

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON PUBLIC UTILITIES
AND NATURAL RESOURCES
Thursday, 21 August, 1986

TIME — 10:00 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. S. Ashton (Thompson)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Doer, Plohman; Hon. Mrs. Smith (Osborne)

Messrs. Ashton, Dolin, Enns, Filmon, Manness, Orchard, Parasiuk and Scott

APPEARING: Mr. Gordon Holland, General Manager and Chief Executive Officer - MTS

Mr. Maurice Provencher, Director - Finance

Mr. Don Plunkett - Operating Manager - MTX

Mr. S.G. (Glover) Anderson, Assistant General Manager - MTS

Mr. Jon Maguire, Secretary - MTX

Ms. Jean Edmonds, Chairman of the Board - MTS

Mr. Ken Beatty - Corporate Secretary - MTS

MATTERS UNDER DISCUSSION:

Annual Report of Manitoba Telephone System

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MR. CHAIRMAN: The meeting of the Public Utilities Committee will come to order.

Mr. Mackling, I understand Mr. Holland has some

The Honourable Minister responsible for the Manitoba Telephone System.

HON. A. MACKLING: Yes, thank you, Mr. Chairperson.

Before we had adjourned on August 12, I think the last sitting of the committee, there were a number of questions that I don't believe had been answered. There have been questions put at a previous sitting of the committee, previous questions in the House. I think part of those were answered, but not all of them.

Then subsequent to our sitting on August 12, there were other questions that have been placed in the House to both myself, and I think the Premier, that were referred to the committee. I would ask Mr. Holland to review those questions and their answers, to begin with.

MR. CHAIRMAN: Mr. Holland.

MR. G. HOLLAND: Mr. Chairman, there was a question on August 13: Please provide the details of the Dugald Exchange, including whether it is being replaced.

MTS installed a 1,000-line C1EAX electronic switching office in the Oakbank Exchange in 1977. Two additions, one of which has been recently completed, have been made since 1977 to accommodate the growth in that area. The system must again expand equipment in the Oakbank central office to accommodate growth. The trailer in which the central office is housed cannot accommodate any further equipment expansion. To accommodate the growth, and as part of the provincial basic plan, the system has plans to upgrade and modernize the Oakbank-Dugald area with digital equipment. The Oakbank central office is currently scheduled to be replaced in the spring of 1987.

The system has the following options for disposal of the C1EAX equipment that can store the equipment for future use, or it can expand other C1EAX central offices with this equipment to accommodate growth. There are only three such offices in Manitoba - Souris, Russell and Carberry - or MTS can sell the central office or junk the central office. Because the equipment is no longer available for new installations, future use is limited.

Central offices with C1EAX do not require expansion and, therefore, the system has considered selling the central office and the trailer to MTX. There is no firm contract at this time. The initial cost of the trailer and central office is approximately \$550,000; the proposed selling price to MTX is \$100,000.00.

Mr. Chairman, there was a further question asking for details on the phone service in Eddystone, Beacon Ridge, and Ebb and Flow. We have had difficulties with telephone service in the Eddystone district - natural shifting and heaving of the ground over the winter has created problems with the underground cable. The system has a cable splicer currently working in the area and we expect that service will be fully restored by September 1986. My understanding is that this shows up as intermittent outages.

Another question: Why were Alonsa and McCreary without long distance for a considerable length of time recently?

On August 12, 1986, work crews building a bridge north of Eden accidentally cut the system's cable which ran along the waterbed. Water seeped into the cable which made restoration of service difficult, and as a result long distance service to Alonsa and McCreary was disrupted from 9:00 a.m. to 6:00 p.m. on August 12.

Another question: On August 18, there was a question asking for information on whether MTS successfully bid on a contract in 1985 for the supply of IBM equipment to the City of Winnipeg and whether SADL was purchasing this equipment at a cost 25 percent greater than they could get it through other suppliers.

MTS successfully bid on contracts for the supply of computer equipment to the City of Winnipeg from 1984

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to 1986 with the majority of the equipment being sold in 1985. There was a contribution to revenues of MTS as a result of this sale. I'm advised that in regard to whether SADL is purchasing the same equipment at 25 percent higher than they could through other suppliers, SADL does not sell computer equipment in Saudi Arabia, purchases are made by Datacom in Saudi and are made either through the Saudi Arabian distributor of IBM equipment or directly from IBM in Paris, and therefore Datacom pays the European price for this equipment while MTS pays North American prices.

There was another question: Whether I, on behalf of the MTS Board, had recommended the establishment of MTX to Cabinet and who preceded then, by Order-in-Council, to establish MTX. The MTS Board approved the creation of the subsidiary, MTX, in December 1981. A submission was made to Cabinet to incorporate the subsidiary later in the month and this submission was approved and MTX was established by an Order-in-Council dated January 6, 1982.

Another question in the Legislature on August 18: Please indicate the responsibilities of SMC Wolfac. The terms of reference for SMC Wolfac are (a) to develop and implement appropriate planning and control systems for MTS Winnipeg in service provisioning departments; (b) develop and implement a management Skills Training and Development Management Action Team Program; and (c) to work with and train MTS coordinators to effect a skills transfer to MTS personnel. The purpose therefore is to ensure that MTS can continue to meet customer demand in a rapidly changing environment.

Mr. Chairman, I believe Mr. Provencher and Mr. Plunkett have answers to other questions that have been raised.

MR. CHAIRMAN: Mr. Provencher.

MR. M. PROVENCHER: Mr. Chairman, there were questions in the Legislature by the Leader of the Opposition, Mr. Filmon.

The first question: Was MTS owed substantial sums of money by Al Bassam International Telecom prior to the 50-50 SADL joint venture with MTX? MTS was not owed any money by Al Bassam International Telecom prior to the 50-50 SADL joint venture with MTX. Accounts receivable from Al Bassam International Telecom were with MTX after January 6, 1982.

The next question: Was MTS lending money to Al Bassam International Telecom so that MTS could keep it afloat so MTS could collect its receivables. The answer: No, MTS was not lending money to Al Bassam International Telecom.

Another question: Were the accounts receivable owed by Telecom ever paid to MTS or that we set up MTX to capitalize our doubtful accounts. The answer: All the MTS accounts receivable from Al Bassam International Telecom, prior to the incorporation of MTX, were paid.

Another question in the Legislature: Has MTX or SADL taken shares in Al Bassam International Telecom in lieu of wiping out their receivables? The answer: No, neither MTX nor SADL have taken shares in Al Bassam International Telecom.

Mr. Chairman, I would also like to clarify my statements given to the last committee in relation to the unwarranted payment, if I may.

The MTX Saudi Arabia partner, at a December 4, 1984, partner's meeting, advised that serious charges were pending by the Saudi authorities against a manager of the Telecom division of Al Bassam International for an attempted unwarranted payment to a Saudi government official. The MTX Saudi Arabia partner advised that he attributed this alleged incident to the president of Telecom, a division of Al Bassam International, and that this individual's association as president of Telecom, president of Datacom, president of SADL, and as a board member of the SADL Board of Directors were all terminated effective December 1, 1984.

At the same December 4, 1984, partner's meeting, Mr. Aysan advised that he had become aware of an unwarranted payment to a bank representative. He informed the partners that the unwarranted payment was made by the Datacom division of Al Bassam International and was authorized by the former president of that division.

Mr. Aysan informed the partners that he was not aware of any other unwarranted payments made by Datacom or SADL. The partners reconfirmed that unwarranted payments were prohibited by the joint venture and were in contravention with the MTX code of business conduct. Mr. Aysan was requested to advise all staff of the joint venture that they had to comply with the MTX Telecom Services Inc. code of business conduct.

While in Saudi Arabia, prior to the October 9 and 10, 1985, SADL Board meeting, I prepared a forecast of cash flow for the period September to December 1985 for both SADL and Datacom. When I reviewed the September 1985 accounts payable files for Datacom, I came across a disbursement for Saudi rial, 43,241, which was only supported by a piece of white paper. I questioned this disbursement and was advised that a cash disbursement for Saudi rial, 43,241, was an unwarranted payment to a bank representative and was authorized by the former president of Datacom. I was also advised that this payment was the same unwarranted payment identified by Mr. Aysan at the December 4, 1984, partners' meeting.

I was also advised that there were no further unwarranted payments.

Thank you.

MR. CHAIRMAN: Mr. Dolin.

MR. M. DOLIN: Thank you, Mr. Chairman.

I won't take up too much time but I do have some questions because it's a little fuzzy to me, the actual involvement, and I would like some information perhaps from the Minister or chief executive officer on the chronology of Manitoba Telephone System and MTS-MTX involvement in Saudi Arabia.

I understand that somehow we got there at the beginning in partnership with Alberta Tel and Bell in '77-78, is that correct?

MR. G. HOLLAND: Mr. Chairman, starting in 1978, on invitation from Bell Canada International, MTS

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employees were offered the opportunity to work under contract to Bell with their international contract in Saudi Arabia.

MR. M. DOLIN: I'm wondering how many employees actually went over under that contract.

MR. G. HOLLAND: Mr. Chairman, we'll try and locate that figure.

MR. M. DOLIN: When did that contract - how long did that continue, that arrangement with Bell?

MR. G. HOLLAND: Mr. Chairman, it persists to this day. We still have, I believe, nine employees in Saudi at this point, so it has been continuous.

MR. M. DOLIN: These are direct employees of MTS working, subcontracting for Bell in Saudi Arabia?

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

MR. M. DOLIN: When did we involve ourselves in, or start negotiating for contract arrangements with the partnership or with Saudi Arabia, Al Bassam, or whoever; when did that begin?

MR. G. HOLLAND: Mr. Chairman, there was a reference earlier to MTS participation with a subsidiary of Alberta Government Telephones and Bell Canada International in the development of a proposal for a spectrum management project in Saudi Arabia, and that occurred in the 1980-81 period, I believe; 1981, I'm informed.

MR. M. DOLIN: What happened with that development proposal? Where did it go from there? Perhaps I could get some understanding on what happened.

MR. G. HOLLAND: We worked on that proposal very intensively with our partners. At the same time, it was suggested that MTS should incorporate a subsidiary, as the other telephone companies had done. Ultimately the proposal was unsuccessful and the costs of that proposal were some \$280,000 or thereabouts to MTS. Those ultimately were paid by the newly incorporated subsidiary, MTX.

MR. M. DOLIN: Perhaps I can follow from there. In conjunction with Alberta Telephones, we made a proposal to do certain work in Saudi Arabia which was worked on during the period 1981 and not accepted.

What happened to get us involved after that arrangement fell through? Perhaps Mr. Holland could explain.

MR. G. HOLLAND: At that stage, MTS commenced providing services and equipment to the Al Bassam organization.

