

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

TIME — 8:00 p.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. S. Ashton (Thompson)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Doer and Penner; Hon. Mrs. Smith (Osborne)

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

APPEARING: Mr. Gordon Holland, General Manager and Chief Executive Officer, Manitoba Telephone System

Mr. Maurice Provencher, Director - Finance, Manitoba Telephone System

Mr. M.A. Aysan, Manitoba Telephone System employee

MATTERS UNDER DISCUSSION: Annual Report of the Manitoba Telephone System

* * * *

MR. CHAIRMAN: The Committee on Public Utilities and Natural Resources will come to order again. I'd like to apologize for the slight delay, but we were having the sound checked.

I understand, Mr. Mackling, you have some answers, or Mr. Holland has some answers to questions posed previously.

The Honourable Minister.

HON. A. MACKLING: Thank you, Mr. Chairperson.

I call upon Mr. Holland. There were a number of questions taken as notice by Mr. Holland, and also there was a question taken as notice by Mr. Provencher in respect to the \$1.5 million promissory note.

MR. CHAIRMAN: Mr. Holland.

MR. G. HOLLAND: Mr. Chairman, we do have a copy of the briefing material here this evening if anyone wants to look at it. We didn't have a chance to make copies of it. We'll do that and certainly provide Mr. Dolin with a copy tomorrow.

There was a question as to when a decision was taken on the proposal for the Spectrum Management contract. There was a report to the MTX Board on July 8, 1982, that a decision would be made on July 9, 1982, and a report on September 13, 1982, to the MTX Board, from the Canadian Commercial Corporation, that the

partnership, Alberta Government Telephones, Bell Canada International and MTX had been unsuccessful in that proposal.

There was a question as to who staffed the product development group and external contracts group at MTS. In April 1982, the staff consisted of M.A. Aysan, D.B. Winslade, D.H. Forsythe, F.R. Marr, N.P. Stapon, I.D. Ferguson, G.T. Arbez, R.G. Markowitz, and R.G. Lindstrom.

There was a question as to whether I had presented the case for the creation of MTX to the board. At the December 13 and 14, 1981, MTS Board meeting, there's a reference that Mr. Anderson distributed to members of the board a status update on Spectrum Management Canada, flowing out of a meeting held on November 27; reviewed the memorandum in detail particularly noting the partnership agreement, the SMC by-laws, and the proposed three-month budget.

Mr. Anderson advised that the request for proposal was issued by the Canadian Commercial Corporation on Friday, December 11, 1981, and called for a single system contractor with total project responsibility for the management design engineering implementation training operation and performance of the Saudi Arabian Spectrum Management Organization Project, in accordance with the objectives and intent expressed in the plan.

It was moved and seconded that MTS enter into a partnership agreement, subject to MTS being permitted to assign its interest in the partnership to any wholly-owned subsidiary, which it might incorporate for the purpose of this project and conditional upon all three parties, including Alberta Government Telephones executing the partnership agreement, and that the proposed by-laws of Spectrum Management Canada, being Exhibit 2, were approved on behalf of MTS, and a budget for the Spectrum Management Project, covering the period November '81 to and including January '82, was also approved at that time.

Mr. Holland advised that the Legal Department had recommended that MTS incorporate a wholly-owned subsidiary company to participate as a principal in Spectrum Management Canada, and it was moved and seconded that pursuant to The Manitoba Telephone Act a company be incorporated as recommended and that the system take all actions necessary to pursue amendment of its legislative authority where necessary.

There was a question as to how many employees went to Saudi Arabia under the Bell Canada contract - a total of 51 employees have participated in the contract since 1978 and employees are still participating in the contract.

Mr. Chairman, Maurice Provencher also had an undertaking, I believe, and wanted to make a statement.

MR. CHAIRMAN: Mr. Provencher.

MR. M. PROVENCHER: Mr. Chairman, it was an undertaking. The first question is: Maybe Mr.

Provencher could indicate whether the accounting firm auditing the books of MTS was aware of these offshore sales to a company in Saudi Arabia.

I believe I responded I had no direct knowledge, but would undertake to get that answer from Arthur Anderson and provide it at a later date. I haven't had the opportunity to contact Arthur Anderson and I will attempt to do that shortly.

The next question is: Could Mr. Provencher indicate when the \$1.5 million promissory note was signed, when the funds were out, and when it was repaid?

To the best of my knowledge, Mr. Chairman, the \$1.5 million promissory note - we'll have to obtain the details from Saudi Arabia and will request that tomorrow and that it be passed on.

I believe that the funds were disbursed around June 1983 and final repayment was made prior to December 1984.

I also did identify to the committee this morning that the security for the loan was a promissory note. I should also identify to the committee that during the period of time this note was outstanding that there was a considerable accounts payable from SADL to Al Bassam and this was because Al Bassam undertook payments on behalf of the joint venture associated with leasehold improvements. Leasehold improvements were a considerable expense because the building that we did lease was a shell, the shell had to be completed and all leasehold improvements put into the building.

