



Second Session — Thirty-Second Legislature
of the
Legislative Assembly of Manitoba

STANDING COMMITTEE
on
PUBLIC UTILITIES
and
NATURAL RESOURCES

31-32 Elizabeth II

Chairman
Mr. P. Eyer
Constituency of River East



MG-8048

VOL. XXXI No. 5 - 10:00 a.m., TUESDAY, 24 MAY, 1983.

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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC UTILITIES
AND NATURAL RESOURCES

Tuesday, 24 May, 1983

TIME — 10:00 a.m.

LOCATION — Room 255, Legislative Building, Winnipeg.

CHAIRMAN — Mr. Phil Eyler (River East)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Parasiuk and Plohman
Messrs. Anstett, Doern, Eyler, Fox and Orchard

APPEARING: Mr. Gordon W. Holland, General Manager

Mr. Saul Miller, Chairman of the Board
Mr. O. Pedde, Director of Marketing

MATTERS UNDER DISCUSSION:

Annual Report of Manitoba Telephone System for the fiscal year ending March 31, 1982.

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MADAM CLERK, Carmen DePape: Committee come to order. Since our Chairman, Mr. Eyler, is presently busy, could a member of the committee please take the Chair to begin the meeting?

Mr. Anstett.

MR. DEPUTY CHAIRMAN, A. Anstett: Committee please come to order. Referral before the committee is the Annual Report of the Manitoba Telephone System. I don't recall where we left off. However, are there further questions, or are there any reports?

Mr. Holland.

MR. G. HOLLAND: Mr. Chairman, there was some information asked for at the last meeting which I might report on. Do you agree?

MR. DEPUTY CHAIRMAN: Please proceed.

MR. G. HOLLAND: There was a question on the policy regarding provisioning of premium services.

MR. CHAIRMAN, P. Eyler: Good morning.
Mr. Holland.

MR. G. HOLLAND: The new tariff is a trial offering to be effective from February '83 to February '84. The provisioning of single line service is subject to the availability of facilities. Provisioning charges are related to distance requirement, and for the first two miles are

\$55 per quarter mile, for the next two miles \$50 per quarter mile, with a maximum charge of \$500 in effect for the trial period. The customer then also pays a flat rate of \$2.80 per month for extra exchange measurements charge. Presently, there are about 3,400 customers paying this charge.

Another question, Mr. Chairman, had to do with the illustrative costs of eliminating toll charges within the province. That is a difficult estimate to make and requires a considerable number of assumptions. Last meeting, we referred to the two components here. One is the loss of toll revenue, and the other one is the significant capital investment required to accommodate the stimulation in customer usage. Assuming that the customer utilization both in frequency and holding times is stimulated tenfold from the present, we've estimated that the average customer rate for exchange service would have to rise by \$40 per month and that would be for all main stations in the province in order to obtain province-wide free calling.

Another question, Mr. Chairman, had to do with video conferencing services. These services are available at seven locations within Bell Canada territory at the moment: Ottawa, Quebec City, Kingston, London, Thunder Bay, Toronto and Montreal. Bell Canada provides corporate studios in Toronto, Montreal, Ottawa and Quebec City and will provide studio equipment on customer premises for specific conferences or on a trial basis.

The cost depends on the number of locations involved in the conference, the distance between those locations, the length of the video conferences and the cost of studio equipment. The average cost to a customer for a video conference involving two locations is approximately \$1,000 per hour.

Another question, Mr. Chairman, had to do with the annual revenues to be expected from the four Northern communities of Shamattawa, Tadoule Lake, Lac Tadoule and Brochet. Our current estimate is that annual revenues from the four communities will be about \$55,000.00.

Another question related to the use of fibre optics versus coaxial cable in certain areas - the coaxial was installed in Stonewall in 1979 and in Beausejour in 1980 in order to provide cable television to those communities.

The unused capacity on those cables at the moment could accommodate about 288 voice telephone lines, the equivalent of 288 voice circuits. The requirement, together with some allowance for growth through 1984, was 432 voice circuits to Beausejour and 312 to Stonewall, thus there was another structure chosen as the means of providing those services and fibre optics was the most desirable engineering solution.

Another question had to do with court authorized wire taps served on MTS. In the period 1982-83 there were 35 such authorizations served. They affected 84 locations and involved 76 subjects.

Lastly, Mr. Chairman, there were questions on the restructuring of telecommunications that is taking place in the USA, and what such restructuring might mean to Canada and Manitoba to the extent that it proceeds here. We have available a recent FCC decision dealing with the impact on access charges or local rates in the USA, together with some comment on the implications that we perceive for Canada and Manitoba of this trend.

We also have an article from the April 14th issue of Public Utilities Fortnightly, and an article by Edward P. Larkin, who is with the New York Public Service Commission, serving his fourth term with the New York Regulator. He deals in the article with some of these implications for the local exchange rates. Copies of those are available to members of the committee, if you would like to have them.

MR. CHAIRMAN: That completes the answers from previous questions, I suppose. Are there any further questions in a general way on the MTS Annual Report? Mr. Orchard.

MR. D. ORCHARD: Thank you, Mr. Chairman. I would appreciate a copy of the report that Mr. Holland referred to in his last remarks.

Mr. Holland, could you indicate the numbers of term staff that you are expecting to employ this summer?

MR. G. HOLLAND: Mr. Chairman, I don't have the exact figure here. It is a limited number; it is being contained this year.

MR. D. ORCHARD: Now, when you mention a limited number, is that number of term employees lower, for instance, this summer than it was last summer?

MR. G. HOLLAND: Yes, Mr. Chairman, I believe it is lower.

MR. D. ORCHARD: Do you have similar figures for summer student employment for the system as well?

MR. G. HOLLAND: From last year, Mr. Chairman?

MR. D. ORCHARD: Mr. Chairman, if I may, if you could provide the figures for last year and the numbers you anticipate hiring this summer as well?

MR. G. HOLLAND: Mr. Chairman, I think I should undertake to provide those to make sure they're correct.

MR. D. ORCHARD: That would be fine if Mr. Holland could provide those at a later date.

Getting back into last summer, we were dealing with that item briefly the last morning we met. The general manager indicated that about August, or after the first quarter was in, there was some indication there was going to be a fairly substantial deficit and a number of proposals to reduce that deficit position were put forward, one of them being to rather than wholesale layoffs of upwards of 200 staff, the management had come up with a plan of a two-week unpaid vacation. There was indication by the government, by the former Minister responsible and the new Minister that the layoff plan was unacceptable.

Now, as a consequence of that indication by the government that management's suggestions for cost reductions were unacceptable, we found out that what in fact happened was that a number of the term staff that were hired last summer were let go earlier than they normally would have and that was also the case with summer student employment. Could the general manager give any indication as to whether there was a 20 percent reduction in the time worked by those term people and summer students, 30 percent, 40 percent, what rough ballpark might be applicable to the early termination of those term and summer student employees?

MR. G. HOLLAND: Mr. Chairman, I don't have a breakdown between our term employees and summer students. Together there were 74 term employees and students laid off in the period July through September, in that quarter, and 26 in the October to December period.

MR. D. ORCHARD: Would those numbers represent an earlier than normal layoff?

MR. G. HOLLAND: Mr. Chairman, I would say "yes" for both categories. The term employees normally come on staff at MTS for the construction season in April-May and work through the end of the construction season, and the students for their period between educational terms.

MR. D. ORCHARD: A question to the Minister, was the Minister aware that term and summer student employees were being laid off ahead of normal?

MR. D. ORCHARD: No, that was to the Minister, Mr. Chairman.

MR. CHAIRMAN: Mr. Plohman.

HON. J. PLOHMAN: We were told at the time that I became Minister that the amount of term time was being cut back, and I don't know whether I was aware that meant layoff or whether it meant reduced use of term employees. At any rate, that was part of an earlier phase that was not affected by the announcement by the former Minister that he did not find general layoffs acceptable. So that was not part of the same operation; it was part of one of the first and second phases of cost-cutting measures that were taking place.

MR. D. ORCHARD: Mr. Chairman, I think the Minister's answer lacks a little forthrightness in it, because the Minister and the former Minister were in the newspaper, mid-August, indicating that there should be no layoffs. I have a picture of the new Minister with a headline here that says, "MTS loss cutting scheme leaves new Minister cold." That's about August 21st. During that period until the end of September, there were up to 74 term and student employees that were laid off early and, well into the Minister's responsibility, there were a further 26 from October to December. Now, the Minister says, he's not sure whether he was aware that was happening at the time, but at any rate it was something that was going on beforehand.

Well, you know, if the Minister is in the newspaper saying that layoffs, and here's a direct quote from him, saying, "Laying off workers is not going to make your operation more efficient." Now whether that was an earlier stage or a later stage, if that's what the Minister is saying in the newspaper, and I have to assume this quotation is a correct quotation from the new Minister, then it would appear to me that the Minister, publicly, for the consumption of the reading public of Manitoba, says one thing whilst he is aware that another thing is going on within the corporation. Now, he just said that, yes, that was going on and it was a previous stage. Therefore, it was legitimate, but yet he tells the reporter in this particular case in mid-August that layoffs are unacceptable, the plan leaves the new Minister cold, and laying off workers is not going to make your operation more efficient.

