to the Committee at a later date. If those are possible I would so request. Mr. Holland, is that a reasonable request?

**MR. HOLLAND:** Yes, Mr. Chairman, we will try and get some illustrative figures. Perhaps we could also say that we are much more optimistic than Mr. Sherman appears to be that we can develop equitable rates and carry on the history that's existed since 1967, where the rates have been very equitable, where our customers we think have provided very good service, at rates that are among the lowest in Canada.

We are just in the beginning stages of these negotiations and we will consider the economic constraints on our clients and as I say, we remain optimistic that we will work out some very equitable contract terms.

**MR. SHERMAN:** Thank you, Mr. Chairman. I appreciate Mr. Backhouse's undertaking to obtain those figures for us. I'd like to ask Mr. Backhouse or Mr. Holland another question and it is related to the practice of billing a CTV operator here in Manitoba on a per subscriber basis, for distribution and rental, and I would like to ask what is the justification for basing billing for a common carrier, basing its billing on a per subscriber basis?

**MR. BACKHOUSE:** Well, the justification for it is that MTS recognizes or has endeavoured to recognize the economic problems of a small applicant getting into the cable television business, and we simply thought that to offer a rate structure whereby MTS would accrue its revenues in support of its capital plant expenditures in relation to the way the success of the operators' marketing program and signing on customers would make it a lot easier for applicants in small communities to get into the cable business.

**MR. SHERMAN:** Then on the basis of your plans or your discussions as the Chairman has advised me you are intending to add an additional subsidy fee to some of the rates, particularly the microwave rates that you will be charging the cable operators. So you are going to be building an additional subsidy into that, and I ask you whether that is not a violation of the role of a common carrier?

**MR. BACKHOUSE:** I'm not sure what your specific question is.

**MR. SHERMAN:** Well, if you look at the inner city facility rates that are being considered, there will be an additional levy over and above the basic \$1.60 per subscriber per month rate for subscribers in certain areas, it will certainly be applied to subscribers in the Winnipeg area. There will be a subsidy applied to specific communities of subscribers.

**MR. BACKHOUSE:** Well, in quoting the \$1.60 rate we have simply pointed out to the benefit of applicants and ultimately the CRTC, that that rate is predicated on a contribution from Winnipeg customers to the cost of carrying microwave signals elsewhere in the province in exactly the same fashion as the cable operators did themselves in their applications before the CRTC a year ago.

**MR. SHERMAN:** But the cable operators aren't common carriers' Sir.

**MR. BACKHOUSE:** This is merely a suggestion to the CRTC as to how a microwave cost-sharing plan can be offered in Manitoba and is a matter which we fully expect will be aired and probably ruled on by CRTC. It is one suggestion we have put forward. Somebody has to offer a plan or plans whereby the cost of microwave services can be shared between the communities who benefit from the delivery of that signal.

Perhaps to illustrate the problem, let me say that if we were extending microwave signals from Winnipeg to Brandon, those very same signals go right through the communities of Minnedosa and Neepawa, for example. Now if you only had those three communities who were proposing to provide cable television services surely some plan is needed to determine a portion of the microwave costs that would be applicable to Brandon as opposed to Neepawa and Minnedosa. We have simply thought that in the interests of being helpful and trying to offer some reasonable plan so that those problems can be resolved, we have undertaken to try to offer a plan for consideration — I don't doubt there will be others — by which those situations can be handled.

**MR. SHERMAN:** But you don't at the present time have CRTC approval to do that, or do you feel that you need CRTC approval to do it?

**MR. BACKHOUSE:** Well, the mechanism as I understand it would be that the CRTC would authorize the cable operators to contribute to the cost of microwave delivery in some fashion or form. We are merely suggesting a plan for their consideration.

**MR. SHERMAN:** But then you will acknowledge that they will pass those costs through, it will wind up with the subscribers paying, only the billing agency won't be the Manitoba Telephone System, it will be the cable companies.

**MR. BACKHOUSE:** Generally, I think that is true.

**MR. TOUPIN:** Well, Mr. Chairman, if I may on that point, how else could it be unless the telephone system offered a service directly, you know, which we are not intending to do. So that is the way to pass on the cost that we feel has to be shared on a cross-subsidy basis, the same as any other communication services that are being offered through the Manitoba Telephone System. If we use the ordinary black telephone as an example, and the cost related to Winnipeg as compared to Thompson or Churchill, you will find a cross-subsidy in that telecommunication service. So what we are doing as a common carrier is passing the same principle on to other services.

**MR. SHERMAN:** That is correct providing the revenues are going to the service that they are purported to be going to. If they are going to fund and finance the Manitoba Telephone System for its telephone services, then I suggest that that is a violation of the role of the common carrier.

**MR. CHAIRMAN:** Mr. Sherman I see you are getting into a discussion with the Minister, you can bring that up in the House and discuss those particular points of view. I don't see the relevance of it here in the Annual Report. Mr. Sherman proceed.

**MR. SHERMAN:** Well, Mr. Chairman, I said before I don't want to usurp the time of the Committee, I have some questions I would like to ask but I am fully prepared to yield the floor.