MR. M. DOLIN: Just to clarify, this would have been during 1981, any particular time?

MR. G. HOLLAND: Maybe Mr. Provencher can help. Do you have dates on that?

MR. M. PROVENCHER: Mr. Chairman, during fiscal year 1980-81, the Manitoba Telephone System had three equipment shipments to Al Bassam International amounting to \$115,378.60. For the fiscal year 1981-82, and this is prior to the incorporation of MTX Telecom Services on January 6, 1982, Manitoba Telephone System had a further three shipments of equipment to Al Bassam International Telecom amounting to \$181,875.50. So during those two fiscal years, there were six equipment shipments totalling \$297,254.10, and, as I had replied to a question, all those were paid to the Manitoba Telephone System.

MR. M. DOLIN: I assume, since we were doing business with Al Bassam in '80-81 and '81-82, at some point negotiations started for forming this joint venture sometime during the period 1981. When did these begin and when were they culminated?

MR. G. HOLLAND: Could you repeat the question?

MR. M. DOLIN: According to the information just given by Mr. Provencher that we attempted to get a joint venture with the Alberta Telephone System, which fell through, we were doing business selling equipment to Al Bassam in reasonable amounts in fiscal 1980-81 and 1981-82. On January 6, 1982, we signed a joint venture agreement. I assume negotiations were taking place because of sales to Al Bassam in 1980, 1981 and 1982. I'm curious as when these negotiations began, when an agreement was finally reached, which led to the signing of the joint venture. If you could give me some chronology on that, I'd appreciate it.

MR. G. HOLLAND: Well, on January 6, 1982, that was the creation of MTX authorized by Order-in-Council. I'll ask Glover Anderson, who I think has the information from then on.

MR. CHAIRMAN: Mr. Anderson.

MR. S. ANDERSON: Mr. Chairman, I believe there was a Memorandum of Understanding signed in the February 1982 period with Al Bassam International on the joint venture. Don't tie me to the exact month, but it's in that time frame.

MR. M. DOLIN: Okay, I'm still not clear. In January 6, 1982, MTX was incorporated or it was agreed. In February, there was an agreement signed with Al Bassam. Somewhere between the falling through of the deal in conjunction with Alberta Tel and the formation of MTX and the signing of a joint venture with Al Bassam, there were some negotiations going on and obviously somebody made some agreement to act in this manner. I'm just wondering when that took place and how.

MR. S. ANDERSON: Mr. Chairman, the negotiations took place, I believe, in February 1982, over a period of a week or two weeks. There was a Letter of Understanding, signed in that period, subject to board and government approval.

MR. M. DOLIN: In 1981-82, that period, MTX was formed for a purpose, I assume, to be able to do

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business in various and sundry ways. So what the suggestion is, if I understand it correctly, is that the deal with Al Bassam did not precede that and negotiations did not precede that. Is my understanding correct?

MR. S. ANDERSON: That is right.

MR. M. DOLIN: We have nine employees now under a subcontract for Bell in Saudi Arabia who have been there basically since 1978. Was my understanding correct?

MR. G. HOLLAND: Mr. Chairman, no. The arrangement has been ongoing over those years, but with different employees going at different times.

MR. M. DOLIN: Just to make it clear, but we have had employees from MTS directly employed in Saudi Arabia under a subcontract at Bell since 1978 in varying numbers. Is my understanding correct?

MR. G. HOLLAND: Mr. Chairman, yes, in varying numbers and for differing periods, usually two to three years.

MR. M. DOLIN: I would like to know, did we have employees from MTS or MTX prior to January 6, 1982, employed in Saudi Arabia directly?

MR. D. ORCHARD: MTX didn't exist prior to that.

MR. CHAIRMAN: Order please.
Mr. Holland.

MR. G. HOLLAND: Mr. Chairman, we'll have to check and get that information exactly. I don't think we have it with us.

MR. M. DOLIN: Okay, just to be clear, what I'm asking is: Was MTS involved and did it have employees directly employed in Saudi Arabia prior to the formation of MTX? I think we're clear that once MTX was formed there were MTX employees there. I'd like now, following from that, find out when did MTS-MTX become aware of Saudi Arabian policies on the hiring of Jews and women?

MR. G. HOLLAND: My recollection, Mr. Chairman, was in 1978 the subject was raised in our Legislature and was very carefully considered at that time. There was a report as well that the Canadian Human Rights Commission had reviewed the Bell arrangements for work in Saudi Arabia and with some changes those had been deemed acceptable to the Canadian Human Rights Commission. We followed the Bell practices and procedures exactly.

MR. M. DOLIN: Perhaps could Mr. Holland explain in a nutshell what were the Bell practices and procedures?

MR. G. HOLLAND: Those were to provide very comprehensive briefings and information to those employees who expressed interest in work there to try and ensure that they were briefed on all aspects of life

in Saudi Arabia, both for the employees and their dependants, all of the conditions, and if that interest persisted, then they were asked to arrange visas with the Saudi Arabian authorities.

MR. M. DOLIN: Was it the understanding that visas with the Saudi Arabian authority were available to all people who wanted to go to Saudi Arabia?

MR. G. HOLLAND: Mr. Chairman, we've provided, I believe, copies of the briefing material that has been used throughout. Not being a liar, I don't know whether I should try to interpret those meetings. I can only say that we believed them to conform with Canadian standards.

MR. M. DOLIN: My understanding is that there are two messages and two pieces of information which seem to be conflicting and I'm just trying to clarify what the position of MTS was, because I'm assuming they were getting the same two messages: one, is that Saudi Arabian law prohibits women and Jews from working in Saudi Arabia. The second message, from my understanding, is from the Department of External Affairs, checking with the Saudi Arabian Embassy, is that anyone can apply and each application is dealt with individually. I'm just wondering how are MTS employees briefed. Those are two reasonably conflicting messages and I'm wondering what MTS employees were or are being told.

MR. G. HOLLAND: Mr. Chairman, I certainly can provide a copy of the briefing material that is used with the employees. Now whether Mr. Maguire has anything that he can add to that. . . . secretary to the MTX Board and counsel.

MR. CHAIRMAN: Mr. Maguire.

MR. J. MAGUIRE: The normal procedure could be broken down in two ways, those people who came in under the Bell contract and those people who went into Saudi Arabia from MTX.

The procedures that were put in place at the beginning of the Bell contract people - the Bell people actually came out to Manitoba and we provided a room for them - and they briefed our employees with respect to what would happen in Saudi Arabia, the accommodations, the work conditions, the pay, the various benefits that they would achieve.

MR. M. DOLIN: When did this take place in the Bell contract? Is this a continued briefing that Bell has been doing for employees applying under the subcontract? Did that begin in 1978?

MR. J. MAGUIRE: Mr. Chairman, I'm unsure of whether Bell Canada still comes out. I think the procedures are so well established now that it's just postings in our company.

After the people with the specific skills have been accepted, they travel to Ontario and Bell has a briefing session with them and their families, a comprehensive briefing session. If they still indicate interest in going to Saudi Arabia, then Bell Canada assists them in obtaining the visas.

MR. M. DOLIN: Is someone aware of whether or not that briefing session included Saudi Arabian restrictions on women working in only three types of jobs - I understand they're allowed to work in, in Saudi Arabia - or on Jews working? Does that briefing include that information?

MR. J. MAGUIRE: Mr. Chairman, I'm unsure of the exact contents of what Bell briefs the employees, I haven't talked to any of our employees as to what they were told. But it's my understanding that Bell has cleared their briefing with the Canadian Human Rights Commission and that there is nothing offensive in it.

MR. M. DOLIN: If my understanding of Saudi law is reasonably clear as to the employment of women and Jews, and this is not included specifically in the briefing, how is that information provided to MTS employees who might be interested in working in Saudi Arabia?

MR. J. MAGUIRE: To the best of my knowledge, there is nothing in the briefing material that we have that talks about people of the Jewish faith.

I am aware that the material talks about women being restricted to working in areas, for the most part, where men do not work along beside them.

MR. M. DOLIN: The question I wanted to clarify is: some of the employees are going over with families who have professional or working wives. How does this information get across as to what employment they are restricted or not restricted to, to these people, so they can inform their families if their families are coming with them?

MR. J. MAGUIRE: Mr. Chairman, to the best of my knowledge, there have been no promises of employment for the wives of our employees who go over to Saudi Arabia. When they get there they might very well attempt to find a job, but it's my understanding that no one has held out any promise of employment for one of the wives.

MR. M. DOLIN: What I'm trying to get at is, I'm certain they're not promised employment but somebody must warn them in advance that there are restrictions on what type of employment they can take. What I'm trying to get at is, how is that done and when is it done? Is that part of the briefing saying, if you are an MTS employee and you are going to Saudi Arabia to do X technical job and your wife is a teacher, a nurse, a management consultant, a doctor, that she is restricted to the kind of employment? When does this information get across and how, to allow that employee to make a decision whether or not they take their family and what the opportunity is for the spouses?

MR. J. MAGUIRE: Mr. Chairman, I'm unaware of any wives who are professionals that would fall into that category but we can certainly attempt to find out if there were some wives who went over with the expectation of working to fulfill - not to fulfill - but to continue with their professional activities. If the information came, it would be at a briefing session put on either by Bell Canada, if they were going under that

project, or by MTX if they were going over to so-called SADL.

MR. M. DOLIN: Just to clarify. The point I'm making is not necessarily for professional wives. If a woman wanted to work as a store clerk or something like this, my understanding is that's prohibited in Saudi Arabia. When is her husband or she told that she cannot do that, that it is prohibited under Saudi Arabian law?

MR. J. MAGUIRE: Mr. Chairman, I'm quite sure that our employees are not told when they're going over, nor are their wives told that they cannot work, that the wives cannot work. If they are told anything, it would be that there are restrictions on where women can work but I don't think our employees' wives were told that they can't work. Instead, it would be more positive, showing where women have been able to work.

MR. M. DOLIN: Perhaps, through you - I don't know who would answer it - obviously to me from the responses to the questions, there are certain practices, culturally determined in the State of Saudi Arabia, which discriminate against women and restricts them to certain professions, which are inconsistent with Manitoba practices.

There is certainly to me, questionably, although we haven't determined that yet, discrimination against Jews.

Given this inconsistency with The Manitoba Human Rights Act and the will of the people of Manitoba in passing such legislation, and the culture and practices of Saudi Arabia, what efforts were made by MTS to reconcile this, if any? If none were made, how does this practice continue and what is the position of the corporation in continuing to do business with this kind of situation?

MR. G. HOLLAND: Mr. Chairman, any opportunities of this sort are broadly distributed throughout MTS. All employees are aware of the opportunities and the nature of them. We can provide copies of the briefing material, which are quite extensive.