A further quote, it says in here that, "Employment takes precedence over balanced budget." You know, those are all grandiose and fine public postures to take, but obviously either the Minister knew that there were going to be earlier layoffs than normal of term and student employees, and he's saying one thing publicly and while he's saying it, there are being layoffs of term and student employees.

Now, the Minister made a nice statement in the public, but facts, as we now know them, say that the Minister's statements were public posturing on one hand and privately watching summer students not achieve their full term of employment during the summer and the term employees not also working their full term; public stance on one hand that says one thing and an administrative knowledge that, in fact, the exact opposite is happening.

I guess maybe it's those kinds of anomalies that we see emanating from the government that cause a lot of concern as to what really is going on in government when they can publicly say one thing and, at the same time, the exact opposite is happening. Maybe the Minister would like to comment on that.

HON. J. PLOHMAN: I certainly would like to comment on it, Mr. Chairman. The announcement made by MTS around the middle of August came out at least in the papers with regard to layoffs, or the proposal that was made to the unions, as well, just one of the proposals, one of the ideas, that should be looked at was to affect permanent employees, and we're not talking about term and student employees at that stage. So, my comments and the previous Minister's were referring to employees of permanent status, and we were directing our comments to the questions that were asked of us with regard to the statements made by MTS or the proposal made by MTS to the unions who were representing the people at the meeting where this took place. So, it did not affect the term employees.

That statement was made, or that move was made by MTS at an earlier time when they were taking some other steps to reduce costs and that was to reduce the amount of overtime, the amount of travel time, the amount of term employees used and so on, and that's where that came into it.

I don't know whether the honourable member is suggesting that there should have been more layoffs or not, he seems to be indicating that he would have

liked to have seen more layoffs in addition to what took place in terms of the term employees.

It seems to me, as well, that I recall the honourable member publicly making a statement that he also felt that layoffs at that time were not acceptable, and I wonder if he's making an about-face now, or whether he wishes to deny that he said that at the time. It's quite clear that what the member is proposing here, if it had been indeed a fact, in addition to a cutback in the number of term employees, was a cutback in the number of permanent employees, we would have had more unemployment in this province. If that's what the honourable member is advocating, then he should come out and say it.

MR. D. ORCHARD: The Minister is indicating that he doesn't know exactly what I'm after. What I'm after is a truthful statement from the Minister. You know, we've got another article here on the 24th of August in The Sun, and the headline says, "No Layoffs at MTS for Now, Says Plohman." Layoffs and leaves of absence are unacceptable to the NDP, according to the Minister, but yet the Minister is trying to make a public posture that there are going to be no layoffs at MTS, while layoffs, indeed, are happening amongst term and student employees, and I might add that the student employees, no doubt, were probably financing their 1982-83 university year through their summer jobs and premature layoff or layoff before resumption of university would probably cut into their ability to fund their university without borrowing money. But the Minister is saying that, well, you know, really, of course, I knew there were layoffs of students and term employees, but I chose to publicly discriminate against them and not include them in the worthy category of permanent employees, that's really what I was saying, publicly, that it was only permanent employees that I was talking about. I don't really care about the term and the student employees now — (Interjection) — Mr. Chairman, I hear a comment from the other side that I'm stooping pretty low. If the member that made the comment would have just listened to what the Minister said, he said, no, no. When I was talking about no layoffs, I meant permanent staff. I didn't mean student and term. That's what the Minister just said.

In other words, according to this Minister, term and student employees are there to be discriminated against, that they can be laid off prematurely, even though he's publicly saying there shall be no layoffs at MTS. Even though he's maintaining that kind of a public posture, he is allowing summer students and term employees to be laid off.

What I'm after from the Minister is an indication of when he makes public statements, whether we have to give a detailed questioning of them, to know, to determine whether he knows, in fact, what's going on, No. 1. No. 2, whether he is telling us all of the facts when he makes these public pronouncements, because it's pretty obvious now that the headline just isn't true - that there were layoffs at MTS and that's a headline on the 24th of August. We could go on, I suppose.

So, if the Minister is questioning my motives this morning, as to what I'm trying to determine from the Minister, I simply want to assure him that I'm trying to determine from him when we can rely on his public

statements as being carried out. We couldn't last summer, when he said there would be no layoffs, and there may be statements he makes over the next several months and it would be nice to rest assured that we could rely on those statements as being factual.

HON. J. PLOHMAN: I think it was quite clear - and it's nice to take an incident like this out of context at this point. It was quite clear at that time that all of the discussion was referring to the reference to permanent employees. That was discussed with the unions - plans, the proposals to cut costs. Therefore they were not discussing term employees or students at that time. All of the discussion, the public discussion and the discussion that I had with the press, certainly referred to that angle that was being proposed by the people involved, by the parties involved at that time.

So therefore, saying now, at this time, that I didn't come forward and volunteer that there were some layoffs of term employees, was certainly not the subject of discussion, or the area of concern at that particular time. Certainly I'm concerned when anyone loses their jobs, but at that time, judging by the financial situation, it looked serious. It looked like the MTS was indeed going to have problems coming out in the black, and therefore, some pretty significant moves had to be taken at that time.

When you're dealing with student employees, certainly you're not dealing with people that are earning their livelihood in a permanent way, from the job that they are engaged in, at that particular time. As the member said, probably they were assisting themselves through school and that's a little bit of a different situation than people who are working full-time and they've decided to make that their career.

I think the other thing is, and it should be mentioned, that we have expanded, this government has expanded significantly the Student Aid Program for bursaries and for student loans, and certainly, that would have assisted students who either didn't have a job, or weren't able to keep that job for the whole summer. So I think that was a significant move to assist students.

I think the headlines that the member is quoting certainly were not statements by myself. I think the member is quite aware of who makes the headlines in the press. There are people who do that and it's not necessarily - it isn't the person who even writes the article. So certainly quotes from headlines are not quotes from individuals made in interviews and I think the member should be aware of that.

The actions taken by MTS before the time that I became involved with the discussion of the proposals regarding permanent employees, did have significant effects on cost-cutting for MTS, and therefore, as I said, at the last meeting that we were at before Public Utilities, it turned out that it was not necessary to have further layoffs. Significant cost-cutting measures were made, reduction in hiring took place, and this accomplished the same thing as layoffs would have, only the people that wanted to maintain and keep their jobs were able to do so, and I think that was a very significant effect of the announcements that were made by the Minister and myself, with regard to the proposals on layoffs.

MR. D. ORCHARD: Mr. Chairman, back when the System became aware of its financial position, did not

the general manager indicate at that time that their projections in August - and I haven't got it in front of me - but I think they were talking about, what? A projected \$6 million deficit at that time?

MR. G. HOLLAND: \$5.7 million was the projection on August 30th.

MR. D. ORCHARD: Yes, and rough calculations indicate that what is the financial position to be at the end of this year?

MR. G. HOLLAND: Mr. Chairman, slightly under \$4 million positive.

MR. D. ORCHARD: Now, that means a change over the eight months, or whatever, nine months, of about - my figure is about \$10.6 million, \$10.7 million?

MR. G. HOLLAND: Mr. Chairman, it would be over \$9 million.

MR. D. ORCHARD: Over \$9 million? Right now, the System is before the Public Utilities Board for a rate increase of approximately 6 percent, is it?

MR. G. HOLLAND: Mr. Chairman, approximately 6 percent in the residential rate. The total tariff would produce revenues of about 3 percent higher than gross revenues.

MR. D. ORCHARD: So you're talking - here, I have the press release here. You're talking residential, individual line resident's rates would increase by about 6.5 percent and long distance toll calls within Manitoba about 6 percent. If you're granted this increase as applied for, what is the overall impact on revenue then?

MR. G. HOLLAND: Mr. Chairman, the net revenue projection is for a small positive net revenue for 1983-84, with the increase.

MR. D. ORCHARD: But Manitoba rates, the rates that the Manitoba consumer on a telephone service is going to have to pay approximately 6 percent more, is that fair?

MR. G. HOLLAND: Approximately. Mr. Chairman, the tariffs do vary. The inter-toll increase, for instance, on DDD calls is I believe a flat 6-cent increase on all calls; but the residential rate in Winnipeg, for instance, is about 6 percent.

MR. D. ORCHARD: Mr. Chairman, I, from time to time, read letters from Mr. Krawetz in the newspaper responding to various criticisms that are levelled from time to time at the system, particularly in the one newspaper, the Free Press. I note with a great deal of interest that whenever the system feels aggrieved by those editorial comments or otherwise, Mr. Krawetz is very very quick to correct any mistaken information or any incorrect impressions. I watched very carefully from April 18th of this year on and I don't believe I saw a letter to the editor from Mr. Krawetz correcting an incorrect statement in an editorial of April 18, 1983,

in the Free Press. The editorial dealt with, well, the headline on it was "MTS Wants More Again." They went through the recent rate increases that MTS has applied for and been granted.