They also did incur considerable expenses associated with prepaid rentals. At that point in time all rentals had to be prepaid one year in advance, and that was a condition of obtaining your property leases in Saudi Arabia during the early years of the joint venture. Also Al Bassam were buying vehicles in order that the joint venture could do the installation work in Saudi Arabia and they also were meeting payroll for those employees other than the MTS employees.

So there was a considerable accounts payable. A lot of the accounts payable weren't finalized because the bills hadn't been submitted to Al Bassam from the contractors. That did take a considerable period of time and when that was reconciled the final settlement was made and that was prior to December 1984.

Also I've had an opportunity to review the transcript, first draft from this morning. Mr. Orchard asked me a question: "Further my understanding is that the President of SADL and the General Manager, Mr. Aysan, approved the loan. Is that correct?" I did respond previously to Mr. Filmon that I did have no direct knowledge, but that Mr. Aysan had informed me that the transaction was approved and authorized by Mr. Chafe Abou Richeh. In answer to Mr. Orchard's question I should have said that. I didn't understand the full context of the question at that point in time, or misunderstood the question and gave the wrong answer. I apologize for that.

Also there was a question by, I believe, Mr. Orchard as to who the board members were on SADL. I believe I gave an incomplete answer in that I only indicated the Canadian board members. There were also three Saudi appointees to the board, which was Sheikh Abdullah Aziz; Al Bassam, who was the chairman of the board; his son Tariq Al Bassam, who was a member of the board; and also Chafe Abou Richeh, who was an Al Bassam appointment to the board.

As well, at that period of time, Mr. Anderson was the vice-chairman of the board; Mr. Pedde was a member of the board; and I was a member of the board.

MR. CHAIRMAN: Mr. Filmon.

MR. G. FILMON: Following up on that information, I wonder if I could ask Mr. Provencher, how long was that loan outstanding, the \$1.5 million loan, before it came to the attention of any of the representatives of MTS-MTX or our people on the SADL partnership, such as Mr. Aysan or anybody else who was involved? How long was that loan outstanding before it came to the attention of anybody at this end?

HON. A. MACKLING: I think it's a confusing question, Mr. Chairperson. I think if the Honourable Leader of the Opposition would break it down specifically: When was it first brought to the attention of the SADL Board; when was it first brought to the attention of whoever? But we've got it all in and I don't know whether it's simple to answer that in one. Maybe he might break it down.

MR. G. FILMON: Okay. When did the Board of SADL first know about the loan?

MR. M. PROVENCHER: I haven't had the opportunity to check my notes but I believe it was October 1983.

MR. G. FILMON: Did Mr. Provencher want to complete that?

MR. M. PROVENCHER: We may have been aware of it in July 1983 and I may have brought it to the attention of the chairman of the board at that point in time, but I have to check my notes.

MR. G. FILMON: When you say you brought it to the attention of the chairman of the board, or you may have, was that the Chairman of the Board of SADL?

MR. M. PROVENCHER: That is correct, Mr. Chairman.

MR. G. FILMON: I wonder if Mr. Provencher knew about it - he was a board member - did the other Canadian board members, Mr. Anderson and Mr. Pedde, know about it at the time, as soon as he knew about it?

MR. M. PROVENCHER: Mr. Chairman, I would have advised them subsequent to my return to Winnipeg. If my memory recalls correctly and I'm right with the July, 1983 date, I was there to do a special consulting role for Al Bassam and Mr. Anderson and Pedde weren't there, but I would have informed them subsequent to my return. It was brought up at a partner's meeting subsequent to that date.

MR. G. FILMON: Is that the time when Mr. Provencher was over there and reported back on the flogging incident, at the time of the envoy that was quoted at the last meeting of the committee?

MR. M. PROVENCHER: If I am correct with that July date, that's the time that the press was contacting Mr.

Thursday, 21 August, 1986

Aysan. I was in Saudi Arabia. The envoy that was presented at the committee was an envoy that was sent by Mr. Holland in Winnipeg subsequent to my return to Winnipeg. That would have been some time after July 25, Mr. Chairman, of 1983.

MR. G. FILMON: At what point in time then did you or any other member of the SADL Board, Mr. Anderson and Mr. Pedde, notify MTX Board members about this outstanding loan?

MR. M. PROVENCHER: As I stated this morning, we did not notify the MTX Board.

MR. G. FILMON: Am I given to understand then that Mr. Holland would not have known about it until this morning?

MR. M. PROVENCHER: Mr. Chairman, in November of 1984, we did discuss the matter on a business trip to the U.S. where we did meet with Sheik Abdullah. I did prepare some notes on that meeting and I do believe that Mr. Anderson may have shown those notes to Mr. Holland. You'll have to ask Mr. Anderson whether or not he passed my notes to file to Mr. Holland.

MR. G. FILMON: Given the amount of the loan, would the Board of MTX normally have to have approved it?

MR. M. PROVENCHER: No, Mr. Chairman. That was a SADL Board responsibility.

MR. G. FILMON: What authority, in terms of financial decisions, did SADL Board have delegated to it by MTX - a \$1.5 million loan without any authority from one of the parent partners of MTX? What authority would they have at SADL?