It has been our view that these practices conform completely with Canadian norms and standards. Obviously, if that is not so, we're going to have to review our practices.

MR. M. DOLIN: A final question, because I see my colleague on my left is panting and ready to go. To use an example, if we were to get an offer for operations in Iran, which operates under Koranic law, similar to Saudi Arabia but probably even more restrictive, what procedures would be taken to ensure consistency with Manitoba laws, Manitoba practices, and the protection of Manitoba employees against arbitrary practices while working abroad in a country with different cultures and different laws?

Has a system of procedures been set up to review this, given the experiences we've had in Saudi Arabia?

MR. G. HOLLAND: Mr. Chairman, there are a set of guidelines in existence for MTS projects. For example, they must be in a country where Canada has established Trade Relations offices, where there is a Canadian

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Trades Relations office qualifying for EDC global services and shipment comprehensive insurance and also the Minister's approval would be required before we went to a new country.

MR. M. DOLIN: Just a general comment, I really don't feel that's satisfactory.

I think the reality is, there are a number of countries abroad, in Latin America, in the Middle East, who have policies which are inconsistent with the kinds of principles we have as Manitobans which we have put in our legislation. I think it is the responsibility of the board of directors, given the circumstances, to determine in what cases they will involve themselves and what cases they won't. I'm surprised to hear they haven't been looking at these matters. I think they should.

Perhaps someone could respond as to what action is going to be taken.

MR. CHAIRMAN: Ms. Edmonds.

MS. J. EDMONDS: Mr. Chairman, the Board of Directors of MTS is, indeed, seized of this problem and had a discussion in some depth of it at its most recent regular meeting on, I believe, July 28. The minutes are still in draft and I don't have them with me, but perhaps I can give you the flavour of the discussion.

As I think you may be aware, the board consists of nine members of whom four, including myself, are women. We have representatives on the board as regular board members from each of our employee unions.

We reviewed the discussions with the Manitoba Council on the Status of Women and other bodies who had raised concerns, determined that although we have had for some time a well established Affirmative Action Program within MTS, the needs of MTX specifically for sensitivity to these issues, had probably not been fully recognized and the board undertook to take several steps to ensure that the MTX Board is sensitive to these issues that you are raising.

The board was particularly concerned that we recognize in the MTX configuration, there are opportunities in countries which are more hospitable to all employees and that special efforts should be made to ensure that opportunities of that kind are drawn to the attention of employees in MTS so that across the whole spectrum of MTX activity, there is a concern for proper balance and proper distribution of opportunities.

I don't know, Mr. Chairman, if that is responsive to the member's question.

MR. M. DOLIN: A couple of matters of clarification.

It's my understanding since 1978, MTS has had employees there, so I don't think this is only a problem that relates to MTX.

What you're suggesting sounds like a very positive thing, is that the board is considering guidelines that will be public and be made available to the staff and certainly will ensure Manitoba citizens working abroad are not subjected to discriminatory practices they would not be subjected to here.

Is that the intent of the board?

MS. J. EDMONDS: Mr. Chairman, perhaps I could add a word on that. The concern of the board is that the practices of MTS which apply in Canada, in Manitoba - and which are certainly non-discriminatory in affirmative - should be brought to MTX in such a way that in every case where it is possible we make certain that there are no such barriers and that this be very much taken into consideration in future decisions; but also starting from where we are, we make certain that the practices in Canada of MTX as well as MTS are seeking de facto non-discrimination and not simply mechanical non-discrimination, if I could put it that way.

In other words, it's the sensitivity to the outcomes rather than just the sensitivity to the machinery.

MR. G. FILMON: Can I just follow up while Ms. Edmonds is here on that matter?

MR. M. DOLIN: I'll yield, Mr. Chairman, to Mr. Orchard.

MR. CHAIRMAN: If Mr. Orchard wishes to confer, I'm sure.

MR. D. ORCHARD: My questions deal with earlier answers by Mr. Holland to some of Mr. Dolin's questions.

MR. CHAIRMAN: Mr. Filmon.

MR. G. FILMON: Just on the point Ms. Edmonds makes - she said in every case where it is possible, we make certain there are no such barriers. Referring, I think, to barriers to the employment of certain groups of people. Where it is not possible to make certain that there are no such barriers, is the board committed then, not to do business?

MS. J. EDMONDS: Mr. Chairman, the board as a responsible board starts with a situation that we find ourselves in and our concern is that across the entire spectrum of what we do that where there is a problem on one area, it's deliberately offset elsewhere.

MR. G. FILMON: Is Ms. Edmonds saying that we should then find somebody who discriminates against other things and balance off the discrimination?

MS. J. EDMONDS: The board took this very seriously and is really very concerned to have a practical, immediate solution to this problem. I suppose you could characterize it the way you have, but I don't think that's entirely fair to the intent of the board.

MR. G. FILMON: Mr. Chairman, I take this seriously as well. What I'm saying is, has the board taken what I consider to be the ultimate determination in this matter and that is, that where it is not possible to, and I'll use her quote again, "make certain there are no such barriers" in sending people to be employed in certain countries where we apparently want to do business, will the decision of the board be that we not do business there?

MS. J. EDMONDS: Mr. Chairman, there are a great many considerations to be taken into account and I think the term that we used at the board was that

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future decisions ought to be extremely sensitive to country risk. That includes the risk of working conditions and practices affecting our employees which we do not wish to see.

MR. G. FILMON: A further question then is, why is this the first time that such a consideration is being given by the board, why was this not done four years ago?

MS. J. EDMONDS: Mr. Chairman, I can only answer for the discussions I was myself engaged in, and I have no reason to suppose, and I don't know what other conversations of that nature have been.

The board expressed itself, I should add, as rather grateful to the groups in the community that had raised these matters and to the discussions in the House in this committee because it did bring it to our attention and give us an opportunity to recognize our duty in this regard.

MR. M. DOLIN: To follow on that line of questioning, since 1978, my understanding is the briefings to MTS employees have been similar since 1982 for MTX, or 1978 for MTS, on what to expect and what the circumstances will be.

Is my understanding correct that the briefings are basically the same and that the considerations are basically the same?

MR. G. HOLLAND: Mr. Chairman, I believe that would be so, yes.

MR. M. DOLIN: So, obviously, this situation has gone on not, as the Leader of the Opposition said, for four years but it's gone on for almost eight years. My concern is that not only in the case, because what concerns me also is the MTS subcontract with Bell where we go to foreign countries, MTX is a direct MTS subsidiary involvement.

I'd like to ask, through you, Mr. Chairman, to the chair of MTS: Will we also be looking at arrangements, where Manitoba employees of MTS are used as subcontractors for contracts with Bell or Alberta Tel or some foreign subsidiary, will these concerns about doing business in countries where people are discriminated against, which are contrary to the kind of practices in Manitoba, will these considerations be given major priority?

I think, in response to what the Leader of the Opposition asked, "Will you do business there?", I would say, will you certainly not do business and/or certainly give major consideration to not doing business in countries where Manitobans will be discriminated against in a manner in which they are not discriminated against in their own province.

MS. J. EDMONDS: I think I answered in response to an earlier question that the board feels that this is a very serious consideration to take into account and that the board is dealing with or would deal with existing situations and would have to assess each one as it arose.

MR. M. DOLIN: I'm still not clear on what the policy is. My understanding is that what the chairman of MTS

is telling the committee is that the policy is to deal in each situation on a case-by-case basis. My understanding, also, from her earlier comments as decisions and discussions at the board level are that they are dealing with the matter of discrimination as a policy decision criteria in making decisions.

I'm wondering when and what priority is that going to be given. I would see it being given No. 1 priority. Now I'm just wondering. Will this be the case?

MS. J. EDMONDS: Mr. Chairman, the board didn't proceed beyond - as I say, I speak subject to correction because I haven't had an opportunity to review the draft minutes recently - but the board believed that the MTX Board ought to be assisted to become more sensitive in this regard.

I think that the intent was that the considerations you described should be taken into account. I'm trying to give you the flavour of the discussion that took place.

MR. M. DOLIN: Just to make a final comment. I don't think MTX is the only problem here. The major problem I think is MTS employees. MTX is one subsidiary; other subsidiaries could be set up tomorrow.

I think one of the problems that's arisen out of this whole matter is the matter of Manitoba Telephone System doing business in foreign countries and, in some relationship with the laws and customs of foreign countries, we take the responsibility when we do business or decide not to do business for protecting Manitobans against situations of discrimination which they would not find at home in Manitoba. My understanding from Ms. Edmonds' comments is that the board has considered this in relationship to MTX.

In the current situation, what I am suggesting, and what it sounds like the board is already moving on, and I encourage them to move faster and responsively to this, is to do this for all MTS operations to have these considerations be priority considerations in any further contracts abroad by MTS or any of its subsidiaries.

MS. J. EDMONDS: Mr. Chairman, in terms of MTS practices and its concern about non-discrimination and affirmative action, the board has been very assiduous and very active. I think they felt that they wanted to place some emphasis on the necessity of the subsidiary following similar practices.

I think I would be wrong to leave the impression that MTS, in its practices with respect to the work abroad, did not make every effort to ensure that MTS employees were given the best opportunities that they can. I don't want to put words in Mr. Holland's mouth with the references to the discussions with Bell on the contract that he made earlier.

MR. M. DOLIN: One final comment. I would hope that, as I said, that practice and that policy would be implemented as soon as possible, and very clearly and specifically, that MTS does not discriminate, period, as an agent of the Manitoba Government, that this government does not discriminate and MTS will follow.

Also, I would hope that you would review any existing contracts that you have abroad as subcontractors to ensure that this is not taking place and, where it does,

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is that a non-discrimination proposal and action be implemented to ensure that no Manitoban is being discriminated against.

HON. A. MACKLING: I appreciate the concern of the member, and I think all members, in respect to the whole area of discrimination. As the honourable member knows, the terms of reference for the audit firm that will be looking at the MTX operations includes those concerns particularly highlighted in respect to Saudi Arabia.

The point is well taken in the concerns that have generally been expressed in respect to external operations of any Crown corporation.

MR. M. DOLIN: Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Orchard.

MR. D. ORCHARD: Thank you, Mr. Chairman.

Mr. Holland, you indicated that in December 1981 the MTS Board approved the creation of MTX. Subsequent to that, in January of 1982, an Order-in-Council was passed so creating MTX.

Mr. Holland, as Chief Executive Officer of MTS, did you present to the board the case for the creation of MTX and fully support the creation of MTX in December of 1981?

MR. G. HOLLAND: Mr. Chairman, I don't have copies of those minutes here and I don't know whether anyone does. I'll have to undertake to get that information.