There's one rather glaring error in that editorial, I believe. If I'm incorrect, the general manager will no doubt correct me, but they mentioned that there was a rate increase in 1975, and then again in 1979, and then they indicate that there was a rate increase in 1980. Now, I don't recall any rate increase in 1980. I think the rate increase that they refer to in here of 9.7 percent was in fact applied for in 1982 and granted in 1982, would that be correct?

MR. G. HOLLAND: There was a rate increase in 1975, 1978, 1982 and one other year, I've forgotten the effective date. Perhaps Mr. Beatty could obtain that and give it to me.

MR. D. ORCHARD: Well, Mr. Chairman, I don't recall any rate increase in 1980, and I'm quite sure that the 1982 rate increase is the one that was referred to in the editorial. I'm very surprised that Mr. Krawetz missed that and didn't have a letter to the editor correcting the rate increases because, obviously, the information is not correct.

Furthermore, Mr. Chairman, I would not want to have a blemish on the Progressive Conservative administration record of having a rate increase in 1979 and the impression that there was one again in 1980; such as now we're having, under the NDP administration, a rate increase in 1982 and an application for one in 1983. I think if Mr. Krawetz would use his writing skills, he might wish to correct that wrong impression in that April 18th editorial.

Now, Mr. Chairman, I've got a question for the Minister. Is the Minister satisfied and agrees with the request that's currently before the Public Utilities Board for a rate increase?

HON. J. PLOHMAN: Mr. Chairman, it would seem that from the figures that are presented by MTS that without an increase this year there would be severe pressure on the system to at least break even.

I believe I recall when the application was made that the figures MTS were using was that there would be a deficit position if there was no increase in rates this year. So that coupled with the fact that there has been a slowdown throughout, as the honourable member knows, in the amount of telephones that certainly are being installed, with the slowdown in the economy, the Telephone System has certainly felt that and therefore have put forward a request for an increase that is very modest. I certainly agree that it had to be modest; that it indeed though was necessary for the MTS to retain a relatively positive financial position and therefore feel that the increase that is being proposed by MTS is a reasonable one.

MR. D. ORCHARD: I take it then that the Minister agrees basically then with the application for rate increase, and he bases his agreement on the basis of information provided to him about a projected \$7 million to \$8 million loss that the system may well endure should they not receive a rate increase as applied for.

I want to ask the Minister, is he any more confident of the projections given that he's using to justify a rate increase than he was, for instance, in August of last year when the corporation was projecting in August a \$6 million deficit and in fact ended up with almost a \$5 million net income figure, a disparity of some \$10 million? Is the Minister more satisfied that the figures provided requesting a rate increase are more accurate than those supplied to him last August when the suggestion was made by general management, and I believe and I'll stand corrected if I'm not, the Board of Commissioners and the Chairman to implement a program of two-week unpaid leaves which was a method of cutting costs to eliminate a deficit? Is the Minister saying to us today that he believes the projected deficit figures, when it's time for a rate increase, more so than what he did last August when it was to justify a two-week unpaid leave suggestion by management?

HON. J. PLOHMAN: Certainly, Mr. Chairman, I believe the estimated figures as much at any one time as another. However, when the honourable member is referring to layoffs, I think there's reason to be a little more cautious and make some other attempts to cut costs to prevent the necessity of having to lay off people.

However, I believe that the estimates given are the best estimates at any given time. There are a lot of variables in there, as the honourable member well knows. Certainly, the foreign exchange rate has a lot to do with how the estimates turn out in the long run.

However, the estimates that are given now are the best estimates that MTS can put together at this particular time for the financial situation of the MTS over the next year or two and, therefore, I feel that they are the kinds of estimates that one has to accept.

I don't know whether the honourable member feels that we should be asking the MTS for another estimate, and say, "Now, give us the real estimate." I believe that they have given us the best estimate that they can at this particular time. In addition, I want to point out the honourable member is referring to the fact - is asking me whether I agree with the rate increase and so on. I think a very important fact is that the MTS is still delivering a very efficient service, a very good service at a rate that is lower than any in Canada in almost all categories, even after this rate increase. I think that is certainly something that one can look at when looking at the rates and saying where are they reasonable. I feel that the rates in Manitoba certainly are reasonable.

MR. D. ORCHARD: Mr. Chairman, could the general manager indicate what were the projected savings that the System anticipated if they were to carry out their proposal they made in August of a two-week unpaid leave for all of the personnel in the corporation?

MR. G. HOLLAND: My recollection, Mr. Chairman, is that we were looking for savings of approximately \$3 million at that point.

MR. D. ORCHARD: Thank you. Now, another question to the general manager, and he's probably answered it throughout the Estimate but, generally, the volume of telephone business is still down compared to, say, a year ago or two years ago?

MR. G. HOLLAND: Mr. Chairman, the growth rate is substantially lower than it has been in previous years.

MR. D. ORCHARD: Is the growth rate a negative growth rate or is it still a positive growth rate? I mean not in dollar volume because dollar volumes are affected by rate increases, but in actual volumes of telephone calls, long distance calls, installation of telephones, etc. When the general manager indicates the growth rate is lower, is it still a positive growth rate factoring out rate increases, or is it a negative growth?

MR. G. HOLLAND: Mr. Chairman, the volume of messages is positive, likely about 6 percent, typically, as opposed to considerably higher percentages in previous years. Net increase in installations of telephones is down, has dropped off from previous years.

Some of the factors, Mr. Chairman, that are reported as at the end of March: intra-toll messages increased at 5.1 percent over the previous year; Manitoba, Saskatchewan - 1.7; MTS to Bell Canada dropped .7 percent; TransCanada Telephone System volumes were down 2.8 percent over the previous year; Canada-U.S. volumes increased 2.7 percent.

MR. D. ORCHARD: Well, certainly, that's a levelling off of the growth pattern that had been in place, but is it fair to assume that when we're talking calls and what not, basically, they don't have the major impact on workload since the majority of them, of course, are routed through automatic switching, very mechanically, very efficiently done, as is the billing. The main indicator - and correct me if I'm wrong, Mr. Holland - of the requirements on the system would be the installation, assuming that maintenance is basically year-by-year not a high variable; maintenance is probably there whether you use the line for one call or a million calls. You're going to have to maintain it at some point in time from weather or other factors, but the major indicator of requirement of demand on staff time would be the installation of new equipment which you've indicated, Mr. Holland, is down. Is that a fair assumption?

MR. G. HOLLAND: Mr. Chairman, the growth rate certainly impacts our construction program and our construction activities, and we have noted that our construction program was reduced by some \$10 million in the light of these shifting utilization rates. The volumes of installations inward and outward were also down last year, the maintenance activity measurements.

MR. D. ORCHARD: Well, I would suspect that it was as a result of being faced with those kinds of figures, and to my knowledge - and I haven't looked at the internal accounting procedures of that many major corporations - but I think the Telephone System probably has a better tab on more areas of information in their operations than probably very many other corporations do. The internal control over there is quite superb. That monthly confidential report that comes out has everything but the kitchen sink in it in terms of what MTS and its staff and employees have done.

Now, I'm sure that having viewed the trend line and having viewed the request for in-and-out installations,

etc., and seeing that they are down, that would have to telegraph, I believe, to the management of the System that we definitely have a declining workload on us, and that's going to have an impact on declining revenues. I thought that what the management and, once again, I'll make the assumption that the Board of Commissioners was in basic concurrence with management proposal for the two-week unpaid leave of absence which was quite an innovative approach to the dual problem of declining revenues, and with installations, maintenance, etc., down, really a declining demand on the existing staff of the Telephone System. The out-and-out layoff of 150 to 200 permanent employees would probably have accomplished the same \$3 million saving. I thought that the approach by the System was fairly innovative in meeting with the realities of the economic situation today.

Now, the Minister had just made a comment that I should be aware that the Telephone System, even though they're applying for a 6 percent rate increase, is still probably amongst the lowest rates in Canada. We're all aware of that. That is a situation that has existed through probably the last six or seven or eight administrations in this province, and I think that by itself is a commendation of the way the Telephone System has been run over the years. I don't think it is particularly any bouquet or bonus that any particular political administration might be able to claim as credit. That's been ongoing maybe even since the inception of the system in the early 1900s. That situation can exist if the management who are professionals are allowed to make good decisions. That can deteriorate when you have government interference; when you have government imposition of policy directions and policy approaches that are political approaches and not necessarily well-founded management approaches.

The Minister and this government have said to the Telephone System that we don't like your innovative idea as a method of reducing the costs within the system to realize the economic downturn's impact on the system in terms of lower volume, lower demand for maintenance installation, etc., and lower demand for services on the staff of the MTS. The government and this Minister have said, no, we don't recognize your management decision there. We are going to impose a political decision on you that you are not going to be laying off any permanent staff and you are not going to be considering the innovative approach of a two-week unpaid leave of absence.