**MR. CHAIRMAN:** No, you are on the list and you can ask questions to your heart's content, but first of all I would like to apologize to the Chairman of the Manitoba Public Insurance Corporation and the General Manager. It appeared last day that there was only one person to ask a question and there was the desire of the Committee to rise at that time and to return today, and I felt that we would be finishing therefore arrangements had been made to have the Manitoba Public Insurance Corporation stand by in the event we were finished at an early time. I wish to apologize to you and we will call you back another date when it is set. At this time I don't know when it will be. Thank you very much for your patience. Mr. Sherman.

**MR. SHERMAN:** Well, Mr. Chairman, unless others have a great many questions, perhaps it is not necessary to dismiss the delegation. I'll conclude with a couple more questions.

**MR. CHAIRMAN:** If you gentlemen wish to wait. Mr. Sherman.

**MR. SHERMAN:** Thank you, Mr. Chairman, through you to Mr. Backhouse or Mr. Holland, could you tell me, sir, how many applicants for CATV licenses there are at the present time, for operators wishing to share that Tolstoi head end?

**MR. BACKHOUSE:** I believe there are ten Mr. Sherman, excluding Winnipeg, of course.

**MR. SHERMAN:** Ten still in existence, have any withdrawn their applications?

**MR. BACKHOUSE:** My information is dated March 14th.

**MR. SHERMAN:** This gets into an area of hypothesis, but I'll try it anyway. What is the contingency plan of the MTS if the contract with the cable operators is not renewed, then what happens?

**MR. CHAIRMAN:** It's hypothetical.

**MR. SHERMAN:** Well then let me put the question another way, Mr. Chairman. Am I correct in suggesting to you Mr. Backhouse that MTS has already determined a rate structure, a subscriber rate structure, that will be levied if the contract with the cable companies is not renewed?

**MR. BACKHOUSE:** I feel we are only part way into our negotiation Mr. Sherman and I just think it would be improper for me to make a judgment on what the outcome of that will be. There are so many issues up for discussion, any one of which changes other parts of the equation, and I don't feel I could provide a useful comment. —(Interjection)—

**MR. SHERMAN:** No, I'm not, I am asking what kind of strategies the MTS has for pursuing its policies in the cable TV field? Sir, either you or Mr. Holland said that the profits for last year, the MTS revenues from the cable companies for last year, were \$437,000, is that correct or did I write that down incorrectly? Something in the neighbourhood of \$437,000 a year.

**MR. CHAIRMAN:** That figure is recorded. Mr. Lyons was using a figure, Mr. Sherman, you are going back over the same line of questioning. I believe there is a rule in the parliamentary procedure about repeating the same questions over and over again, and the answer being given.

**MR. SHERMAN:** Well, I am asking for a confirmation of that figure, \$437,000.00.

**MR. BACKHOUSE:** That is correct.

**MR. SHERMAN:** How does that compare with the two, three year period prior to that and how does that compare with the projections for this year?

**MR. BACKHOUSE:** I don't have that information with me.

**MR. SHERMAN:** Could you get that for us, sir.

**MR. BACKHOUSE:** Yes. Projections — I can give you past history.

**MR. SHERMAN:** All right.

**MR. BACKHOUSE:** The projections should really come from the cable company because we are not aware of the growth areas that they are serving specifically.

**MR. SHERMAN:** Well I would appreciate the past history.

**MR. CHAIRMAN:** I should possibly indicate to the meers of the Committee, there was a request from a lawyer for the Cablevision to appear before the Committee to present a particular brief. I indicated that the purpose of the Committee here is to hear from the Chairman of the Manitoba Telephone System, to hear the Annual Report, and that he will have the opportunity, if he has any particular questions, to appear before the Committee when there is a bill dealing with the matter that he has in mind. I see that the same particular line of questioning that the gentleman had in mind, because he indicated to me, are being proceeded with in spite of the fact that I indicated to the counsel for the company that he would have the opportunity to present his particular views. We will proceed.

**MR. SHERMAN:** Well, Mr. Chairman, I won't ask any more questions at this time' I would like to have the information that Mr. Backhouse has said he will supply the Committee with, and I justify it, Sir, on the grounds that we are considering the MTS Annual Report, that operation in the cable television field has become a big and an expanding part of MTS plans, and MTS philosophy, and I think we have a right in this Committee to ask for justification of the course it is pursuing, and to ask for the philosophy, and to ask for the reasons why rates are being increased. . .

**MR. CHAIRMAN:** . . . if you would ask in the House, discuss that matter in the House.

**MR. SHERMAN:** . . . and to ask how those rates compare with rates existing in other jurisdictions in Canada. If Mr. Backhouse doesn't have the information, I suggest to you, Sir, that he can get it, that is what he is appearing before the Committee for.

**MR. CHAIRMAN:** He has indicated that he will be prepared to do that. Mr. Einarson.

**MR. EINARSON:** Mr. Chairman, I just have a few brief questions, not nearly as complicated, but probably just as important as my colleague from Fort Garry. I wanted to ask, in regard to the rural areas where dial telephones are now pretty well completed throughout the province, are those cables that are underground now equipped to handle, if a person was to make application for a private line, are those cables equipped to handle that?