MR. D. ORCHARD: Mr. Chairman, surely, Mr. Holland, as the Chief Executive Officer of MTS, he would have some recollection as to whether you, personally, presented the case for the creation of MTX to the board; and whether you, as Chief Executive Officer of the telephone company, asking permission from the board to create a wholly-owned subsidiary, you're telling us today you don't recall whether you made the presentation to the board? I find that a little difficult to believe, Mr. Holland.

MR. G. HOLLAND: Mr. Chairman, there was a question last meeting as to whether I had supported the sequence of events which led to that recommendation, and I indicated, yes. The member's asking me to recall something that happened four-and-half years ago. Again I have to say that MTS has annual revenues now of approaching \$400 million. We have 5,000 employees; we have a capital program of \$150 million and a great deal of activity in a very rapidly changing environment. I'm sorry, I just don't have one of those memories, so I will certainly undertake to get the information quickly and provide it.

MR. D. ORCHARD: Mr. Chairman, I'd like to ask Mr. Holland when the joint proposal between AGT, Bell Canada and MTS for spectrum management, when that spectrum management proposal was declined?

MR. G. HOLLAND: Mr. Chairman, again, we don't have that information. This was done under an inter-governmental understanding between Canada and

Saudi Arabia and under the auspices of a Canadian authority, so I don't think we have a date here of when that was officially declined, but we'll try to get that.

MR. D. ORCHARD: Mr. Chairman, that would be most interesting because I believe the Premier has indicated that as of October 2, 1981, no final decision was made as to the acceptability of the joint proposal that we were in the process of making.

It would be interesting to know when MTS, AGT and Bell Canada International were informed that their proposal for the spectrum management to the Government of Canada was rejected.

Mr. Chairman, could I ask Mr. Holland where the sales of equipment to Al Bassam Telecom, 1980-81, 1981-82 appeared in the financial statements of the Manitoba Telephone System? Where was it accounted for?

MR. DEPUTY CHAIRMAN, H. Smith: Mr. Provencher.

MR. M. PROVENCHER: Mr. Chairman, I believe it was either Miscellaneous Income or Other Income.

MR. D. ORCHARD: Mr. Chairman, maybe Mr. Provencher could indicate whether the accounting firm auditing the books of MTS was aware of those offshore sales to a company in Saudi Arabia.

MR. M. PROVENCHER: Mr. Chairman, I was not in the Finance Department at the time; I was in the General Manager's Office. I did not have the responsibility for coordinating with the auditors so I have no direct knowledge to respond to that question.

MR. D. ORCHARD: Possibly the Chief Executive Officer, Mr. Holland, might be able to respond to that, Mr. Chairman - specifically the question being whether the accountants auditing the books of the Manitoba Telephone System were aware of sales by MTS to Saudi Arabian national companies.

MR. G. HOLLAND: Mr. Chairman, obviously I would have to ask them. I notice in our Annual Report for the year ending March 31, 1985, there's an item, net recoveries from foreign contracts - \$118,000; and in the year preceding - \$258,000.00.

MR. D. ORCHARD: I believe that's the Bell Canada contract, is it not?

MR. G. HOLLAND: It says net recoveries from foreign contracts, and I believe it would be Bell, but I would have to ask the accounting firm if they were aware.

MR. D. ORCHARD: Mr. Chairman, could Mr. Holland indicate to the committee who it was that arranged these sales of equipment from MTS to Al Bassam International Telecom in Saudi Arabia?

MR. G. HOLLAND: Mr. Chairman, there was a small group in Product Development and External Contracts at that time and the orders were administered by that group. The orders that Mr. Provencher has just shown me are authorized by a Mr. Norm Stapon, the manager.

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MR. D. ORCHARD: Mr. Chairman, who else was part of that Product Development group and External Contracts group of MTS at that time?

MR. G. HOLLAND: Mr. Anderson, do you recall?

Mr. Chairman, Mr. Anderson indicates we don't have those names here, but we'll identify them and provide them to the committee.

MR. D. ORCHARD: Mr. Chairman, I wonder if Mr. Holland could indicate to the committee whether, as Chief Executive Officer of MTS, he was aware of those equipment sales in 1980-81 and 1981-82 to the Saudi national company in Saudi Arabia?

MR. G. HOLLAND: Mr. Chairman, I believe that I would have been aware, yes.

MR. D. ORCHARD: Mr. Chairman, could Mr. Holland indicate whether The Manitoba Telephone System Act, as it was written in 1980-81, 1981-82, allowed the Manitoba Telephone System to enter into the sale of equipment to offshore companies? Was that permissible under the act in 1980-81 and 1981-82?

MR. G. HOLLAND: I would have to ask Mr. Beatty to comment on that.

MR. CHAIRMAN: Mr. Beatty.

MR. K. BEATTY: Mr. Chairman, the Manitoba Telephone System has for some time sold telecommunications equipment beyond the borders of Manitoba. For a number of years it was surplus equipment but, certainly with reference to the particular transactions, we believe that Manitoba Telephone System, under its existing statute, had the right to do so.

MR. D. ORCHARD: Mr. Chairman, then why was the act changed in 1983 to legalize the creation of MTX, which was specifically to undertake the sale of new equipment and services offshore?

MR. K. BEATTY: I would ask Mr. Maguire, Mr. Chairman, to answer.

MR. J. MAGUIRE: Mr. Chairman, Mr. Ziprick expressed some concerns at the time he was the Provincial Auditor as to whether MTS had the corporate capacity to create a subsidiary which had extra territorial impacts. It was decided by government, in conjunction with Legislative Counsel, that in order to make the matter perfectly clear that an additional amendment would be put into legislation which provided exactly for the rights of MTS and its wholly-owned subsidiary, MTS Telecom Services Inc. to have the rights and capacity of a natural person and to accept rights, obligations of extra territorial jurisdictions.

MR. D. ORCHARD: That amendment was made in 1983, presumably to give MTS and MTX the then created subsidiary, the legal ability to enter into such agreements as a 50-50 joint venture which had been entered into in about April of 1982, prior to the

legislation being passed. Is that a fair assumption of what that change in legislation would enable MTS, MTX to do?

MR. J. MAGUIRE: Mr. Chairman, the legislation was amended to clarify. It was the opinion at the time that The Corporations Act of Manitoba allowed the Manitoba Telephone System to have all the rights of a natural person. It was the opinion of staff at the time that MTX, by being created under The Corporations Act of Manitoba, had all the rights, obligations of a natural person.

The amendment was put in to make sure that there would be no question about that. It was a clarification amendment; it was not one that was required.

MR. D. ORCHARD: Then presumably, Mr. Chairman, if the amendment wasn't required to provide the kind of clarification that the Provincial Auditor drew to the attention of the telephone system after their creation, after the Order-in-Council by Cabinet created MTX in 1982, if the MTS legal officials, legal advisors believed that they already had that capacity, why did you not simply clarify with the Provincial Auditor the section of the MTS Act in existence which allowed you to do that, rather than passing additional legislation which would give you that right if it already existed?

MR. J. MAGUIRE: Mr. Chairman, the Manitoba Telephone System did not pass legislation.

MR. D. ORCHARD: Did you ask for it to be passed?

MR. J. MAGUIRE: Mr. Chairman, no, the Manitoba Telephone System did not ask to have that legislation passed.

MR. D. ORCHARD: Mr. Chairman, who did ask for the legislation to be passed in 1983?

MR. J. MAGUIRE: Mr. Chairman, I am unaware of who asked. I do know that I was present at the time that there were discussions between Legislative Counsel and ourselves and there was general agreement, that for clarification purposes, the legislation should be passed.

MR. D. ORCHARD: Mr. Chairman, we have a piece of legislation, an amendment appearing out of thin air. MTS didn't want it, according to Mr. Maguire this morning. Who did want this legislation and how did it come to the floor of the House?

Mr. Chairman, Mr. Maguire says MTS did not request to have it. Who requested to pass the legislation?

MR. J. MAGUIRE: Mr. Chairman, Mr. Orchard raises the point, did MTS ask for it? I'm going to have to backtrack on that; I honestly don't know because I was not present at the MTS Board meetings. I'm not the Corporate Secretary of MTS and I do not know whether it was raised at one of the board meetings.

What I am aware of is that there was general agreement for clarification purposes that it would be wise to have the amendment, the legislation changed, so that there would be absolutely no question that what was set out in The Corporations Act of Manitoba

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covering all corporations, MTS and MTX included, clearly applied to MTX' activities in that it would have natural rights of a human being and the right to exercise its powers extra territorially.

MR. D. ORCHARD: Mr. Chairman, since Mr. Maguire cannot answer the question as to who stimulated the legislation, maybe Mr. Mackling or Mr. Holland could indicate who stimulated the amendments contained in, I believe, Bill 78? Someone should know.

MR. G. HOLLAND: Mr. Chairman, there was discussion in December of 1982 about concerns of the Provincial Auditor. I have a letter addressed from MTS to the Provincial Auditor at that point and part of it states: "As agreed, we have prepared and attached a legal opinion covering the incorporation of MTX. This opinion reaches the same conclusion as that prepared at your request by the Department of the Attorney-General dated February 8, 1982, namely, MTX was validly incorporated and that no amendment to legislation is required. I trust that this satisfactorily addresses the concerns which you have raised, but if not, perhaps you will cite your concerns more explicitly."

Beyond that, I can only report my understanding that the Provincial Auditor was of the view that in view of the then MTX activities that those should be drawn expressly before the Legislature, and explicit wording, to make absolutely certain that it had a mandate from the Legislature.

MR. D. ORCHARD: Mr. Chairman, Mr. Holland mentions legal opinion. Was that legal opinion internal to government, in other words, from the A-G's Department or was external legal opinion sought?

MR. G. HOLLAND: Mr. Chairman, I have only seen one fairly lengthy legal opinion. It was very carefully done and that was done by MTS. I have not seen any other opinions. I should say I don't recall having seen any other opinions.

MR. D. ORCHARD: Then it was MTS legal staff, internal legal staff, who prepared the opinion for MTS that MTS' creation of MTX was legal according to the MTS Act. It was an internal opinion generated by MTS. Is that correct?

MR. G. HOLLAND: Mr. Chairman, MTX was created by authority of an Order-in-Council and the legal opinion - there were two - one was done internally and researched, I think, very carefully within MTS; another was done elsewhere outside of MTS.

MR. D. ORCHARD: The outside legal opinion was by whom and for whom?

MR. G. HOLLAND: According to the letter from which I just quoted, it was done by the Department of the Attorney-General on request from the Provincial Auditor.

MR. D. ORCHARD: Mr. Chairman, both those legal opinions indicated that the present act, the existing act was sufficient. Why then were amendments

necessary if both legal opinions indicated that everything was quite all right?