What the government has allowed to happen now is an application for a 6 percent rate increase so that all Manitobans now are going to be paying, if this is approved, some 6 percent more. You know, I don't think it takes any in-depth analysis to recognize that most Manitobans don't want and can't afford to bear any additional cost regardless of the source. It would seem to me it is pretty clear that in this case government interference by this Minister, this government in preventing the management of the Telephone System in undertaking some innovative cost-saving measures to recognize the kind of economic times we're in, is causing all Manitobans to be faced with a 6 percent rate increase.

Those rates that have been maintained at a very economic and low rate throughout the years, throughout a number of administrations can indeed be jeopardized

by government interference. I think this is the first example of a rate increase that is, no doubt, a good portion of it because of government interference in the management and the board decisions as to how to run the Telephone System in an efficient manner as they are mandated by legislation to do, and in a manner in which it reflects the current economic times.

No one likes layoffs. There is no question about that, but yet other industries in this province and other industries in this country have had to recognize the downturn in the volume of their business and they have had to undertake numerous cost-saving measures which included the layoff of staff to reduce expenses. That has been the private sector's response to surviving, because if they don't survive then there will be no jobs in those companies when the economy does turn around as it surely will. But here we have a circumstance where government interference has prevented what I think was an innovative alternative to direct layoffs.

The Telephone System wasn't talking about laying off permanent staff. What they were talking about was two-week unpaid leaves of absence to reflect lower volumes. I think it was an innovative approach. I don't think the financial imposition, although there would be financial imposition on those staff so affected, it is not nearly as severe a financial implication as a direct layoff. And it has been offset now by this Minister's approval in principle of a rate increase for all Manitobans.

Now we have those summer students who were laid off prematurely last year going to pay 6 percent more for their telephone rates. We have fixed income pensioners, etc., going to be paying more for their telephone rates as a direct result of this Minister and this government's interference with the management and operations of the Telephone System.

So, you know, the Minister made one correct statement this morning where he said that the system has been able to operate at as low a cost as any other system in Canada and provide service at as low a cost as any other system in Canada. I want to just add to the Minister's correct statement by saying that they can continue to do that as long as you don't have undue government influence and interference on the corporation to prevent them from maintaining that type of service at a cost that is certainly amongst the lowest in Canada.

HON. J. PLOHMAN: Certainly there are a few points, Mr. Chairman, that should be made to clarify the situation. We suggested at the time that a committee be set up, membership from MTS management and the professional groups from the unions involved, to look at the financial situation of MTS, to look at the employment situation, to discuss and review options that could be taken if there were problems that were identified and mutually agreed upon. Certainly that committee has been working and will be presenting a final report and recommendations that they feel could take place to meet any crisis situations or financial problems that MTS might have as a result of that review process.

I think that it has been a good process, and I think it shows one thing. That is that suggestions made such as those last year for a two-week layoff proposal, suggestions like that are not necessarily negative. They

are very constructive, but they needed a lot more discussion. At the time that this took place, there was not an opportunity for that discussion because it became public at very close to the same time that they were first thrown out for discussion. I think that's an important point to remember; that all of the unions certainly needed to have input. The membership needed to have input into any decisions such as those. That was not feasible in the climate that existed at that particular time, because there was no chance for them to discuss this privately. It was public information very quickly.

I think that constructive alternatives did take place though. One of them was that, through the early retirement provisions that were made for the Civil Service and also for the MTS employees, people who voluntarily selected that they would like to sever their employment at an earlier time than they would have been able to before without suffering penalty were able to retire.

In addition to that, other people were able to retire, people who had reached normal retirement age over the course of the year. They were not replaced at the same rate they would have been under normal situations with normal revenue projections. Therefore, the number of employees was reduced without having to lay off active workers during that period of time, people who did not want to part company with the MTS at that time, permanent employees. I'm advised 270 fewer employees than last year, so there was I think a very effective way of reducing the number of employees and I think then I would on that basis completely reject what the member is saying, that it is because of the fact that there are too many employees in MTS, that the people of Manitoba are being expected to pay more for their bills and for telephone service this year.

I think that is an erroneous assumption. I think it is made for political reasons and is not made on the basis of fact, and I think the honourable member is not attempting to reason out the other alternatives that were taken, constructive ones, to achieve a reduction in the number of employees in areas where it could be shown that it was necessary.

Certainly, with the rebuild of the cable system in the plant area, there would be a necessity to have more employees in that area, or at least it would certainly make sure that MTS would be utilizing them efficiently and that, as the honourable member knows, is a necessity in the very near future to rebuild the cable system in Winnipeg. Those people in the plant area, in the construction area, that were involved in past major projects, such as the Jack Program for homes and the building of the cable system, would find themselves in the same kind of work in a very effective utilization of those employees, I think, when the rebuild would take place. We expect that would be taking place in the near future, and perhaps the general manager would comment on that at some point.

MR. D. ORCHARD: Mr. Chairman, to the Minister, when did the policy on early retirement come in which would allow MTS employees to retire earlier without disadvantaging their pension scheme or their pension pay out?

HON. J. PLOHMAN: Well, the window for early retirement was April 1, 1983, and is until the end of

June, 1983, which would certainly affect the next fiscal year for MTS.

MR. D. ORCHARD: Since we are dealing with the report ending March 31, 1983, could the Minister indicate what effect on this report - pardon me, we're not dealing with that report - we're dealing with the one 1982, we're talking about the fiscal year ending 1983, March 31st. Can the Minister indicate to me what effect the early retirement program that he has indicated help reduce costs, what effect it had on the year ending March 31, 1983?

HON. J. PLOHMAN: Mr. Chairman, I wish we were dealing with that report, obviously, the honourable member isn't aware of that. He's just been asking questions about the rate increase for this year, the application that was made. I guess he can take the advice that he just gave me and maybe concentrate on dealing with the report; however, I'm sure he feels that he would like to deal with more current questions than the report itself. But I certainly don't feel it is relevant for him to be giving me advice as to what we're dealing with here when he, himself, has wandered from the whole gauntlet, the number of years, and certainly right up to the present.

Certainly, the retirement, without replacing employees at the same rate as they would have in previous years, has led to a cutback in the number of employees and that has been effectively done through retirements. It will be even more effectively done through the utilization of the early retirement provisions that are in place now.

MR. D. ORCHARD: Well, Mr. Chairman, the Minister indicated to us about five minutes ago that some of these new innovative approaches that alleviated the necessity of undertaking a two-week leave of absence without pay was because of the early retirement policy that has been brought in. I point out to the Minister that's effective April 1, 1983. It had no effect on the year that we're discussing, yet he's trying to claim it as part of the reason why the system saved money. It indicates the Minister doesn't know what he's talking about or else he's making more public statements that aren't based on fact.

Now, the Minister indicated that there were 270, I believe, employees fewer at the end of this fiscal year, March 31, 1983. Could the Minister indicate whether all or what portion of the 270 were early retirement vacancies?

HON. J. PLOHMAN: Well, for the honourable member's edification, I indicated the major reason that they're able to achieve a cutback in the total number of employees was through retirements and not replacing. I did mention that the early retirement provisions, in the total context of what I was saying, that will affect. The honourable member was saying a few minutes ago, the fact that MTS needs an increase, asking all Manitobans to pay more for their telephone service, was because of government interference and the fact that they weren't able to reduce the number of employees they had; therefore, it was an inefficient operation is what is being inferred by the honourable member. I'm saying that in the future, which this increase

is for, for the next fiscal year, will affect the revenues for this current fiscal year, that there is an ability by MTS to continue to cut costs, if that's necessary, through retirement. They're able to do it in an accelerated fashion because of the early retirement provisions, so there is a tie into that.

Now, in terms of the number 270 employees, that there are fewer now, I don't know how many have retired since April 1st and therefore would come into that figure. I'm certain that the management could find that information, if the honourable member wished it, but I don't have it at my disposal at this time.

MR. D. ORCHARD: Well, I'd appreciate clarification on the 270 from the fiscal year ending March 31, 1983, because the Minister left the inference, when he was bringing the statement forward, that was because of the early retirement policy that his government had brought in which wasn't even in effect in the year he's talking about. So if he could provide the numbers of retirements then, because we can't talk about early retirement for the fiscal year ending March 31, 1983. But of the 270, if the Minister could indicate what number of those were retirements, that would allow us to better analyze these other areas of innovation and approach to cost cutting within the system.

A couple of questions now for the general manager. Could the general manager indicate, now that the system is going to face a full year with the payroll tax, what is the projected payment to the Provincial Government on the payroll tax for the upcoming fiscal year 1983-84?

MR. G. HOLLAND: Mr. Chairman, the full year's tax is just under \$2 million, I believe, \$1,950,000 in the current fiscal year.

MR. D. ORCHARD: Mr. Chairman, is the Telephone System exempt from provincial gasoline tax?

MR. G. HOLLAND: Mr. Chairman, no, we're subject to that.

MR. D. ORCHARD: Could the general manager give us an indication of what the increased gasoline tax, as of last Budget, will have on the corporation in this fiscal year?