**MR. HOLLAND:** Our plan, Mr. Chairman, is to offer individual line service in a great many more smaller communities, and ultimately, down to the point of a density of ten residents per mile. So that, within those criteria, individual line service will be offered as part of the current improvement program. Beyond that it would be offered at a premium cost where facilities can be made available.

**MR. EINARSON:** Well, Mr. Chairman, for example, in the Town of Glenboro, which is my exchange, we have, at the present time, an eight party line. With the event of a dial system that pole is split two ways, that is four on one side and four on the other. My question really is — If I was to put an application for a private line myself — my farm is eight miles from town — is that possible with the cable that we have underground serving to my residence?

**MR. HOLLAND:** It wouldn't have to do with cable, it would have to do with the capacity of that cable and its commitment. If there is spare capacity there could be an offer made at premium cost to

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you.

Mr. Chairman, may I also — following a question by Mr. Einarson the other day. Glenboro cut-over to dial takes place on April 28, 1977, and with regard to the troubles that some people are encountering, our records for December, January, February and March are that the troubles are all less than 4.5 per hundred stations per month, which is our standard. So in connection with the conversion there can be short term inconvenience to some customers while this work is going on, but we have no information showing that it is serious or longlasting.

**MR. EINARSON:** Mr. Chairman, I thank Mr. Holland for that information, but I am still not clear as to . . . my question is the cable that is underground, for instance right from the exchange, whether it be Glenboro or any other town. that runs out to the farms, and if I wanted to put an application, my point is, I am wondering is that cable sufficient, without having to go to any other costs other than to give you a private hookup. I don't know the ramifications, in other words, if I made application for a private line to my farm which is eight miles out, is that cable satisfactory, what are the costs involved in order to do that?

**MR. HOLLAND:** We will have to check, Mr. Chairman, on Mr. Einarson's location and give him a cost quotation and establish that the facilities are there to offer that, may we follow that up.

**MR. CHAIRMAN:** You have the offer of the Chairman, to give you that information.

**MR. EINARSON:** Very good. What the cost of all these things that go into making up the total cost and what the actual cost would be to an individual who wanted a private line. Thank you, Mr. Chairman.

**MR. CHAIRMAN:** Mr. Enns.

**MR. ENNS:** Just one further question. I understand, Mr. Chairman, Mr. Holland, that you have operated a Lake Winnipeg Telephone System for some time, in conjunction with the Manitoba Hydro. The question has come up to me in the past as to how that system operates, can you elaborate? I understand that the Manitoba Hydro shares the cost with MTS in operating that line, can you give us some idea of the scope of the systems that you have operating on Lake Winnipeg?

**MR. HOLLAND:** The second system is under construction and will be completed this year. The total cost is in excess of \$14 million, the Civil Works portion is shared 50-50 with Hydro and the communications equipment that is on the system is two-thirds MTS and one-third Hydro, geared to reflect our respective prospective use of the system. That, of course, is the system that is making it possible to bring reliable telephone service all up the east side of the lake and the video signals and so on.

**MR. ENNS:** That is . . .

**MR. CHAIRMAN:** Order please. It seems very obvious that we will not be finished with the Telephone System and it will be too late to start in the last half hour or so to start on the Public Insurance Corporation, so once again I wish to apologize for having you sit by, you are excused, thank you. Mr. Enns.

**MR. ENNS:** No, that is just to confirm the cost-sharing arrangement that you have, that is a two-thirds/one-third basis on the equipment or . . . but on the total cost is it 50-50?

**MR. HOLLAND:** The basic civil portions of the project, the towers, the foundations, etc., is a 50-50 sharing, and then the electronic equipment that goes on the towers is two-thirds MTS and one-third Hydro.

**MR. ENNS:** Thank you, Mr. Chairman.

**MR. CHAIRMAN:** Mr. Steen.

**MR. STEEN:** Mr. Chairman, I have a question to Mr. Holland. Mr. Backhouse was giving many answers to Mr. Sherman regarding cablevision and he mentioned that negotiations were carrying on with the cablevision companies for a proposed new agreement or the possibility of a new agreement. At present the cablevision people are responsible for the installation of their facilities, is that correct? It is not done by the telephone system, MTS people? Either Mr. Holland or Mr. Backhouse.

**MR. CHAIRMAN:** Mr. Backhouse.

**MR. BACKHOUSE:** They are responsible for them and they contract the work out.

**MR. STEEN:** Therefore it is not done by MTS personnel, the installation of cablevision? '

**MR. BACKHOUSE:** Much of it could be, new underground work is, generally speaking, done by MTS.

**MR. STEEN:** But the stringing up of cablevision lines on existing poles, in existing areas, is contracted out by cablevision people?

**MR. BACKHOUSE:** Yes, I believe that is so.

**MR. STEEN:** If MTS and the cablevision people were to enter into a new agreement would it be the MTS's plans to do more of the installation work, or is the present arrangement satisfactory?

**MR. CHAIRMAN:** Well, Mr. Steen, again you are going into questions which are under discussion and I cannot see how that can be determined now, that would try to establish how the Manitoba Telephone System people, who are negotiating, are going to operate? I don't know how they can indicate this at this time.