MR. G. HOLLAND: Mr. Chairman, I can only report my impressions, and that is that it was a wish of the government and the Provincial Auditor that the mandate be expressly understood and issued from the Legislature.

MR. D. ORCHARD: Mr. Chairman, did the Provincial Auditor base his opinions on outside legal opinion?

MR. G. HOLLAND: I don't know how I could answer that question, Mr. Chairman. It's not to my knowledge at all.

MR. D. ORCHARD: Mr. Chairman, I won't pursue that matter any further. I think my leader has some questions that he wishes to pose at this time.

MR. CHAIRMAN: I have Mrs. Carstairs next on the list.

Mrs. Carstairs.

MRS. S. CARSTAIRS: Thank you, Mr. Chairman.

Last week in the Legislature, I asked for the documentation of the Code of Conduct that governed Crown corporations and I have not yet been provided with it. However, I would like to ask a few questions about that Code of Conduct. Can Mr. Holland tell us when, in fact, that Code of Conduct went into effect with regard to MTS-MTX?

MR. G. HOLLAND: Mr. Chairman, Mr. Maguire confirms that the MTX Code of Business Conduct was adopted at a board meeting in June 1984.

MRS. S. CARSTAIRS: Mr. Chairman, to Mr. Holland, then I would assume then that the annual report which we have for '84-85 was governed by that Code of Conduct. Is that correct?

MR. G. HOLLAND: As I mentioned, the Code of Business Conduct was implemented and effective from the June '84 board meeting.

MRS. S. CARSTAIRS: Can Mr. Holland tell the committee if, in fact, the Code of Conduct makes any form of kickback an unacceptable business practice for MTX?

MR. G. HOLLAND: Perhaps I should ask Mr. Maguire to comment on it.

MR. J. MAGUIRE: Mr. Chairman, there are two provisions in the MTX Code of Business Conduct which would apply to that. I don't have the exact copy, the final copy of the Code of Business Conduct, but as my memory serves me, the first provision states that MTX will not conduct itself in Canada or in any other country in a manner which would be contrary to the laws of Canada.

The second item in the Code of Business Conduct which would apply to your question, Mrs. Carstairs, is a section of the conduct code which states that all

ommissions, all payments will be made according to what they are worth, and that there will be documentation for such payments, and that there will not be payments made for improper purposes.

IRS. S. CARSTAIRS: It is my understanding, Mr. Chairman, that in the proper auditing of a company, such as MTS-MTX, there would be a letter from the auditor indicating if there were, in any way, any violations of a code of conduct. Was such a letter received with the '84-85 auditing statement indicating that there were violations of this Code of Conduct?

IR. G. HOLLAND: Mr. Chairman, I don't recall any such reference, either with our external auditors' or the Provincial Auditor's overview.

IRS. S. CARSTAIRS: Mr. Chairman, again to Mr. Holland.

If, in fact, there was a kickback, which an employee indicated that there was at the last meeting of the board, why would that not have appeared in the audited statement of an irregular payment?

IR. G. HOLLAND: Mr. Provencher probably should answer that.

IR. M. PROVENCHER: Mr. Chairman, I'm assuming that the request relates to the fiscal year ending 1984-5. The unwarranted payment that I have just described to the Committee was a Datacom, Al Bassam international transaction, and was recorded in their accounts. It is a Saudi-owned company and the MTX Telecom Services equity position is in Saudi Arabia, Datacom Company Ltd., and to the best of my knowledge there are no unwarranted payments in Saudi Arabia Datacom Ltd., and the external auditors, Arthur Anderson, have not brought any unwarranted payment to Saudi Arabia Datacom Ltd. to my attention nor any transactions related with MTX Telecom Services.

IRS. S. CARSTAIRS: I'd like to go into another area, and that has to do with the Canadian Human Rights Commission and the appearance of discrimination against both Jews and women.

We have made reference on a number of occasions to the 1978-79 judgment of the Canadian Human Rights Commission which would appear to have made the operations of Bell Canada acceptable in Saudi Arabia. Was the further judgment of 1981, which in fact was not a judgment, it was in fact a statement by the Canadian Human Rights Commission which said in fact that they felt discrimination did indeed exist with regard to women, but it was outside of their purview to discuss. Therefore, they couldn't hold a hearing because the operation was taking place outside of Canada and was, therefore, not within their jurisdiction. Was that non-judgment, if you will, of the Canadian Human Rights Commission ever discussed with the MTS-MTX Boards?

IR. G. HOLLAND: No, Mr. Chairman, I've been very careful to say that, rightly or wrongly, or whether we placed justified confidence in that statement, we had assumed that it met Canadian norms.

IRS. S. CARSTAIRS: A question to the Minister, please, Mr. Chairman.

Why did this government refer, even for a short period of time, a decision or the behaviour if you will, of MTS to the Canadian Human Rights Commission when the Canadian Human Rights Commission had indicated five years ago they didn't have the authority to make such a judgment?

HON. A. MACKLING: I think the Canadian Human Rights decisions response speaks for itself.

Our concern is an alleged discriminatory practice in a foreign land. There was no evidence that there had been any discriminatory practice take place in Manitoba. The whole area of discrimination indirectly occurred by virtue of the fact of a company based in Manitoba complying with laws and traditions and customs in another land, is something that I think needs to be clarified on a national basis.

As I indicated in a statement in the House, Canada, and Manitoba is certainly no exception to that, is a trading nation and we have companies here in Canada, both Crown and private, that are doing and are expected to be doing an increasing amount of trade in lands where the laws and traditions and customs are different.

Where our employees are required to be in a foreign country to fulfill a contractual obligation, and those laws in those lands differ from ours, it poses a problem. I think it is a suitable matter for the Canadian Human Rights Commission to advise upon how we deal with the ramifications of laws and traditions and customs in lands where we trade, affecting our own human rights legislations and standards here.

MRS. S. CARSTAIRS: I still have a lot of difficulty, Mr. Chairman, with a government who would read a decision, or should have read a decision of 1981, which didn't say there wasn't discrimination; it simply said it is not within our jurisdiction. I'm amazed that this government would No. 1, refer a further case to them, but No. 2, would not have used that as a signal to re-examine their policies with regard to the employment of Manitobans by Manitoba Telephone System's working outside of this province.

HON. A. MACKLING: The question of the outreach or the indirect application of laws external to Manitoba on Manitoba employees is something with which we are now dealing. This Minister was not aware that there was a continuing concern that there was indirect discrimination alleged to be occurring within Manitoba. The question had been debated in the Legislature in 1978; there'd been a reference to the Canadian Human Rights Commission. There was ongoing employment of Manitoba Telephone System staff in Saudi Arabia.

I had not heard of a case where a woman had been denied a position in Saudi Arabia that she had applied for. I had heard no case of alleged discrimination against any Manitoba citizen who is Jewish in having any problem. Those matters appeared to have been satisfied back in '78 when there was a concern evidenced in the House and referenced to the Canadian Human Rights Commission.

MR. G. FILMON: May I begin by asking the Minister when it is his intention to recall this committee beyond today's sitting. Will it be next Tuesday or next Thursday?

HON. A. MACKLING: I haven't discussed that with the House Leader as to scheduling of committee hearings, but I have no way of confirming that to the honourable member.

MR. G. FILMON: Mr. Chairman, just to follow the last question of the Member for River Heights on the reference to the Canadian Human Rights Commission, there was an article in *The Jewish Post*, an editorial about a week or so ago, that quoted a particular official of the Canadian Human Rights Commission as saying that staff of this government had called the Canadian Human Rights Commission some time ago and asked about reference of this matter to the Canadian Human Rights Commission and were told clearly at that time, that it was outside the jurisdiction of the Canadian Human Rights Commission. Yet after that call, the Premier still announced in the Legislature that he was referring the matter to the Canadian Human Rights Commission, knowing that their view was that it was outside their jurisdiction, being a provincial corporation totally operating under provincial laws. How could that have happened?

HON. A. MACKLING: I'm not aware of the article that the honourable member refers to and I'm not aware of the contents of the alleged substance of that call.

MR. G. FILMON: The Member for Kildonan has a copy of it. I had earlier seen it in his possession and they quote Ahjeit Mayhad, (phonetic) Regional Director for the Commission and it says precisely what I've just put on the record so perhaps the Member for Kildonan will share that with his colleague and he can look into the matter.

Mr. Chairman, I wonder if I could follow up with Mr. Provencher on certain matters that he has responded to earlier today.

Firstly, in response to my questions in the House, he said that MTS was not owed any money by Al Bassam International or any of its related or subsidiary companies in Saudi Arabia at the time of the forming of the partnership, SADL.

Was MTX owed money by Al Bassam or any of its related subsidiary companies in Saudi Arabia at the time of the formation of the partnership?

MR. M. PROVENCHER: Mr. Chairman, yes, MTX Telecom Services Inc. did have an accounts receivable with Al Bassam Telecom at the time of the incorporation of the joint venture, SADL.

MR. G. FILMON: What was the amount of the accounts receivable?

MR. M. PROVENCHER: Mr. Chairman, I do not have the accounts receivable as of June 1983, but I do have it as of March 1983 and it was \$420,000.00.

MR. G. FILMON: Were any of the receivables at that time or later capitalized as part of the formation of SADL?

MR. M. PROVENCHER: Specifically are you referring to receivables and MTX Telecom Services.

MR. G. FILMON: Are there other receivables that should be asking about?

MR. M. PROVENCHER: No.

MR. G. FILMON: Sorry I didn't hear Mr. Provencher's response.

MR. CHAIRMAN: The answer was "no."

MR. M. PROVENCHER: Mr. Chairman, I'm not hiding anything. I want to make sure specifically as to what question I was answering.

MR. G. FILMON: Firstly, I want to put on the record Mr. Chairman, that I have not in any way insulted Mr. Provencher and I don't intend to.

I do want to get as much information on the record and I would hope that Mr. Provencher would understand that if he's able to be more forthcoming as opposed to trying to stick to the letter of the question, if we know the direction in which we're going it would be helpful so that I didn't have to ask a number of questions to get at the answer.

HON. A. MACKLING: I just wanted to indicate that think when questions are asked, if there is some hesitation, some concern to be precise, I trust in the belief and the understanding that members of this committee and the public expects truthful answers, precise answers, knowing that the questions and the answers that are given to this committee are bound to be truthful. If they are not, it's a matter of a serious concern. I won't go into the ramifications of that but I'm advised that they are very serious matters if there's an incorrect statement given in committee by any person. So, therefore, I think witnesses giving answers want to ensure the accuracy of those answers.