MR. G. HOLLAND: Mr. Chairman, could we undertake to get a calculation and provide it to the member?

MR. D. ORCHARD: Mr. Chairman, is the Manitoba Telephone System exempt from Manitoba sales tax?

MR. G. HOLLAND: Mr. Chairman, we are subject to the provincial sales tax.

MR. D. ORCHARD: Could the general manager provide an indication of what the increase in the Manitoba retail sales tax as brought in in the last Budget will have on the corporation?

MR. G. HOLLAND: Mr. Chairman, we'll undertake to provide that information.

MR. D. ORCHARD: It will be interesting, Mr. Chairman, to see just what the total of those three tax impositions

are on the Manitoba Telephone System, and it will be interesting to add the three of them up to add to them the \$3 million saving of the innovative staffing proposal made last August by the management and commissioners of the Telephone System, adding the four items up and seeing how close we come to the projected deficit for next year.

Then it will be very interesting for this Minister to then say with all clarity and honesty and integrity that government interference has not caused a rate increase in the Telephone System, because I think, Mr. Chairman, we're going to find that when we get the totals, that the new taxes that have been imposed by the Provincial Government and their interference in a management decision will probably equate nicely to at least the revenue increase that is being projected by the rate increase. I believe that is - well, I just can't find it close at hand here, but I'll have it for the next time we meet - but I think we are going to find that the combination of government interference on staffing practices and imposition of new taxes are going to equate to the rate increase that the Telephone System is currently before the Public Utilities Board in hopes of receiving approval of that rate increase.

Could the general manager indicate whether the corporation incurred any unusual costs over the last 12 months, any out of the ordinary costs which impacted negatively on the Telephone System?

HON. J. PLOHMAN: Before the general manager answers that question, I just want to answer some of the statements made by the honourable member with regard to the total costs of the taxes and whether that will equate with the cost-cutting measures that were taken by MTS during this past year. I think what the honourable member seems to be saying is that we should be cutting taxes. If that's what he is saying on the one hand, this is typical of this opposition's approach to the handling of government affairs. On the one hand, they want taxes cut. On the other hand, they say the deficit's too high. On one hand, they say that we should be creating employment. On the other hand, they're saying unemployment's too high. There are contradictory approaches by the members to that.

I think if we wanted to use that logic, we could go back to the gasoline tax increases over the four years of the previous government and add them up and find out what cost they were to MTS. There were significant cost increases in gasoline tax. We could go back to the sales tax when it was first introduced - if that's what the honourable member wants to do - by the Roblin Government, and add that up over the years and find out what it cost the MTS to operate to pay that tax over the years.

Those assumptions that the member is taking, the relationship just doesn't exist. Certainly, he knows that those are costs of doing business by every company, and certainly the government has to have revenues to carry on its business. The honourable member was part of a government that had to do that as well. He knows very clearly that it does not make sense to add up the total provincial taxes that a particular company might pay, a corporation might pay in a particular year, and then equate that to their employment situation.

So I would reject the statements made by the member with regard to the kind of situation that I would find

myself in, or anyone else, any other Minister would find himself in if he had to add up the taxes that were put in place during that particular government's administration. That can be done by anyone at any period in time.

MR. D. ORCHARD: Mr. Chairman, the Minister is obviously caught with his proverbial pants down. He wants to talk about imposition of taxes by our government in four years. I simply want to point out to the Minister that in four years there was one rate increase by the Manitoba Telephone System. You haven't even been government two years, and they are now applying for their second rate increase. If the Minister thinks that government interference does not account for a major portion of the rate increase, I will tell him that already we've got \$2 million in payroll tax that the corporation is paying, a brand new NDP tax on employment. When we find out what the increased gasoline tax and sales tax are, we are going to find that those taxes probably equate directly to the rate increase.

Now, the Minister is using some kind of illogical statement that we increased taxes. Certainly, we did but, my goodness, one rate increase from the Telephone System in four years compared to two in less than two years by the NDP administration. So, you know, at the end of four years, we'll see just what the total impact of this incompetent government and their taxation policies will be on this Crown corporation and the kind of dollars it's going to force this Crown corporation to glean from the telephone users in Manitoba, because that's what we're talking about.

We are talking about gleaning the payroll tax imposed on the Manitoba Telephone System by the NDP from each and every little telephone user, big or small, in the Province of Manitoba. They are gleaning the payroll tax directly from the backs of every Manitoban. That is an imposition on the System that never existed before and it's justification for rate increases.

So the Minister cannot get around it. This gang is causing the Telephone System to be a less efficient operation by interfering with management decisions, No. 1, and imposing new taxes on them, and that is causing the rates of necessity to go up; a direct transfer of costs from an incompetent government to an efficient Telephone System onto the backs of the Manitoba telephone user, clear and simple.

MR. CHAIRMAN: Mr. Anstett.

MR. A. ANSTETT: Mr. Chairman, Mr. Orchard's suggesting there was only one rate increase in four years. Yet I recall earlier, when Mr. Orchard asked Mr. Holland the question, Mr. Holland suggested there was another increase but he couldn't recall what year it was. I'm wondering if I can ask the chairman to advise the committee so we can all be clear as to whether or not Mr. Orchard has his facts right as to exactly when those increases were and what year it was where there was an increase which Mr. Holland couldn't recall earlier. I am wondering if the staff that are here have that information.

The second question I would like answered is: What were the scale of those increases from 1977 through

to last year? We don't know what the scale of this year's increase will be. We only know what MTS has requested. I would like to put the total percentage increases achieved during those periods to which Mr. Orchard refers into perspective. He hasn't given us that information in his harangue of the general manager and of the Minister about what's happened, and I think that's the kind of information we should have so we can see Mr. Orchard's comments in their proper light. I am wondering, Mr. Chairman, if we can get that information?

MR. G. HOLLAND: Mr. Chairman, we don't have the exact dates here, but we will undertake to describe the applications and the tariffs implemented. We've reported 75-78 in 1982, and we will provide those with a summary of the tariff changes to all members of the committee.

MR. D. ORCHARD: I've got a couple of other questions. Last year, what was the capital expenditure? - that's fiscal ending 1983.

MR. G. HOLLAND: The approved capital budget, Mr. Chairman, was 120 million, and I believe the final figure was 108.5 million.

MR. D. ORCHARD: What are the projections for this year in capital expenditures? Have you got those handy?

MR. G. HOLLAND: The program submitted, which will be before the Legislature at this Session, proposes a capital program of \$110 million.

MR. D. ORCHARD: As with all undertakings nowadays, they are subject to inflationary pressures. Would \$110 million buy 10 percent less than 108 million last year?

MR. G. HOLLAND: Probably 8 to 10 percent, Mr. Chairman.

MR. D. ORCHARD: So, then, probably, you're going to have an 8 to 10 percent reduction in construction activity, capital activity. Could the general manager indicate what impact that would have on employment within and in terms of term hiring by the corporation for the construction season?

MR. G. HOLLAND: Well, Mr. Chairman, that will be reflected in the forces required for the construction season. There will be a reduction. It may not be a directly proportionate impact on the labour force. It depends on the mix of the capital program, how much of that is major equipment, how much of it is outside plant construction and so on, but there will be a reduced work force.

MR. D. ORCHARD: Has the telephone system any participation in the so-called Jobs Fund?

MR. G. HOLLAND: Mr. Chairman, we are participating in one or two publicly assisted programs, and I don't think I have the information here to indicate the number of employees affected. One, I believe, is the NEED Program, and the other is, of course, the Student Employment Program.

MR. D. ORCHARD: In the \$110 million projected capital budget, does that include monies to be spent on projects contained within the Jobs Fund?

MR. G. HOLLAND: Mr. Chairman, the \$110 million was developed by the chief engineer last November, December, reflecting utilization rates, growth factors and so would not reflect the Jobs Fund directly.

MR. D. ORCHARD: Could the general manager indicate what the value of MTS participation in the Jobs Funds would be in dollar terms?

MR. G. HOLLAND: Mr. Chairman, I'm unable to do so at this time.

MR. D. ORCHARD: Mr. Chairman, if the general manager could undertake to provide that kind of information, that would be much appreciated, because I think we could probably, once again, establish another area where the Jobs Fund is more appropriately called the "Fraud Fund", where the government is simply transferring normally carried-out work by line departments and, now, possibly, we'll see when we get the figures, possibly by Crown corporations, transferring those kinds of work activities into the Jobs Fund calling it a centre-piece initiative by the government when in reality it is simply a transfer of work activity from line departments into a fraud fund.

It will be interesting to see the value of the two areas of undertaking via the Jobs Fund to see if they are in the neighbourhood of 8 to 10 million which would allow the telephone system to theoretically maintain the same size of capital works program and, hence, one would make the direct analogy of employment through that construction program this year as they were able to undertake in the last year.

If it's simply maintenance, allows the telephone system to simply maintain the number of jobs last year, it would buy money that is now earmarked out of the Jobs Fund through NEED and through Student Employment, it would simply point out that there are no new jobs being created in this instance by the Jobs Fund, that it is simply a maintenance of jobs that were in place last year. Hence, further justification for our critical terminology of referring to the Jobs Fund as the "Fraud Fund".