**MR. STEEN:** All right.

**MR. CHAIRMAN:** Can we proceed with the Annual Report. Page 1, Mr. Lyon.

**MR. LYON:** Mr. Chairman, one further question. There was some reference made by either the Chairman or Mr. Backhouse, to the development in Saskatchewan with respect to the bringing of cable television to smaller communities through funded co-operatives. Are any such plans under consideration in Manitoba?

**MR. CHAIRMAN:** Mr. Holland.

**MR. HOLLAND:** Mr. Chairman, that is something over which we would have no control, it is up to the groups to decide to apply and to apply to the CRTC, and for the CRTC to select the franchisee in that. Certainly MTS will provide information and quotations to any legal applicant.

**MR. LYON:** Could I ask if the Chairman, Mr. Chairman, has seen any manifestation of that so far in Manitoba, have you had such applications or requests for information from co-operatives in Manitoba?

**MR. HOLLAND:** My impression is that there is at least one such organization, whether or not they choose to finally apply, I believe the deadline is March 31, is their option.

**MR. CHAIRMAN:** Mr. Toupin on that point.

**MR. TOUPIN:** I am involved in two capacities here, as the Minister of Co-operative Development and the Minister responsible for the Manitoba Telephone System Act. There has been cases of groups interested in forming co-operatives to offer this type of service in several communities, and we have referred them to officials in the Department of Co-operative Development and to the Manitoba Telephone System.

Mr. Holland is quite correct in saying that any group, whether they be a co-operative structure or a corporate structure, would have to comply with whatever conditions are set by the Telephone System pertaining to their responsibility of being a common carrier and receiving permission through the CRTC for a license, and they are being channelled through those areas for information and direction.

**MR. LYON:** Further to that then, Mr. Chairman, I thank the Minister for his interjection. Could the Minister advise us if there is any government policy favouring this kind of a development, either through his Department of Co-operative Development or otherwise, similar to the Saskatchewan?

**MR. TOUPIN:** Mr. Chairman, the agreement that we entered into with the Federal Government only dealt really with the hardware as being the responsibility of the province. There is a Communication Ministers' conference held in Edmonton next week where the subject matter of co-operatives being involved in the more general communication field will be discussed. I'm informed by my colleague from Saskatchewan that that is the subject matter that will be under discussion. So we're willing to consider the advisability of having co-operatives more involved, but we have indicated and agreed in the agreement itself that we would not be involved in programming or the setting of regulations determining the licensee's conditions within province. But it is still something that we can discuss with our colleagues.

**MR. LYON:** I take it, Mr. Chairman, from what the Minister has said that so far as he is concerned the co-operatives would be on the same competitive footing as any other applicant. Would there be any government funding of such co-operatives?

**MR. CHAIRMAN:** Mr. Toupin.

**MR. TOUPIN:** Well again, Mr. Chairman, if I may. Any funding available directly or indirectly by the departments of government to co-operatives would be on the same basis as any other group.

**MR. LYON:** No special program?

**MR. TOUPIN:** Not at this time, Mr. Chairman.

**MR. CHAIRMAN:** We proceed with the page by page review. Page 1—pass; Page 2—pass; Page 3—pass; Page 4—pass; Page 5—pass; Page 6—pass; Page 7—pass; Page 8—pass; Page 9—pass.

**MR. LYON:** We're on the balance sheet of the System and also attached balance sheet of the Manitoba Data Services. In addition to the bare bones accounting information that we have relative to Manitoba Data Services, could the Chairman give us a bit of an update report as to how that branch of his operation is functioning, when he hopes to see it in a black position, etc., etc.

**MR. HOLLAND:** I tried to cover that briefly, Mr. Chairman, in my prepared comments. I would say that there has been a good deal of progress made by the Manitoba Data Services in technological upgrades, assuring capacity, assurance of reliable service, and in the development of its people. We have projected a loss period due to major investments required in this first stage, for the first three years. That would mean through the period September 1978, and we are still very committed to make sure that that fiscal plan is followed. All in all I believe it's on track with the information the committee has been provided last year and this.

**MR. LYON:** Mr. Chairman, I wonder if the Chairman, or any his officers, would have a breakdown of the revenue item \$3,588,000 as to the source of that revenue.

**MR. CHAIRMAN:** Mr. Lyon, I believe that information should be possibly, it seems to me, an order for return.

**MR. LYON:** No, Mr. Chairman, an order for return is asking for information from the government. We now have the Chairman here.

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**MR. CHAIRMAN:** From the Minister?

**MR. LYON:** Yes. It would be ridiculous to go through an order for return which we might see a year from some Sunday.

**MR. CHAIRMAN:** Well if that information is available right now Mr. Holland will have it provided otherwise possibly he could take it as a question that he could compile and make it available to the committee.

**MR. HOLLAND:** I have, Mr. Chairman, some indication of the current year. That first year was the period September 1st through March 31st. It was a short period. Would it be helpful to illustrate the figures for the current year?

**MR. LYON:** Yes, surely, if you could give us those, Mr. Chairman.

**MR. HOLLAND:** The sources come 55.6 percent from central government, 18.3 percent from MTS, MPIC 17.4 percent, Hydro 3.5, and other clients 5.2. And that is based on a revenue expectation of over \$6 million.