MR. G. FILMON: I appreciate that and I want that to be the case and I point out that we have allowed both this Minister and Mr. Provencher and others to correct previous statements in the past without any repercussions or serious actions. We don't regard them as having misled the committee if it turns out that they misunderstood the question. But I'm looking for an opportunity to apply the fullest latitude in questioning.

My question to Mr. Provencher was: Were any of the outstanding liabilities, either from Al Bassam or other related companies as part of the Saudi Arabian dealings, capitalized as part of the capital of SADL?

MR. M. PROVENCHER: Mr. Chairman, I have an answer to that question.

The receivables were Al Bassam Telecom International. They have never been capitalized in MTX. They've always been shown as accounts receivable. Some of them have been drawn down by bank drafts, and bank drafts are outstanding against those receivables at specific fiscal years.

In relation to the accounts receivable from Al Bassam International Datacom Division, there was \$2 million of accounts receivable that were reclassified as shareholders advances in the current fiscal year, and that is part of the capitalization increase in MTX Telecom Services that was previously described at his committee.

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MR. G. FILMON: So the effect of that is that we've taken receivables which perhaps were doubtful or we've made it easier in terms of not having to recover by those by now putting them in as part of the recapitalization?

MR. M. PROVENCHER: Mr. Chairman, both parties, Al Bassam International and MTX Telecom Services increased equity position in SADL by 2 million a piece. The method that was decided to do it was to reduce the receivables in Canada rather than sending the proceeds over to Saudi Arabia then getting them back in payment against those receivables.

MR. G. FILMON: Was that approved by the Board of MTX and the Board of MTS?

MR. M. PROVENCHER: The additional capitalization for MTX Telecom Services and the uses of that additional capital were approved by both boards.

MR. G. FILMON: Was that discussed with the auditors for the company to see whether or not they recommended such a move?

MR. M. PROVENCHER: I have had ongoing discussions with Arthur Anderson since I became Director of Finance in July '83. They have always been of the opinion that the company was undercapitalized and to the best of my knowledge they did support additional capitalization for the joint venture SADL.

MR. G. FILMON: What were SADL's outstanding receivables at the time that this measure was taken?

MR. M. PROVENCHER: We do not have that available, Mr. Chairman. We can provide it later.

MR. G. FILMON: Mr. Chairman, I'd like to turn with Mr. Provencher to the correction that he's made with respect to the unauthorized payment of 443,241 Saudi rials.

In his testimony before committee last Tuesday, the 21st of August and I'll quote. He said: "Mr. Chairman, I am aware of one payment. I found this when I was reviewing the accounts of SADL, S-A-D-L, the 50-50 joint partnership."

How would it show up in SADL's accounts if the payment, the kickback were made by the Saudi Arabian company which was not obviously a part of SADL but one of the shareholders' companies?

MR. M. PROVENCHER: Mr. Chairman, as indicated earlier this morning, to the best of my knowledge it is a Datacom transaction, not a SADL transaction and it is totally recorded in Al Bassam International Datacom.

MR. G. FILMON: How would it show up in the accounts of SADL when Mr. Provencher was reviewing the accounts of SADL?

MR. M. PROVENCHER: It does not, Mr. Chairman.

MR. G. FILMON: How would he have come upon it when through reviewing the accounts of SADL?

MR. M. PROVENCHER: As stated previously this morning, I was doing a review of SADL and Datacom for my cash-flow analysis. I was reviewing the file, a Datacom file when I found it, not in SADL accounts payable file.

MR. G. FILMON: Does Mr. Provencher, through the shareholders or partnership agreement then have access to review the accounts of Datacom?

MR. M. PROVENCHER: Under our agreement I do have that access, Mr. Chairman, but I specifically asked our Saudi partner for permission to review those accounts and he gave it to me at that time.

MR. G. FILMON: Mr. Chairman, I wonder if we could ask for the shareholders' agreement, whatever partnership agreement there is between us and Al Bassam with respect to the formation of SADL, to be tabled.

HON. A. MACKLING: I have no problems with that, if someone has the shareholders' agreement or the partnership agreement.

MR. G. FILMON: I wonder when we could have that tabled, Mr. Chairman.

MR. CHAIRMAN: Perhaps, Mr. Provencher, if you could just describe what the documents are and we'll table it and make copies for members.

MR. M. PROVENCHER: Mr. Chairman, I have three documents. The first is the shareholders' agreement dated the 11th day of April 1982 between Al Bassam International Company and MTX Telecom Services Inc.

The second document that I have are the Articles of Association for the joint venture SADL that were approved by the Foreign Investment Review Agency and also by the ministry responsible for that agency in Saudi Arabia.

I also have an agreement to provide technical marketing support services, management and engineering services, and that's between SADL and Datacom, a division of Al Bassam International.

MR. G. FILMON: Mr. Chairman, I wonder if Mr. Provencher can indicate if this sets out the joint rights and responsibilities of the two major shareholders in the company and what each is responsible for and what each gives the authority to the other to do that would show, for instance, that MTX has the right to review Datacom's accounts and so on.

MR. M. PROVENCHER: That is not in the agreement, Mr. Chairman, the rights to review the account. The agreement that I have referred to is the Technical Marketing and Management Support Agreement. I assume that under that agreement I have certain rights as a board member to review those accounts, as appropriate. My representative is a board member.

MR. G. FILMON: What relationship between SADL and Datacom, which is a division, as I understand it, of Al Bassam International, would give the right to Mr.

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Provencher or the partner, MTX, to go into Datacom's books? Do we any financial interest in Datacom?

MR. M. PROVENCHER: We do not have any financial interest in Datacom, but MTX does have a considerable receivable from Datacom for the shipment of equipment and, if I were reviewing it, it would be in relation to that receivable.

MR. G. FILMON: So it is through that relationship of being a very large creditor of Datacom that we have the right to review their books?

MR. M. PROVENCHER: Mr. Chairman, I don't believe that there is any implied right. I have made requests from time to time and I have been granted those requests. There is no assurance that at the next time I have that request I will be granted permission.

MR. G. FILMON: Which of the agreements there then sets out these joint rights and responsibilities of partner-to-partner shareholder-to-shareholder for exchange of information and knowledge of operations? Is that part of what is being tabled?

MR. M. PROVENCHER: Mr. Chairman, I would say that's the Technical Management Engineering Agreement.

MR. G. FILMON: Mr. Chairman, is Mr. Provencher saying there is no right for us to know anything in terms of financial knowledge of the related companies?

MR. M. PROVENCHER: I believe that would be accurate by the strict letter of the law, but I've always been under the belief that a partner has an obligation to disclose as much information as is necessary in order to assure us as to the position of our accounts receivable and the bank draft notes that he has accepted.

MR. G. FILMON: Have either MTS, MTX or SADL made loans to Datacom in the past?

MR. M. PROVENCHER: MTX, to the best of my belief, has not made any loans. I'm not aware of Datacom. I'm aware of one transaction that the joint venture SADL did loan for investment purposes, some money to Al Bassam International on a promissory note, called within 48 hours.

MR. G. FILMON: The loan was for only 48 hours? Is that what Mr. Provencher said?

MR. M. PROVENCHER: No, Mr. Chairman. The promissory note was recallable on a 48-hour basis.

MR. G. FILMON: Is that still outstanding?

MR. M. PROVENCHER: No.

MR. G. FILMON: So it was repaid?

MR. M. PROVENCHER: It was repaid.

MR. G. FILMON: Is that a decision of the board that that advance or whatever description of the transaction was given be made?

MR. M. PROVENCHER: No, Mr. Chairman.

MR. G. FILMON: Whose decision was it?

MR. M. PROVENCHER: I don't have any personal knowledge as to who made the actual decision.

MR. G. FILMON: What was the amount?

MR. M. PROVENCHER: I believe, subject to correction it was about \$1.5 million Canadian.

MR. G. FILMON: What security did we have? Just the promissory note?

MR. M. PROVENCHER: Yes.

MR. G. FILMON: Can Mr. Provencher confirm the news report today that the overseas operation is in some financial difficulty?

MR. M. PROVENCHER: No, Mr. Chairman. I believe that the Board of Directors of SADL has taken appropriate action to react to the current economic conditions. Staff has been decreased considerably over the last year. Fixed costs have been decreased. Sales, proportionately, are not meeting expectation, but it is my personal belief at this time that the company has a good chance to break even with the current cost reductions that have been put in place.

My prime concern is that I don't know whether or not we can achieve any market projections based on the current publicity in the press and any impact that it may have with some of our current customers in Saudi Arabia.

MR. G. FILMON: The press report describes Sheik Al Bassam as being a very wealthy man. Why would we have had to lend \$1.5 million of Manitoba taxpayers' dollars through that corporation to the sheik for an investment when he's such a wealthy man?

MR. M. PROVENCHER: Mr. Chairman, I was advised that transaction was for investment purposes because the amount of money was not immediately required for use in the business and, in order to earn interest that would benefit the joint venture, that transaction occurred.

MR. G. FILMON: Mr. Chairman, just another question and, unfortunately, I have a prior commitment . . .

HON. A. MACKLING: If you're moving to another area, could I . . .

MR. G. FILMON: No, it's on the same area with Mr. Provencher.

HON. A. MACKLING: Yes, I know, but in respect to that loan, I would like to ask a question.

HON. A. MACKLING: Mr. Provencher, who authorized the \$1.5 million loan that Mr. Filmon has asked about?

MR. M. PROVENCHER: It was disclosed to me by Mr. Aysan on a subsequent trip to Saudi Arabia, when I wanted to find out what happened to the capital proceeds. — (Interjection) —

MR. CHAIRMAN: Order please, order please.

MR. M. PROVENCHER: I did not say that.

MR. G. FILMON: I understand. I asked who recommended it; the Minister asked who authorized it. Fine, I'm glad to have that information. I appreciate it.

MR. M. PROVENCHER: I'm not certain but I believe it was authorized by the president of SADL at that point in time.

HON. A. MACKLING: Who was that?

MR. M. PROVENCHER: Chafe Abou Richeh.

HON. A. MACKLING: Sorry to interrupt.

MR. G. FILMON: That's fine. A further question to Mr. Provencher concerning the revelation of the unauthorized payment of 43,241. Is this the same payment that on Tuesday, August 12, Mr. Provencher said he believed was about 10,000 Saudi rials?

MR. M. PROVENCHER: Yes, Mr. Chairman, and I'm correcting the record. If you remember, I said "I believe." I did not have the data available.

MR. G. FILMON: That's right.

MR. M. PROVENCHER: I am now correcting the record because I did go back to my notes and found out that it was considerably higher than what I had quoted.

MR. G. FILMON: I'm trying to establish an idea of the relationship between SADL or MTX, and Datacom-Telecom, Datacom-Telecom being two divisions of Al Bassam International, and correct me if I'm wrong.