Mr. Chairman, well the Minister had his hand up. He might want to comment on that.

HON. J. PLOHMAN: I don't think, Mr. Chairman, that the honourable member has had any basis from the information he has received from the general manager this morning to make the statement he did. It's not based on any fact. It's just straight innuendo and discussion that he had in his mind before he got here and not based on the answers he got whatsoever. The statements were not confirmed that any of the 110 million was part of the Jobs Fund. Therefore, any statements he's making in reference to that are not based on any fact whatsoever.

MR. D. ORCHARD: Well, I want to thank the Minister for that clarification. If the Minister was listening attentively, as he should have been, I said, now possibly

we've even got Crown corporations involved in the fraud fund, as we have already identified line departments being involved in the fraud fund. I will wait with patience, as I know the Minister will, to get final confirmation of my suspicion.

Mr. Chairman, I'd like to ask the general manager, he mentioned in his earlier remarks, and I've got so doggone many pieces of paper in front of me now - there we are - that the private line offering, I assume that he was referring to the \$500 flat rate offering, is available from February 1983 to February 1984, for that one-year period. Now, it was, if I recall the general manager's comments, it was subject to facility availability. Could the general manager explain what is facility availability as a criterion of qualifying for that flat charge of \$500.00?

MR. G. HOLLAND: Mr. Chairman, when we extend, particularly outside plant facilities in an area, we build in forecasts of customer requirements, usage, growth, usually at least two or three years ahead.

In conjunction with the major rural improvement program, the \$34 million program, we build in some extra facilities as that program was implemented across the province. So basically these are circuits available over and above the standard service offerings in the exchange.

MR. D. ORCHARD: Now, those facilities are there as spare capacity and now the system is achieving two kinds of revenue from them. Namely the \$500 up-front charge, and also an increased rental rate from the private line system so that the impact on revenue, I would assume that the capital investment is already made in these cases, it's a substantial improvement in the revenue picture that the system would have from those available lines.

MR. G. HOLLAND: Mr. Chairman, the standard offering in these areas is multi-party. Not more than four parties per line. That is the standard service offering.

When the program was completed for instance the average number of customers was about 2.6, and I think presently about 2.8. It is that standard offering on which the forecast requirements are based together with some growth forecasts. So on that premise we say that if premium service is required and if facilities are available we will offer it at premium up-front charges plus an ongoing monthly rate.

MR. D. ORCHARD: Now, if I'm on a line in which I have a couple of neighbors on it on a party line system, and I applied for private line service would you shift and increase the line loading from say two on a line, up to three on a line to free up my line as a private line, and increase the loading on another line to achieve getting me my private line?

MR. G. HOLLAND: Mr. Chairman, we would ensure that our multi-party standard offering was available to all of the customers plus provision two or three years out, such that future customers could be served. Line loadings, and line reallocation is an ongoing process in all of the rural exchanges.

We normally, for instance, do not offer one customer on one line. There are at least two customers on all

of the lines. The selection of the circuit for a premium offering could result in some realignment.

MR. D. ORCHARD: Mr. Holland, indicated that the rural improvement service \$34 million expenditure set a standard with a cushion three to four years in advance of a maximum line loading of four. That line loading, I believe, is somewhere around 2.2, 2.3 per line. Now does this mean that you could put in a number of private lines so long as you had that 2.2 per line on the party line system, and bumped it up to 3.2, you could free up a number of private lines. Is that basically the system that would be undertaken?

MR. G. HOLLAND: Mr. Chairman, I believe the ratio is between 2.6 and 2.8 and does shift each year according to relocation patterns and where our new customers locate and so on. Our standard multi-party offering is not more than four customers per line. So that we try to judiciously offer premium service where we have facilities available but under no circumstances to modify our multi-party standard offering.

MR. D. ORCHARD: But it would be fair to say that you would increase your line loading on multi-party as long as it didn't exceed four to achieve installation of a private line somewhere within that party line system?

MR. G. HOLLAND: The brief answer to that is yes, Mr. Chairman. Our regional officers, however will use good sense in ensuring that the quality of service for other customers is not seriously impacted. That is going to require considerable good judgment on the part of our regional offices.

MR. D. ORCHARD: Well, it's not that I want to seem like a socialist, Mr. Chairman, but the accusation that could be made here is that you've got a series of party lines in rural Manitoba. You don't have any extra line capacity. Your line loading on the party line is 2.5.

So let's say between two and three customers are on a number of party lines. One person in that system, in that area, or two people in that area could come up with the \$500 and achieve a private line status at the expense of loading the neighbors with possibly one, or maybe two more customers to bring up to that four per party line standard.

Now, I've got a problem with that in that the person who knows about it first off the bat, is going to take advantage of it, and another neighbor who may be equally as able to pay the \$500 in the increased monthly charge may not be able to do that because the extra line to bring the party lines up to four or three or whatever you want to achieve as a standard out there will have been used up by the first man in.

Secondly, if one cannot afford the private line, certainly you are going to be imposed upon in terms of the quality of your service from having a line that you may have only one other neighbor on, or two other neighbors on to having an additional person on your line. The more people you have on those party lines out in rural Manitoba the less opportunity you have to use the phone.

So that it would seem that although I have to tell the general manager this and he well knows this is

something that I was pushing the telephone system to move on as quickly as possible because the private line is becoming a business necessity to many farmers. I think the general manager and the management of the MTS fully recognize that.

The problem is firstly dollars in trying to achieve it, and secondly I suppose in coming up with an equitable way of achieving it.

Now it would appear here that the system has devised a way of achieving some penetration of private lines in rural Manitoba but I'm afraid that it might have been at the expense of other people on multi-party lines having their line loadings albeit below, that they are currently below the standard of four the maximum allowable, having it pushed closer to that four at a service disadvantage to those other people on the multi-party line service. It's achieving a goal. Maybe the method is going to cause some repercussions and possibly by next year we can discuss this further and find out whether the system has had a number of complaints as a result of the policy change.

MR. G. HOLLAND: Well, Mr. Chairman, we should remark that the multi-year program completed in 1981 was a major improvement in the quality of service right through the province, because it was not only reduction of line loadings; the project entailed a great deal of new plant and improved plant. So there was a very major improvement in the quality of service all through the province.

We have been faced more and more with the business requirements of farmers for individual line service, and we have been trying to respond where we could to those demands. Under the multi-party program, the quality of service can deteriorate very rapidly if you get a neighbour with three or four teenage kids on it, and our regions at all times are considering customer problems in this area and trying to reassign the lines and redistribute loadings and so on. That is just an ongoing process.

It is our intent to offer private line service where we can without any significant impairment of other lines on that exchange. That is the balancing act that we'll be trying to achieve.

HON. J. PLOHMAN: Well, I just think it should be pointed out at this time, Mr. Chairman, that there again the honourable member is asking for improved service and we'd all like to see private lines for everyone that would like to have them, but when you're looking at difficult economic conditions and at the same time arguing on the other hand that you don't want any increases such as the honourable member says that they shouldn't, then here we are asking for another increase. He's asking on the other hand for improved service, and he should rationalize those two points of view.

MR. CHAIRMAN: Mr. Doern.

MR. R. DOERN: I'll wait for the Member for Pembina to return, Mr. Chairman.

MR. CHAIRMAN: Mr. Gourlay.

MR. D. GOURLAY: Thank you, Mr. Chairman. I'd like to offer my congratulations to the Manitoba Telephone

System on their 75th Anniversary, which happens to coincide with the 75th Anniversary of the Town of Swan River, and we had the opportunity to have both parties together in Swan River just a week ago to sort of kick off the celebrations.

The questioning on private lines, did I hear the general manager say that this was a one-year program starting February of 1983 and running until February of 1984?

MR. G. HOLLAND: Mr. Chairman, the revised tariffs with the capping of \$500 that we're seeking approval by the Public Utilities Board to offer those for a one-year period, then based presumably on the experience and any problems that arise from the revised offering will be assessed, and we'll decide then what permanent tariffs should be proposed to the Public Utilities Board.

MR. D. GOURLAY: How is the general public informed of this offer being available - I don't recall an announcement being made - or just how would an individual be aware of the fact and able to take advantage of that flat rate for private line?

MR. G. HOLLAND: Mr. Chairman, to date, I believe it has been through the business offices in the regions who generally have a backlog of requests for a private line service. So it has been done informally to this point. We have not advertised it for some of the reasons that Mr. Orchard cited.

MR. D. GOURLAY: I had received a complaint on this situation where an individual had applied for a private line during the summer of 1982, received the line, and I think he was offered the opportunity of paying the rate which was determined by MTS, paying it at the time the phone was installed or he could spread that payment over a 12-month period. The individual received the phone and was not billed until early March, but was not given the opportunity to pay the \$500 flat rate, but was billed five or six-months' payments that had been overlooked by MTS. I wonder if the manager would like to comment on that.