**MR. LYON:** Other clients, Mr. Chairman, would be whom — outside government?

**MR. HOLLAND:** Yes.

**MR. LYON:** Private?

**MR. HOLLAND:** Private, yes.

**MR. LYON:** Is there any Federal Government input in that, Mr. Chairman.

**MR. HOLLAND:** No, not to this stage.

**MR. LYON:** So the 5.2 would represent the share of the business being done essentially with the private sector? .

**MR. HOLLAND:** Yes, essentially out of central government and its agencies. Other than . . .

**MR. LYON:** Other than? Well is there something . . . It is private sector then.

**MR. HOLLAND:** Largely private sector. I'm not positive that there wasn't some work done for Federal Government agencies or municipalities. I can't recall that.

**MR. LYON:** Perhaps, Mr. Chairman, if the Chairman could undertake to give us a more definitive breakdown of that 5.2 percent — I think we're able to accept the categories that he has given for the other groups if we could get some indication of what that 5.2 does represent, as between private sector, Federal Government, municipalities, or whatever other . . .

**MR. HOLLAND:** A finer breakdown, you'd like?

**MR. LYON:** Right.

**MR. HOLLAND:** Yes, Sir.

**MR. CHAIRMAN:** Eighth page. Mr. Craik.

**MR. CRAIK:** I wonder, on the same topic of the Manitoba Data Services. The Annual Report of the Manitoba Data Services is probably the sparsest annual report that has ever been tabled Mr. Chairman, it tells you virtually nothing besides what's in the MTS report here. Like for instance the revenues in the actual annual report of Manitoba Data Services gives you that figure. I wonder if it's not possible to provide — I believe you have a copy of it in your hands now which will indicate its . . . I wonder if it's not possible in that annual report in the future to provide us with more information that shows the breakdown, particularly on the income side.

**MR. HOLLAND:** Mr. Chairman, our intention is to combine that with the MTS Annual Report and to supplement that with a separate statement on Manitoba Data Services. So we will be following that policy of providing more detail.

**MR. CRAIK:** In the future, will you be putting out two separate reports then, MTS and Data Services, or is it going to be integrated?

**MR. HOLLAND:** No, we'll provide one official report from MTS, which our accountants advise is correct, showing clear delineation of financial statements. MDS is not a separate subsidiary it is operated directly by MTS so it shows in our annual report. But as supplemental information we'll be publishing a more detailed report on MDS copies of which will certainly be sent to all members of the legislature, as I believe this was.

**MR. CRAIK:** It was, we received it some months ago.

**MR. CHAIRMAN:** Yes, received that Manitoba Data Services, a division of the Manitoba Telephone System.

**MR. CRAIK:** Yes. It doesn't really tell you anything except you know the overall figures. There is no information in there that would tell you anything specific about the operations as to where the revenues were coming from.

**MR. CHAIRMAN:** Mr. Craik, Mr. Holland just indicated a breakdown in percentages and he did indicate a further refinement to Mr. Lyon, that he would be providing that on that figure that you are referring to, I believe, the revenues from Data Processing Services of three and a half million.

**MR. CRAIK:** That's right. The only point I'm trying to make is that what we're asking for still is pretty sparse information and if that sort of thing could be contained in the annual report we wouldn't have to ask for it.

On the hydro percentage, 3.5 percent Hydro, are the future operations of Hydro going to be principally carried as they have been in the past by the Hydro computer facility or is there some

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arrangement for MDS to do more of the Hydro work?

**MR. HOLLAND:** Mr. Chairman, we've spent several months working with Manitoba Hydro examining the technical and economic feasibility and the best way to go ahead. About two months ago a policy agreement was reached under which Hydro will be using Manitoba Data Services almost exclusively. It will now depend on the difficulties of migrating that service to MDS and the experts are working at that at this point.

**MR. CRAIK:** The figures you give here, the 3 ½ percent, are based on the current year's operations, I think you said, some \$6 million total volume.

**MR. HOLLAND:** Yes.

**MR. CRAIK:** If you do take over more of the Hydro operations, what sort of volumes of work do Hydro do in one year in computer work?

**MR. HOLLAND:** I can only say that the work that Manitoba Hydro has done on MDS to date has been their overload or special applications or things that their own installation can't manage. I'd be hesitant to make predictions for the future for Manitoba Hydro. That depends on many many factors; how extensively their engineering applications are used, and their growth factors, and many things that only they would know.

**MR. CRAIK:** But you're currently negotiating with Hydro with regard to doing a very large proportion of their work?

**MR. HOLLAND:** Yes.

**MR. CRAIK:** Does that have a significant effect on the requirements of MTS, physical requirements for machinery and so on?

**MR. HOLLAND:** The hardware and peripheral devices required at MDS have been carefully planned over the next two to three year period and designed such that the capacity can be built in and acquired to handle that load.

**MR. CRAIK:** What sort of impact will it have on the volume of revenue if by fall, if Hydro's work, or most of it is done is done by MDS if this matures?