Does MTX sell any equipment directly to Datacom and Telecom or does it all go through SADL?

MR. M. PROVENCHER: All MTX sales to Saudi Arabia go through Al Bassam International and are sold either through Al Bassam International Datacom, or Al Bassam International Telecom.

MR. G. FILMON: What role does SADL play in it?

MR. M. PROVENCHER: Mr. Chairman, only a 100 percent Saudi-owned company can import.

MR. G. FILMON: Correct me if I'm wrong, and I want to be sure. You're saying that MTX sells to Datacom and Telecom divisions of Al Bassam International, which we have no ownership in. Then what purpose does SADL play over there? That's where we have the 50-50 interest.

MR. M. PROVENCHER: I do not have the exact words as to the objects of SADL because they're in the agreements that I just handed over, but subject to that wording, it's a commissioning, engineering, training, mainly value-added for data, data communications, data communications systems and associated computers.

MR. G. FILMON: It's doing the consulting, the engineering, but where there's direct sales of equipment over to Saudi Arabia, it's MTX direct to Al Bassam's companies. Is that correct?

MR. M. PROVENCHER: Yes, Mr. Chairman, all MTX sales are to Al Bassam International, either Telecom or Datacom.

MR. G. FILMON: Mr. Chairman, the newspaper report today indicates that should the overseas operations in Saudi Arabia fold, it would cost us, meaning the taxpayers, ratepayers, who have the liability in MTX and SADL overseas, \$20 million. I look at the balance sheet for SADL and I see on December 31, 1985, that if we were to take all of our outstanding liabilities, accounts payable, notes payable, accruals, and write off all of our capital, our shareholders' loan, statutory reserve, everything, it shows us as having a liability of \$18 million Saudi rials, which I guess equates to about \$7 million or something of that nature. How do we get from the \$7 million to the \$20 million?

MR. M. PROVENCHER: Mr. Chairman, the \$20 million is the figure that's in the newspaper. MTX does have an accounts receivable from Telecom; it does have an accounts receivable from Datacom; it does have the equity investment in SADL. Those total around \$12.2 million at the end of March. We do have outstanding contingent liabilities associated with the bank drafts, amounting to approximately \$4.4 million at the end of the year. My estimate would be about \$17 million, provided that there were no proceeds from liquidation.

MR. G. FILMON: What's the nature of the outstanding liabilities with respect to the bank loans, the bank drafts, or whatever?

MR. M. PROVENCHER: Mr. Chairman, those were bank drafts outstanding that had been accepted by Al Bassam International as of March 31.

As previously stated to the committee, there is a Province of Manitoba guarantee for the Bank of Nova Scotia line of credit, and there is a Manitoba Telephone System guarantee for the Royal Bank, assuming that as at this point in time that for some reason the joint venture is liquidated, the probability of collecting those notes, in my view, is most probably very difficult. That's how the contingent liability comes around. If the payments aren't made, then either the province or the Manitoba Telephone System have to make up for those defaults on those notes.

MR. G. FILMON: Given that Sheik Al Bassam is characterized in today's newspaper as being a very wealthy man, how is it that we would have no or very little probability of collecting on all of these debts that are owed, presumably, by his companies to us?

MR. M. PROVENCHER: I guess I'm basing that based on a wind-down scenario, a liquidation scenario. I think at that point collection becomes very difficult. It does in Canada; it does in the U.S. I presume it would be more difficult in Saudi Arabia. Under those conditions, I'm not sure whether or not we could get the appropriate individuals to get access to the kingdom, that is visitors' visas, in order to collect those accounts or in order to take the appropriate action in Saudi Arabia to ensure that collectibility.

MR. G. FILMON: Is Mr. Provencher suggesting that if SADL-MTX were to pull out, that would be the collapse of Telecom and Datacom, the subsidiaries of Al Bassam International, divisions of Al Bassam International?

MR. M. PROVENCHER: It may be, Mr. Chairman, particularly Datacom, because they rely heavily on technical support that is being provided by MTX Telecom Services. I can't form that opinion on Telecom. We don't have any agreements. We have provided personnel to Telecom to support that operation and we have no direct knowledge relating to Telecom, so I can't form any opinion relating to Telecom.

MR. G. FILMON: We have so little confidence that the sheik would be committed to repay those outstanding liabilities to us. How could we ever have dreamt of lending him \$1.5 million on a promissory note?

MR. M. PROVENCHER: As previously stated, I had no direct knowledge that that transaction was not party to that transaction, so I can't answer that question.

MR. G. FILMON: In response to similar questions at committee last year, the representatives of MTX indicated that it was the sheik's good will that would allow us to ensure that we could collect those receivables. Are you suggesting that there would be a loss of good will by the sheik, if, for whatever purposes, MTX were to pull out?

MR. M. PROVENCHER: My own view, Mr. Chairman, is that it would strain relationships terribly. Without our support, there is no Datacom, there is no SADL and, to a great extent, he was counting on his venture as part of his future within the emerging data-communication field that he is seen as having great promise within the next 10, 15 years in Saudi Arabia.

MR. G. FILMON: Mr. Chairman, I apologize, but due to a previous commitment, I am going to have to leave the questioning at this point in time. I know my other colleagues have other matters to pursue in respect to this.

MR. CHAIRMAN: Mr. Parasiuk.

MR. W. PARASIUK: Some of my questions were dealt with earlier.

MR. CHAIRMAN: Mr. Penner.

HON. R. PENNER: I'll pass.

MR. D. ORCHARD: Mr. Chairman, when my leader posed the question and Mr. Provencher answered that

the likelihood of collection, if SADL was to be wound down, would be very slim on any accounts receivable what has changed since the 7th of May, 1985 when posed those same questions as to what our security was on millions of dollars of receivables?

Those questions were posed to Mr. Mackling, M Holland and Mr. Provencher, and Mr. Provencher answered the questions, and we were told last year that it's not a personal guarantee from the sheik and that basically, and I'll quote you, Mr. Provencher, from last year: "Basically there's no financial guarantee. It's just per the Moslem religion. Sheik Abdullah is personally responsible."

Are you saying today that he would not take the personal responsibility seriously, and that we would, in fact, not be paid, given the assurance last year that the accounts were secure because no sheik would dare to not pay them? Are you saying that that circumstance has changed in the past year?

MR. M. PROVENCHER: What I'm saying, Mr. Chairman is I believe that relationships would be terribly strained. When I made my statement, it was under a normal relationship. Also, that we do have the right to bring him to the Chamber of Commerce and have arbitration based, I believe, but subject to correction, under the international laws, whatever they might be, in order to collect those accounts. Whether or not we get paid even if we had a judgment, is a subjective matter and it may take a long period of time.

MR. D. ORCHARD: Mr. Chairman, on the accounts receivable, what is the rate of interest that is currently being charged to your Saudi customers by MTX and by SADL in terms of their accounts receivable from the 100-percent owned Saudi companies?

MR. M. PROVENCHER: Mr. Chairman, I'd have to refer that question to Mr. Plunkett because he is currently president and is administering that function, but I believe he did answer that question to the committee several meetings ago.

MR. CHAIRMAN: Mr. Plunkett.

MR. D. PLUNKETT: Mr. Chairman, the last rate I saw that we charged Saudi Arabia for interest was 12 percent. SADL or Datacom, to my knowledge, do not charge interest on their outstanding invoices.

MR. D. ORCHARD: Mr. Chairman, that begs the question when Mr. Provencher indicated that I believe some function of the Chamber of Commerce might provide an opportunity to collect receivables owed by the sheik's 100-percent companies. Islamic law forbids the payment of interest. Would that Islamic Law, Shariah, I believe it is called, impact upon the collection of your interest that you were charging by MTX to accounts receivable from the sheik's 100-percent companies?

MR. D. PLUNKETT: We are not totally sure of the answer to that. There have been instances where interest has been upheld and there have been other instances where no interest is payable.

MR. D. ORCHARD: Mr. Chairman, we will, over the next course of some meetings, review the answers on terms of questions posed in the past about interest and the assurance that interest was being charged.

Can I ask Mr. Plunkett, in terms of the build-up of the accounts receivable over the past several years that we have been operating in Saudi Arabia, have the accounts receivable been reduced by principal only and, in fact, interest has been rolled over by the Saudi Arabian companies and not been paid and forms a major portion of the accounts receivable to date; or has interest been paid with each payment, by the sheik's companies?

MR. D. PLUNKETT: Mr. Chairman, interest is arrived at in several different ways. One is on the notes that are drawn down. Interest is built into the note itself. When those notes get paid, the interest gets paid. We will bill them interest on a monthly basis and that interest gets paid as they pay up their accounts receivable, either through the note process or through direct payments.

There would be, at this point in time, a substantial amount that would be related to interest that would be outstanding. I don't have that amount with me.

MR. D. ORCHARD: Mr. Chairman, then in the examination of the MTX financial records, and where we're to examine the accounts receivable with specific amounts of money coming from the 100 percent Saudi Arabian companies, would the paperwork which identifies those payments show, for instance, that an account for the sale of a computer was paid to the tune of \$100,000, plus let's say \$5,000 interest, and would the interest be broken out and shown on the invoice so that we could determine from the paperwork with MTX that indeed interest has been paid by the sheik's 100 percent owned companies?

MR. D. PLUNKETT: Mr. Chairman, as I indicated earlier, there's two ways that interest would get charged to the company. One is directly by the bank; it is not charged by us; it's through the bank note process. If the \$100,000 was for a computer and that invoice was drawn down through the note process, the \$6,000 or \$5,000 would appear as an interest charge.

If it's MTX, we bill them a separate invoice for interest.

MR. D. ORCHARD: And those separate invoices for interest are paid and noted as interest received?

MR. D. PLUNKETT: They are noted, Mr. Chairman, as interest revenue. When they're received, they would be cleared through the accounts receivable system.

MR. D. ORCHARD: Mr. Chairman, I want to go back to the \$1.5 million promissory note. Probably Mr. Provencher would be more appropriate to ask the questions.

Mr. Chairman, I'd like again to determine the approval process by which it's my understanding, unless I misunderstood the answer this morning, SADL provided a \$1.5 million loan to Al Bassam International Telecom and no approval for that was given by the Board of MTX or the Board of SADL. Is that correct?

MR. M. PROVENCHER: That's correct, Mr. Chairman.

MR. D. ORCHARD: Further, my understanding is that the President of SADL and the General Manager, Mr. Aysan, approved the loan. Is that correct?

MR. M. PROVENCHER: That's correct, Mr. Chairman.