MR. G. HOLLAND: Mr. Chairman, if we could know the situation, we would go back to the customer and explain fully what happened in that case and attempt to negotiate suitable arrangements with him.

MR. D. GOURLAY: So if I could provide you with those details, you'd be prepared to look into that further?

MR. G. HOLLAND: Yes, Mr. Chairman.

MR. D. GOURLAY: The Minister, when he spoke earlier, made reference to the Jack Program. Was that program just available for a specific period of time?

MR. G. HOLLAND: Yes, it was a concentrated installation program area-by-area. In Winnipeg, I believe it extended over perhaps two and a half years. We used specialized teams who went out and did street-by-street and did it on a very economical basis, and it was completed in 1981. We've done most of the other major centres on a similar basis as a one-time offering without charge to our customer. Those are all complete, I believe, all of those that are planned.

MR. D. GOURLAY: Individuals living in a home that doesn't have the jack facilities and would like to have that facility installed, that is not available today at a no-charge arrangement?

MR. G. HOLLAND: No, the residential customers would be charged a fee by our installer to do it.

MR. D. GOURLAY: I wonder if I could ask a question on the Extended Area Service Program. In the Swan River Constituency, we have the Extended Area Service to include the communities of Benito and Cowan this year, I believe. There are other communities that would like to belong to the Extended Area in the Swan River vicinity - the communities of Mafeking and possibly Pine River - because of the fact that their local government district office is located in Swan River. Hospitals, schools, for the most part, are also in Swan River, at least for Mafeking, and to some extent for Pine River. When would those areas be able to expect to be included in this Extended Area Service?

MR. G. HOLLAND: Mr. Chairman, as Mr. Gourlay noted, Benito and Cowan will be added to the Swan River area in 1983. We're now looking at Mafeking to see what costs and implications would be involved in including Mafeking. Other than those, Pine River would be included in our current review of EAS across the province and would fall in the criteria that are developed for EAS.

MR. D. GOURLAY: The criteria as it now stands is that the area to be included is to be within 20 miles of an existing Extended Area Service?

MR. G. HOLLAND: Mr. Chairman, I believe it's 25 miles.

MR. D. GOURLAY: In the case of Mafeking, which would be under that as far as from Birch River which is part of the Extended Area Service, as you mentioned, Mafeking is being currently looked at?

MR. G. HOLLAND: Yes, Mr. Chairman.

MR. D. GOURLAY: I think that covers what I have.

MR. CHAIRMAN: Mr. Doern.

MR. R. DOERN: Mr. Chairman, I wanted to direct a few remarks at the inflammatory comments by the Member for Pembina about the so-called fraud fund as he refers to the Jobs Fund, which I think is one of the better programs of this government, and really I think that his argument is where the fraudulent factor is. He sounds very much like his leader when he argues about this particular position. To the best of my knowledge, he's the only person in the Legislature who ever wanted to be like the Leader of the Official Opposition when he grows up.

MR. P. FOX: If he grows up, not when.

MR. R. DOERN: He made two particular points, Mr. Chairman, and I wanted to really deal with the second one, but I want to say in passing that the No. 1 priority

of the government is employment. This seems to be something that the member finds difficult to accept. He still wants the government to adopt an economic policy that is no more than a passive observation of what is occurring in the economy. He adopts the Herbert Hoover position of sit back and wait for an upturn.

But what I find interesting is that he seemed to argue today that taxes paid by private and public corporations and, in particular, by Crown corporations somehow or other harm those corporations or somehow or other harm the public. He seems to think and seems to argue that Crown corporations should be exempt from all provincial taxes. He equates the levying of a tax as something that is harmful or detrimental, in this case, to the Manitoba Telephone System.

Mr. Chairman, I find that a peculiar argument. You know, it's not as peculiar as perhaps some of his senior colleagues in the Conservative Party who openly argue for, if not the dismantling of Medicare, at least the harm to Medicare by instituting premiums, user fees and, in particular, the actions of the former Clark Government which actively attempted to dismantle Crown corporations. That is, of course, a position of the Conservative Party to eliminate, wind down and constrict to the greatest possible extent Crown corporations, many of which have been established and operating successfully in Canada for many decades.

So I simply say to him that I find it a strange argument indeed that he wants to argue that taxes that are levied by a government must be borne by Crown corporations. I think the real question is: Who would harm the public more and who would help the public more? Who would best protect and preserve the Crown corporations of Manitoba for the benefit of the people of our province? I think history will show that it is the New Democratic Party that has done so.

I also remind the member in passing that there was a greater degree of progressivity in the Conservative Party many years ago when Rodmond Roblin established the MTS and had no problem in establishing the corporation. Our government has had no problem in expanding the corporation and has no problem in levying taxes on Crown corporations and private corporations alike.

MR. D. ORCHARD: Mr. Chairman, the last speaker there should have put some more of his great depth of knowledge on the record from his previous eight years in the last NDP administration and talked about the Crown corporations of Saunders Aircraft, Morden Fine Foods and some of the other really good ones that they created in their brief tenure with the province. But, of course, as is often the accusation made by both sides of the House, it's nice to talk selectively.

Mr. Chairman, I would like to ask the general manager if there is any possibility of extending 800 service, the toll-free availability, across the border into North Dakota? We have a number of aggressive machinery and service industries in the border communities within 20, 25 miles of the U.S. border who do a fair bit of business down in North Dakota and in the States. Some of them have expressed interest in extending the 800 toll-free lines to potential American customers. Is that something that is possible to do, and something the corporation could undertake?

MR. G. HOLLAND: Mr. Chairman, this has been under study by the TransCanada Telephone System now for at least three years to my knowledge. I believe that they are hopeful that this year or early next there will be some possibility of extending this service. I believe it depends on changes in regulatory practice by the FCC. There is a considerable effort to get those changes approved.

MR. D. ORCHARD: Then can I interpret from the general manager's remarks that there is certainly some possibility that service may be able to be extended within the next year to two years? Are the discussions that far along and agreement that close?

MR. G. HOLLAND: Mr. Chairman, I believe the target date is early 1984. If I have any more information on that in the next while, I will keep Mr. Orchard apprised of it.

MR. D. ORCHARD: Fine. Mr. Chairman, the Telephone System . . .

MR. A. ANSTETT: Mr. Orchard's question is on another topic. I had a question on this same topic of the 800 lines. What is the advantage, other than the appearance, of a toll-free number without going through the operator, of using 1-800 numbers over Zenith numbers? I know some continental businesses, airlines and other organizations of that sort use Zenith numbers. I understand that there is no limit on the number of Zenith numbers they can use, why would there be a concern about increasing access to 1-800 lines?

MR. G. HOLLAND: Mr. Chairman, I think I should ask our Director of Marketing, Mr. Pedde, to deal with those.

MR. CHAIRMAN: Mr. Pedde.

MR. O. PEDDE: Mr. Chairman, if I understood the question, I believe the difference is both in the way the service is utilized and perhaps in the cost.

MR. A. ANSTETT: Which? I don't understand what the differences are in the way the service is then utilized and which type of service would be cheaper.

MR. O. PEDDE: Mr. Chairman, we have two types of WATS services. One is called an OUTWATS, and the other previously called INWATS service, now called 800 service, which are fully automated services. The Zenith service is a manual service, so firstly, it implies likely a higher cost, and in our customers' views, it is sometimes inhibiting, in terms of access to go to the operator, as opposed to dialing a number directly.

MR. A. ANSTETT: So 800 service is cheaper than Zenith service?

MR. O. PEDDE: That's correct.

MR. A. ANSTETT: Thank you.

MR. D. ORCHARD: Thank you, Mr. Chairman. The Manitoba Telephone System was participating in a bid

with, I believe, Alberta Government Telephones and Bell Canada for installation of, I think - I forget the technical term - but wide-spectrum service in Saudi Arabia and it was to be a fairly substantial contract. The joint venture approach was chosen with AGT and Bell Canada to, not only spread the risk, but to spread the expertise around. Can the general manager indicate what happened with that bid process?

MR. G. HOLLAND: Mr. Chairman, the three companies did form a partnership for the purposes of that one project, prepared a bid on it to a Canadian agency, which was managing it and was not successful.

MR. D. ORCHARD: So then that particular project was simply not carried forward, because you weren't necessarily the lowest or the best application or tender to the Saudi Arabian Government?

MR. G. HOLLAND: In the view of the Canadian agency, which was reviewing their options, this was not the best bid. It was a spectrum management system for the Kingdom of Saudi Arabia.

MR. D. ORCHARD: Now, I note that the corporation has established a subsidiary called MTX Telecom Services Inc. Could Mr. Holland indicate the *raison d'être* for MTX, and what it's undertaking to do at the present time?

MR. G. HOLLAND: Mr. Chairman, MTS has been engaged in extra provincial programs for four or five years. There has been net income earned from projects of this type. It was the view, because of the special nature of these projects, that they should be done under the auspices of a separate corporation and, of course, all costs carefully attributed to the subsidiary, the wholly-owned subsidiary.