**MR. HOLLAND:** The impact on MDS revenue?

**MR. CRAIK:** Yes, what would it count?

**MR. HOLLAND:** It will be substantial.

**MR. CRAIK:** You're currently doing around \$6 million. Another year if you were going to do . . . Well what, roughly, volume do you think the Hydro work represents if you were to do it all?

**MR. HOLLAND:** Perhaps Mr. Anderson could tell me. There have been some forecast made of expected revenue for the year starting April 1, 1977, in total. I think that's about the only figure we would have here.

**MR. CHAIRMAN:** Mr. Anderson.

**MR. ANDERSON:** Mr. Chairman, we currently expect to derive about \$215,000 worth of revenue this year from Hydro through their overload work that has been done for them. Migration of the Hydro system is expected to take place in October of this year and we are projecting that we will do \$1,225,000 worth of business with them, which is their total data processing load. And there is a task force at work now planning out the migration.

**MR. CRAIK:** Is that included in the projection for \$600 million?

**MR. ANDERSON:** The \$6 million?

**MR. CRAIK:** Yes, \$6 million.

**MR. ANDERSON:** That is the expected revenue that we will receive this year.

**MR. CRAIK:** The total revenue, but the 1.2 or 1.3 that you mentioned is not included . . .

**MR. ANDERSON:** Well the total revenue projected for next year is over \$9 million.

**MR. CRAIK:** Which would include?

**MR. ANDERSON:** Which would include the \$1,200,000 for Hydro.

**MR. CRAIK:** Are arrangements to do Hydro work strictly a matter of negotiation between the two systems; MDS and Hydro?

**MR. ANDERSON:** Yes.

**MR. CRAIK:** Or is there a government policy that is requiring these different organizations to use MDS.

**MR. ANDERSON:** Well there is a bill which was passed but also it's negotiation between the two corporations, MDS and Manitoba Hydro.

**MR. CRAIK:** How does Hydro know that this is a good deal for Hydro?

**MR. ANDERSON:** Well that's part of the task forces' work to produce a plan which is attractive to Hydro and to MDS and we think that will take place. In MTS's case we have been able to demonstrate that there is economic benefits through centralization and we expect the same will happen with Manitoba Hydro. In fact, we're sure of it.

**MR. CHAIRMAN:** Thank you, Mr. Anderson. Mr. Enns. Mr. Lyon.

**MR. LYON:** Mr. Chairman, I was wondering why Mr. Anderson . . .

**MR. CHAIRMAN:** Pardon me, Mr. Enns.

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**MR. ENNS:** I will defer to my . . .

**MR. CHAIRMAN:** You will defer? Thank you. Mr. Lyon, Mr. Enns defers to you. Mr. Anderson would you come back please? Mr. Lyon.

**MR. LYON:** Just a further question on the Data Services operation. Have you done any comparative studies to indicate how the number of staff in this field relates to your dollar volume of business. In other words are you competitive with the private sector companies?

**MR. ANDERSON:** I think studies that have been done indicate that our rates are competitive. We are on the lower edge of the rate structure.

**MR. LYON:** Of rate structure, but I'm talking about the number of personnel.

**MR. ANDERSON:** I think that also applies to the number of employees per . . . whatever indicator it is, I don't have at my disposal, but we have done that. We could supply some information.

**MR. LYON:** This is an area, Mr. Chairman, traditionally where the staff requirements are (a) expensive, because (b) the people involved are highly trained experts in the field, and so on. Is there a conManitoba Hydro, for instance, that the interest costs in their capital development program represent some 41 cents per dollar generated by Manitoba Hydro. I wonder, Mr. Chairman, whether you could indicate to us whether or not you have available at your fingertips a similar kind of cost comparison with respect to what Manitoba Hydro is paying in terms of its indebtedness and its interest charges per dollar revenue generated for instance. Is that a question that you can handle at this time?

**MR. HOLLAND:** Mr. Vannevel is sharpening his pencil over there.

**MR. ENNS:** No, I think it is a matter of concern, Mr. Chairman, you know with respect to the amount of costs involved in the borrowed dollars that we need to maintain our plant and expand it. I know that we are talking about . . .

**MR. HOLLAND:** You have the operating statement on the left side. The debt charges for the year in question were \$22,886,000 on total revenues of \$110 million. Is that a reasonable ratio?

**MR. ENNS:** \$22 million, the debt charges?

**MR. HOLLAND:** \$22,886,000 on total revenue . . .

**MR. ENNS:** Against total revenue?

**MR. HOLLAND:** . . . \$110 million. That would be about 21 percent, am I correct?

**MR. ENNS:** So just in view of the interest centred on the Hydro situation in this respect we could then say about 22 cents or 21 cents of every dollar generated has to be dedicated to the repayment of the System's indebtedness in interest charges, etc.

**MR. HOLLAND:** Managing our debt loans, yes.

**MR. ENNS:** Thank you, Mr. Chairman.

**MR. LYON:** One question further. I think the Chairman used the figure, was it \$110 million? I'm just looking at the ten years of progress they have on Page 14 and 15 and I see there a figure of . . . Oh pardon me, I was reading the figure below it. \$113 million, right. I've answered my own question.