MR. D. ORCHARD: Did Mr. Aysan, as an employee of MTX, seconded to be, I believe, General Manager of SADL in Saudi Arabia, have the authority to make a \$1.5 million loan without board approval from either the board of SADL or the board of MTX?

MR. M. PROVENCHER: He did not have that approval, nor did the President.

MR. D. ORCHARD: Were either of those individuals disciplined or dismissed because they violated the guidelines under which they could conduct business in Saudi Arabia?

MR. M. PROVENCHER: Mr. Chairman, no, because the basic explanation of that transaction is it was an investment because the immediate cash flow wasn't needed in the SADL business.

MR. D. ORCHARD: Mr. Chairman, I don't care what you call it. You had an employee, Mr. Aysan, as General Manager of your 50-50 joint-owned company contravening the guidelines set down by your organization in providing a \$1.5 million advance, half of which was Manitoba taxpayer money; done without any approval, done beyond his mandate as General Manager, done without even seeking approval from anyone else. You indicate there was no disciplinary action for that, Mr. Chairman.

Mr. Chairman, I want to further establish, in taking that \$1.5 million loan, done without board approval, exceeding his authority, Mr. Aysan and Mr. Abou Richeh, if I've got the name correctly, did they insist on a personal guarantee from the sheik?

MR. M. PROVENCHER: Mr. Chairman, the promissory note was from Al Bassam International and in fact, that constitutes a guarantee from Sheik Abdullah.

MR. D. ORCHARD: Mr. Chairman, can Mr. Provencher indicate whether that same guarantee on that promissory note is the same guarantee we just discussed on our accounts receivable with that same series of companies owned by that same sheik, wherein you just told us five minutes ago that the likelihood of collecting it may be very, very indeed slim because there is no personal guarantees?

MR. M. PROVENCHER: I think we're describing a totally different set of circumstances. That was 1982, the conditions were buoyant, the joint venture was just starting. Sheik Abdullah's businesses were doing very well in Saudi Arabia. I don't think you can contrast that to today's economic conditions in Saudi Arabia and the current conditions of a possible liquidation of the company. Those are two entirely different circumstances when your talking whether or not that guarantee can be honoured.

MR. D. ORCHARD: Mr. Chairman, whether the economy is buoyant or not, Mr. Aysan and the President of SADL arranged an unauthorized \$1.5 million loan by promissory note without any security, other than the promissory note which has the same kind of security that now we are exposed to the tune of \$17 million. Does Mr. Provencher believe that was the kind of general management business conduct that has led to the tremendous success of MTX in Saudi Arabia and was Mr. Aysan following good management practices by loaning that without authority from the board?

MR. M. PROVENCHER: I do believe that the loan on a short-term basis was good business practice. The fact that they didn't have authority is not good business practice. On a constant basis in Manitoba Telephone System and MTX, we do invest on a short-term basis.

MR. D. ORCHARD: What was the interest rate on that \$1.5 million promissory note?

MR. M. PROVENCHER: To the best of my knowledge, Mr. Chairman, 8 percent.

MR. D. ORCHARD: So, Mr. Chairman, we have the circumstance where we charge 12 percent interest on accounts receivable by MTX and we arrange a promissory note to a sheik for 8 percent as a good business practice. I find that to be quite interesting in terms of how you determine that an 8 percent loan when you're charging 12 percent on the accounts receivable is a good business practice.

MR. G. PROVENCHER: Mr. Chairman, the funds were in the National Commercial Bank with no interest; 8 percent is better than nothing.

Also, the 8 percent, I believe, is the LIBR (phonetic) rate, which is the London International Borrowing Rate at that point in time, but I'm not sure, I'd have to check that.

MR. D. ORCHARD: Mr. Chairman, in view of the fact that at that time in 1982, that half of that loan would have been the Province of Manitoba taxpayer money, does Mr. Provencher recall that interest rates in 1982 were in the neighbourhood of 15-18 percent? And we were giving taxpayer-of-Manitoba money to Saudi Arabian sheiks without any security at 8 percent? Does he consider that to be a good business practice following upon the desire of making huge amounts of money for MTS to subsidize telephones?

MR. M. PROVENCHER: Mr. Chairman, I was not a party to that transaction. I did not approve that transaction. I did not authorize that transaction. I became aware of it, took appropriate action to recover it, it was recovered. I don't think I want to make any further comments relating to that, because they don't pertain to me personally.

MR. D. ORCHARD: Mr. Chairman, could Mr. Provencher indicate when the \$1.5 million promissory note was signed when the funds were out and when it was repaid?

MR. M. PROVENCHER: I don't have that information available. We'll have to provide it.

MR. D. ORCHARD: Well, Mr. Chairman, seeing as how Mr. Aysan is here and was the general manager who made this loan, possibly he could inform us as to the nature of that loan; when, what purposes, etc.

HON. A. MACKLING: Just before Mr. Provencher leaves, if Mr. Orchard doesn't mind, I want to complete the information.

Mr. Provencher, there was no authority for the loan. Was the fact of the loan reported to the MTX Board or the MTS Board to your knowledge?

MR. M. PROVENCHER: No, because we called in the loan and we had undertakings from Sheik Abdullah to repay that loan.

HON. A. MACKLING: A final question in respect of that: The then Minister responsible for the MTS-MTX was he advised about the loan?

MR. M. PROVENCHER: I can't answer that question. I did not report to the Minister. I reported to Mr. Anderson at that point in time.

HON. A. MACKLING: But just to clarify, it was reported to the then Chair of the MTS or MTX Boards?

MR. M. PROVENCHER: Not to the best of my knowledge, Mr. Chairman.

MR. D. ORCHARD: Mr. Chairman, before Mr. Provencher leaves, then what we have here is the circumstance that after the fact the Board of MTX and the Board of MTS presumably discovered that a \$1.5 million unsecured loan was made to a wealthy sheik in Saudi Arabia.

The board subsequently called the note, if I understood your last answer. At that time was the Minister then informed of this transaction which was made without approval and any authority to do so in Saudi Arabia?

HON. A. MACKLING: Just to clarify it and I don't want Mr. Provencher to provide an inaccurate answer. I think that he answered my question: That the MTS and MTX Boards had not been informed of this transaction.

MR. D. ORCHARD: Well, Mr. Provencher, did you not indicate in answer to Mr. Mackling that the board ordered repayment of the promissory note?

MR. M. PROVENCHER: The SADL Board directed repayment of that note.

MR. D. ORCHARD: Who was on the SADL Board at the time?

MR. M. PROVENCHER: Myself, Mr. Anderson, and Mr. Pedde.

MR. D. ORCHARD: Mr. Anderson was the vice-president, I believe, of MTS. Did he inform Mr. Holland, the president of MTS at the time and the MTS Board of this unsecured, unapproved \$1.5 million loan to a

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wealthy sheik? Mr. Holland could answer it if he was formed about it.

R. G. HOLLAND: I have no recollection of ever being formed of it, no.

R. D. ORCHARD: Mr. Chairman, do we take it then at in 1982 standard business practice for MTX was make \$1.5 million loans, unsecured, to wealthy sheiks, and not even have that reported to the president of TS and to the Minister responsible for MTS so that we know what we're doing in Saudi Arabia? Is that considered to be the kind of reporting that this Minister satisfied with?

DN. A. MACKLING: If that's a question to me, the answer is no.

R. D. ORCHARD: Mr. Chairman, given the Minister's answer of no, what does he consider to be an appropriate action to rectify that \$1.5 million unsecured, unapproved loan to a wealthy Saudi Arabian sheik?

DN. A. MACKLING: Mr. Chairperson, we've indicated to a government, that we've called in to question, and we've asked the RCMP to make necessary inquiries to determine in respect to allegations contained in an affidavit any other matters that may be reported to the RCMP by officials of MTX, past or present. We have engaged a management audit firm to do a comprehensive audit of the management operations, management decisions, as a result of those investigations, and the information given to this committee, the government will take appropriate actions.

R. D. ORCHARD: Mr. Chairman, before the committee meets at 12:30, every time we sit before this committee, we find out new revelations.

Last Tuesday we found out that there was kickbacks. We haven't got to the bottom of that one yet because we're going to run out of time.

Today we find out that there's \$1.5 million authorized, unapproved, beyond authority loan made to SADL in Saudi Arabia to a wealthy sheik. How many more revelations do we have to have wrung out in this committee hearing before this Minister and his government screw up their courage and call a full judicial inquiry, where the people of Manitoba will hear the truth; where people will be required to testify under oath, so that we don't have the kind of misinformation that we've had come before this committee; where we have a \$10,000 Saudi rial kickback last week now confirmed — (Interjection) — to be \$43,000 Saudi rial kickback?

R. CHAIRMAN: Order please, order.

R. D. ORCHARD: How many more meetings of this committee do we need to drag these kinds of pieces

of information of very questionable business practices in Saudi Arabia before this government does the honourable thing and calls a judicial inquiry at which employees will be able to testify without fear of losing their jobs, and will be able to testify under oath so that we find out the truth? Anything less than a judicial inquiry under oath will not serve the purpose.

His inquiry by the consulting firm will simply not find the truth. It will be hidden in the answers until we drag it out in this committee and if the Minister wants to have it here, we're ready and willing to have that inquiry here.

But I think it is a more appropriate use of our time if you were interested in having the people of Manitoba get to the truth, that you'll call a full judicial inquiry, testimony under oath, protection to those employees that wish to divulge information about the dealings of MTS and MTX in Saudi Arabia and other areas.

Why are you afraid of the truth, Mr. Minister?

A MEMBER: Committee rise.

MR. CHAIRMAN: Mr. Mackling.

MR. D. ORCHARD: No, let him say. Let him have his say.

MR. CHAIRMAN: A question was asked, does the committee wish to allow the Minister to respond? What is the will of the committee? Leave for the Minister? (Agreed)

Mr. Mackling.

HON. A. MACKLING: Mr. Chairman, the concern of members of this committee in respect to the operations of the joint venture in Saudi Arabia is a legitimate one. As a result of the allegations that were made and contained in an affidavit, this Minister and his government has set in motion investigations by the RCMP to ensure that any wrongdoing on the part of anyone responsible will be thoroughly investigated by the best and most thorough investigative force probably anywhere in the world.

We have also commissioned one of the best internationally recognized consulting firms to do a thorough and comprehensive audit of all of the operations involving the MTX and those terms of reference are comprehensive, and deal with every issue that could conceivably arise as a result of the allegations contained in the affidavit and other information made available to the audit.

That management firm can work effectively to provide instruction to this government as to the necessary steps to be taken to ensure full compliance with the requirements of this government for honesty of dealing, precision of dealing, and a fair accounting to the people of Manitoba.

MR. CHAIRMAN: Committee rise.

COMMITTEE ROSE AT: 12:33 p.m.