MR. D. ORCHARD: Now, the wholly-owned subsidiary, MTX, has entered into a 50-50 partnership with a Saudi Arabian company. What was the reason for entering into - well, No. 1, for setting up a separate corporation; and No. 2, entering a partnership in Saudi Arabia? Mr. Holland has indicated that over the past several years, the System has undertaken work outside of Canada - international work - and that's right.

As a matter of fact, a fairly substantial amount of work was done in Saudi Arabia over the last several years, but there was no necessity, at that time, to establish MTX, or to my knowledge, establish a 50-50 partnership with a Saudi Arabian company. Could the general manager indicate what has necessitated these two moves, first of all, the wholly-owned subsidiary, MTX, and the partnership with the Saudi Arabian company?

MR. G. HOLLAND: Mr. Chairman, MTX has been serving as a contractor for some time to a Saudi Arabian telecommunications firm. MTX identifies suppliers, and suggests standards for equipment and installation, and has been obtaining those supplies, primarily for Manitoban and Canadian manufacturers for some time. That is a general telecommunications service. That company wished to have MTS involved in some fashion,

directly with them in data communications. It is a partnership and Datacom has applied to the authorities in Saudi Arabia for incorporation, has been approved by their Foreign Investment Review Authority, and it's expected that the incorporation will be finalized within the next short while.

MR. D. ORCHARD: Mr. Holland, you lost me there in a couple of steps. Are you saying that this partnership with the Saudi Arabian company is soon to be incorporated to undertake work in Saudi Arabia?

MR. G. HOLLAND: Mr. Chairman, yes. The incorporation should take place very shortly and that partnership will be offering data communications and data services in Saudi Arabia.

MR. D. ORCHARD: Now, what will be the name of that new corporate structure in Saudi Arabia? I assume it's going to be a Saudi Arabian company, and what will be the financial arrangements between Al Bassan International Company - the current partner - and MTX?

MR. G. HOLLAND: Al Bassan International Company Telecom will continue its operations and MTS hopefully will continue to be a supplier of personnel and equipment and expertise to Telecom. Additionally, Al Bassan is joining with MTS in a partnership known as Saudi Arabian Computer Communications Company Limited. That will be a freestanding entity concerned with provision of data communications and data services.

MR. D. ORCHARD: Does this mean that we now have MTX participating in Saudi Arabia as a wholly-owned subsidiary of MTS and, as well, we have MTS directly forming a corporate arrangement with a Saudi Arabian company and also participating in Saudi Arabian ventures?

MR. G. HOLLAND: Yes, Mr. Chairman. MTX will work directly with Al Bassan International Company and will be the 50 percent shareholder of a new entity based in Saudi Arabia.

MR. D. ORCHARD: And MTS will be in a business arrangement, be it corporate or a new corporate structure, with Al Bassan International Telecom, am I correct there?

MR. G. HOLLAND: MTX is a wholly-owned subsidiary of MTS.

MR. D. ORCHARD: We've got MTX participating with Al Bassan International company. You mentioned Al Bassan International Telecom, I believe, as participating directly with MTS, did I not hear you correctly there?

MR. G. HOLLAND: MTX, Mr. Chairman.

MR. D. ORCHARD: X.

MR. G. HOLLAND: Yes.

MR. D. ORCHARD: Okay. So that we've got MTX then participating in two companies in Saudi Arabia for two different purposes?

MR. G. HOLLAND: Mr. Chairman, MTX serves as a supplier basically to Al Bassan International Telecom. It contracts to provide equipment, personnel and engineering design quotations. So MTX participates directly in that aspect.

MR. D. ORCHARD: But there's just one new company that MTX is a 50-50 partner in?

MR. G. HOLLAND: Yes, Mr. Chairman, that is the Saudi Arabian Computer Communications Company Ltd. soon to be incorporated.

MR. D. ORCHARD: Okay, and is that separate and apart from the 50-50 partnership with International Telecom?

MR. G. HOLLAND: Mr. Chairman, that is the partnership and the only partnership that MTX has.

MR. D. ORCHARD: Now, Mr. Holland has indicated that MTX has existed for some time. How long has MTX been part of the telephone system?

MR. G. HOLLAND: It was established January 15, 1982.

MR. D. ORCHARD: Mr. Chairman, it was established primarily to participate with Al Bassan in Saudi Arabia to get into this new venture that we've been discussing, is that a fair assumption?

MR. G. HOLLAND: Mr. Chairman, it was formed to consider extra provincial projects where it was considered that MTS had the expertise and resources to do a commendable job - any such projects.

MR. D. ORCHARD: Now, this new corporation that's soon to be incorporated in Saudi Arabia as a partnership, a 50-50 partnership, between MTX and the Saudi Arabian company, it is undertaking work or projects or providing service that is substantially different from the spectrum management contract that was being jointly bid on AGT Bell and MTS, is that correct?

MR. G. HOLLAND: Mr. Chairman, one of MTX's first activities was to form the partnership solely for the purpose of bidding on the spectrum management proposal which was unsuccessful.

MR. D. ORCHARD: Now that AGT and Bell are no longer part of the bid process, is MTX now taking on the Canadian participation that was envisioned between AGT, MTS and Bell Canada on their own for this spectrum management?

MR. G. HOLLAND: Mr. Chairman, no. The MTX, AGT, Bell Canada partnership was formed solely for the purpose of bidding on the spectrum management proposal and that partnership would have been used to carry the project out in Saudi Arabia, had it been successful. The proposal was not accepted, so that venture is effectively terminated.

MR. D. ORCHARD: Now, in deciding to enter partnership with Al Bassan and to incorporate this new

Saudi Arabian corporation, was there a competition of any sort to decide that Al Bassan was the one to joint venture with in Saudi Arabia, or how was Al Bassan the one that was chosen to enter into a partnership with?

MR. G. HOLLAND: Mr. Chairman, we had been working successfully in Al Bassan International Company Telecom for some considerable period of time. It was their wish that rather than a contractor relationship that there should be a partnership formed in the data and data communications area. The feeling was that it should be a resident company in Saudi Arabia and that it should be a full partnership.

MR. D. ORCHARD: Who are the principals of Al Bassan, the principal owners, the principal shareholders?

MR. G. HOLLAND: Mr. Chairman, the principal is Sheik Abdullah Al Bassan, who is the chairman, and they are a very highly respected Saudi Arabian business family. On the Datacom Board, when it is incorporated, Sheik Abdullah will be the chairman. Other representatives will be Tariq Al Bassan and Chafé Abou Richeh along with our Mr. Anderson, Mr. Pedde, and Mr. Provencher.

MR. D. ORCHARD: Where will the board meetings be held?

MR. G. HOLLAND: Mr. Chairman, I expect that the wonders of telecommunications will be used extensively in board business, but periodically full meetings will be required and likely they will alternate, perhaps one meeting in Saudi Arabia and another at a convenient central spot or something of that sort.

MR. D. ORCHARD: Who is the general manager of MTX that's in Saudi Arabia theoretically headmanning up this joint venture?

MR. G. HOLLAND: MTX has appointed Mike Aysan as its resident general manager. On incorporation, the board will have to confirm their new officers officially.

MR. D. ORCHARD: How many other MTS staff have been on loan, or working leave, or whatever with MTX, and how many of those personnel are now in Saudi Arabia?

MR. G. HOLLAND: Mr. Chairman, there are five employees resident in Saudi Arabia at the moment whose full time will be with Datacom.

MR. D. ORCHARD: Are those five employees Saudi Arabian employees or are they MTS employees that have been moved to Saudi Arabia?

MR. G. HOLLAND: Mr. Chairman, those are the ex-MTS employees now located in Saudi Arabia.

MR. D. ORCHARD: Now, Mr. Chairman, I have got maybe another 10 minutes of questioning on this item if we wish to go through and then we can complete the report another day, or if you want to shut it down at 12:30, that's fine with me.

MR. R. DOERN: Mr. Chairman, just on a point of order. We have a caucus meeting at 1:00, and we have to eat and so on and so on. I suggest we adjourn at 12:30.

MR. D. ORCHARD: Okay. Could the general manager provide us with some information for next time we meet then: No. 1, the volume of business that it's expected the newly incorporated company would be part of, or what kind of business revenues will they generate in Saudi Arabia; what the projections of net earnings to MTX, hence MTS, would be from this newly formed partnership; and - I'm not familiar with business dealings in Saudi Arabia and we are dealing a long ways away from, for instance, arms deals, weaponry dealings to communications dealings - but it's always been alleged that to deal in Saudi Arabia, you have got to have yourself an inside person that will allow you to have access to the proper authorities and the proper money. To achieve sales success, it doesn't hurt to have that kind of a person, and I forget the fellow's name. He has his own private 747, one of the sheiks in Saudi Arabia who does considerable trade in weaponry in Saudi Arabia, and his finder's fees are substantial.

MR. CHAIRMAN: Order please. The hour is 12:30, time for committee to rise. There are no further meetings scheduled for consideration of MTS, but an announcement will be made in the House when a date is set for the next reconvening of Public Utilities Committee to consider MTS.
Committee rise.