**MR. CHAIRMAN:** Page 10—pass; Page 11—pass; Page 12—pass; Page 13—pass; Page 14, Mr. Lyon.

**MR. LYON:** On Page 14 in the comparative statistics I notice that the number of employees as at March 31, 1976, is shown at 4,665. Could the Chairman update those figures say as at February 28th of this year or January 31st of this year, or whatever.

**MR. HOLLAND:** January 31, 1977, we report 4,721.

**MR. LYON:** 4,721?

**MR. HOLLAND:** Yes.

**MR. LYON:** Now there has been shrinkage from the '75 figure of approximately 200 staff. Was that largely accomplished through attrition, or what?

**MR. HOLLAND:** Without exception through attrition.

**MR. LYON:** And the increases in staff, would it be possible, Mr. Chairman, for Mr. Holland to indicate what sharing there would be in the total number as between, say, management as opposed to line staff of the company.

**MR. HOLLAND:** The proportion would fluctuate seasonally, first of all. During the construction season, of course, we expand our staff substantially and then it contracts again in the fall. Overall our managerial supervisory staff has remained almost constant. It is just about constant since 1974.

**MR. LYON:** We're not in a "Chiefs and Indians" situation with respect to your internal staff.

**MR. HOLLAND:** I believe not, Mr. Chairman.

**MR. URUSKI:** Mr. Chairman, there were questions raised about the percentage of indebtedness as compared to the revenues taken in. Could you indicate what that comparison of Manitoba Telephone System would be in relationship to the other telecommunication industry across the country.

**MR. HOLLAND:** Generally speaking, much higher than the private companies. Higher than Saskatel and considerably lower than Alberta Government Telephone. I believe about 85.8 percent is our present debt ratio.

**MR. URUSKI:** So that the ratio would vary as to the province but within that twenty percentile range.

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**MR. HOLLAND:** Yes, I would think so.

**MR. URUSKI:** For the telephone industry.

**MR. STEEN:** On Page 14, Mr. Holland, it says telephone statistics: residence 407,240, up from 390,000 of the previous year. What percentage of residents in Manitoba does that represent? What percentage of Manitoba homes have a telephone? What does your . . . use as a yardstick?

**MR. HOLLAND:** Percentages of households? It's higher than 98 percent. It is very high. That is reported by Statistics Canada monthly and I'm sorry I don't have that figure here.

**MR. STEEN:** So would you say virtually every home in Manitoba that wants a telephone is able to get one, except in the remote . . .

**MR. HOLLAND:** Well even in the remote areas, Mr. Chairman. The current northern program has covered virtually all the centres at least with reliable toll service. The answer is "yes", excepting those . . .

**MR. STEEN:** Anyone wishing a telephone could get one, then.

**MR. HOLLAND:** Yes, with the exception that in some areas where our forecasts are out there can be short delays while we get our plant upgraded and our facilities expanded.

**MR. STEEN:** Another question on the same line, well it's jumping by approximately 20,000 to 25,000 phones a year. That is the growth in residents throughout the province primarily, the new developments and so on. That's why your total is jumping each year by that figure. Right?

**MR. HOLLAND:** The figure in total is presently about 603,000 in February. The reason for it is, of course, new residences of all types but increasing use of our equipment, extension telephones, more business installations, so that even where there is no pronounced growth, the businesses are making more use of station equipment.

**MR. STEEN:** You can see that where you have the growth in long distance calls and so on jumping up by leaps and . . . bounds each and every year.

**MR. HOLLAND:** Yes. Compounding interest.

**MR. STEEN:** Are Manitobans still blessed with the honor of being the most talkative persons in all of North America? Do we still spend more time on the telephone than our counterparts in other provinces and states?

**MR. HOLLAND:** With a great deal of disappointment I think we've dropped to second or third in the world.

**MR. STEEN:** I'll see what I can do about my colleague, Harry Enns. I'll see if I can get him talking more often on the phone.

**MR. HOLLAND:** Here, here.

**MR. CHAIRMAN:** Mr. Lyon.

**MR. LYON:** On Page 14, number of employees that we were just dealing with, Mr. Chairman, I take it that figure does not include Manitoba Data Services staff.

**MR. HOLLAND:** Does not include it, right.

**MR. LYON:** What would the figure be for Manitoba Data Services?

**MR. HOLLAND:** 170 exactly.

**MR. LYON:** Yes, 170.

**MR. CHAIRMAN:** Are you referring to Page 15, Mr. Lyon?

**MR. LYON:** Page 14 or 15, yes. Where we're under other statistics. And the salary component for that group as at March 31, 1976 and that was for a partial year only . . . well, I see under General and Administration. Where would one find the salary bill for the 170 — for Manitoba Data Services?

**MR. HOLLAND:** Mr. Chairman, I don't think we have that program down. We'll have to provide that.

**MR. LYON:** I take it, Mr. Chairman, it would come in under General and Administration on the Statement of Operations back on the balance sheet but if we could have that breakdown as to the salaries for the 170 and does that figure represent any large increase over the previous fiscal year?

**MR. HOLLAND:** The numbers of them?

**MR. LYON:** Yes, the 170.

**MR. HOLLAND:** My recollection is that it was an increase of about 20 from the period just before we took over management of it and was to some extent dictated by the fact that they had to do their own office procedures and accounting and so on.

**MR. LYON:** Could I ask, Mr. Chairman, are the staff engaged by the Manitoba Data Services, are they for all practical purposes, included under the fringe benefits and so on with Manitoba Telephone System, are they . . .

**MR. HOLLAND:** Yes.

**MR. LYON:** . . . do they carry all of the same benefits and . . .

**MR. HOLLAND:** All new employees are accorded full benefits of MTS employees. Those who transferred are assured of that plus a general understanding that there would be no loss in benefits which they had accrued in the civil service. Those, I believe, the differences are nominal but there was an undertaking with the staff who transferred.

**MR. LYON:** I should know but I've forgotten. The pension plan under which MTS operates, is . . .

**MR. HOLLAND:** It's administered by the Civil Service Superannuation Fund, under that Act, and segregated for MTS.

**MR. LYON:** And the Data Service employees would be included under that segregated pension plan I take it?

**MR. HOLLAND:** Yes, with continuous coverage on the pension plan. The major area I believe is that there was some difference in sick leave rights and we undertook to honour the accumulation under the civil service.

**MR. LYON:** That's fine. Thank you, Mr. Chairman.

**MR. STEEN:** On the same page and Mr. Lyon referred to it earlier about the 250-some-odd drop in numbers of employees and then there's a chart on the right hand side of Page 15: Employees per thousands of telephones. Could Mr. Holland comment: With the new phone service centres being located in the Metropolitan area of Winnipeg, is there likely to be a substantial drop in the future of employees in relation to per thousands of telephones because of the innovation of these new service centres?

**MR. HOLLAND:** We think there will not be a substantial drop but there will not be a substantial increase which likely would have occurred without some of the labour saving aspects of phone centre.

**MR. STEEN:** The number of employees from 1967 to 1975 was continually growing and then we've seen a drop in employees, is this high of 1975 likely to be the high for some years to come?

**MR. HOLLAND:** Yes.

**MR. STEEN:** And having the phone service centres is going to play a major role in keeping the numbers of employees down?

**MR. HOLLAND:** Yes, I would like to express that though by saying that it will give us a means of not expanding our forces at a very high rate. It's a containment measure more than a reduction of staff.

**MR. CHAIRMAN:** Page 14—pass; Page 15—pass. Mr. Lyon.

**MR. LYON:** On page 16, we're looking ahead in the final paragraph, we know that the capital expenditures this year will be roughly speaking in this report, \$79 million. We can expect I take it from the Public Utility Board submissions that were made by the System and by projections that have been made by the Chairman, that these capital expenditures are going to accelerate say over the next three to five year period?

**MR. HOLLAND:** Yes, there will be a regular increase we think in the capital investment indicated. I don't think it will be dramatic increases.

**MR. STEEN:** That's all. Thank you. Mr. Chairman.

**MR. CHAIRMAN:** Page 16—pass. Will somebody move that the Manitoba Telephone System Annual Report for 1975-76 be reported? Is it agreed? Mr. Craik.

**MR. CRAIK:** Mr. Chairman, one question: Can we expect that we're going to hear the briefs with regard to the question of connection devices, whatever the proper terminology is . . .

**MR. CHAIRMAN:** Interconnections.

**MR. CRAIK:** No, you know the devices are connected onto the system, the request for legislation by Manitoba Telephone System and so on . . .

**MR. CHAIRMAN:** I think the Minister indicates that . . .

**MR. CRAIK:** Will we be hearing the briefs by IT&T and IBM and so on that were planned to be presented as you recall — I think it was January we held over a meeting . . .

**MR. CHAIRMAN:** Well, Mr. Craik, we reported and it was also indicated to those people that had phoned that there will be a bill and they will have an opportunity to present the particular arguments before the committee when the bill is presented. They had not prepared any briefs at the time we had called for the meetings and if you recall, we had scheduled two days, we cancelled the second day because there was nobody appearing, in fact, we finished in the morning of the first day. There were people in February that wrote to me and I had a set of briefs distributed to the members of the committee and from that date, we have not had any other communications except about when the bill might be coming forth so that they would be then prepared to present their brief on that bill that will be before the committee.

**MR. CRAIK:** Has there been an indication from these parties that they want to appear on the bill itself?

**MR. CHAIRMAN:** I have not heard from IBM. The Clerk of the Legislature might be able to give you that information and you can communicate with him directly. Mr. Lyon.

**MR. LYON:** Do I understand you, Mr. Chairman, that first of all what the Minister has indicated, the bill will be forthcoming in this Session; and secondly that that bill after second reading will be referred to this committee?

**MR. CHAIRMAN:** Will be referred to committee. Now which committee, that will be the determination of the House whether it goes to Public Utilities Committee or it goes to Law Amendments. But the opportunity will be afforded for people to appear and present their briefs on the bill.

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**MR. LYON:** I would take it, in either case we would have the advantage of Mr. Holland and his staff available to . . .

**MR. CHAIRMAN:** The Minister responsible indicated that he would have people to explain any details. Committee rise.