MR. M. PROVENCHER: The authorities are in the Articles of Association and I did give you a copy of those this morning.

MR. G. FILMON: Mr. Chairman, in view of the fact that I haven't had time to review those Articles of Incorporation since this morning, can Mr. Provencher tell me what financial authority they had within their jurisdiction?

MR. M. PROVENCHER: I haven't had the opportunity to read the Articles of Association for some period of time and I don't think I'd want to comment on that. I'd rather undertake it and provide that answer at a later date.

MR. G. FILMON: Mr. Chairman, I wonder if Mr. Provencher could indicate he has corrected his earlier assertion that Mr. Aysan approved the \$1.5 million loan. He said, I think, that - I'm trying to think of the name of the individual who was the President of SADL and was responsible for the approval of it - Mr. Richeh. Was Mr. Aysan in any way involved in the approval of the loan?

MR. M. PROVENCHER: I do not have any direct knowledge and I cannot respond to that.

MR. CHAIRMAN: Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, I just want to make sure that we've got the final correct version of the \$1.5 million, because this afternoon it wasn't correctly answered.

Mr. Chairman, Mr. Provencher has indicated that the \$1.5 million loan was made in June 1983. He has further indicated that his recollection is that he may have known about it in July of 1983, one month after it was made. Is that correct?

MR. M. PROVENCHER: As I indicated, that may be correct, Mr. Chairman.

I would also like to identify that the 1.5 million is really approximately 750,000 of the MTX subscription proceeds for shares in SADL and 750,000 for the Saudi partner, and the 750,000 is an approximate number because the loan was in Saudi rials.

MR. D. ORCHARD: Mr. Chairman, is Mr. Provencher now saying that there wasn't a loan of \$1.5 million? That was unapproved, unauthorized and beyond the limit of the people who made the loan and without approval of the Board of SADL? Is that what he is saying now?

MR. M. PROVENCHER: Mr. Chairman, I am saying that there was a loan of 1.5. I have identified the sources of the internal cash for that loan. It is the share capital proceeds that were put in by both partners.

MR. D. ORCHARD: Is that the same answer that you gave us this afternoon, that it was money on deposit at a bank in Saudi Arabia that wasn't earning any interest? Are we talking the same dollars now?

MR. M. PROVENCHER: Yes, we are.

MR. D. ORCHARD: And that money was loaned to the sheik's companies without approval of the SADL Board, and that approval would have been required to be given by the SADL Board to make that size of a loan? Is that correct?

MR. M. PROVENCHER: Yes.

MR. D. ORCHARD: And the change in answer from this evening to this morning was that that loan was made solely by one individual who, I believe was the President of SADL, Mr. Abou Richeh, who is also a member of the SADL Board. Are those one and the same individuals?

MR. M. PROVENCHER: Mr. Chairman, I said to the best of my knowledge. I did not have any direct knowledge and, yes, Mr. Chafe Abou Richeh was a board member, yes, he was the President of SADL and the money was loaned to Al Bassam International for investment purposes.

MR. D. ORCHARD: Mr. Chairman, to the best of Mr. Provencher's knowledge, that loan was made by Mr. Richeh and without the knowledge of the General Manager of SADL, Mr. Aysan. Is that what he's telling the committee now?

Thursday, 21 August, 1986

MR. M. PROVENCHER: What I'm telling the committee is that Mr. Aysan made me aware that that transaction had occurred.

MR. D. ORCHARD: And that awareness was gained approximately a month after the loan was made. Is that correct?

MR. M. PROVENCHER: I believe, subject to correction, and once I've had the opportunity to review my notes, that is correct.

MR. D. ORCHARD: And Mr. Chairman, when was it reported - since it was an unauthorized loan - when was it reported to the SADL Board members? You being one of the members.

MR. M. PROVENCHER: I believe, I'm not sure, on my return to Canada, if it was the July date. All board members were aware at the October board meeting for the SADL joint venture in Saudi Arabia.

MR. D. ORCHARD: Mr. Chairman, with a \$1.5 million unauthorized loan, why did you not inform the board? Why did you not inform the MTX Board? Why was Mr. Holland not informed, and why was the Minister not informed of a \$1.5 million unauthorized loan? Why was that kept under cover? Was that not a big enough loan to be reported right to the top?

MR. M. PROVENCHER: In my view at the time, it was an investment. The investment was earning interest, the investment was secured by promissory note, and also by some payables that the joint venture did owe Datacom.

MR. D. ORCHARD: Mr. Chairman, that's fine, what Mr. Provencher has indicated is the use of the loan. But surely, as a board member, it must have caused you some concern just to how the joint venture was being operated, when you had a \$1.5 million unauthorized loan. Surely that must have caused you some concern as to whether there were other business activities in SADL in Saudi Arabia at the time, that were beyond the authorization of the company by the same employees. Did that not cause you some concern, and enough concern to pass it up the line so that the MTX Board members were aware that there were unauthorized loans of \$1.5 million? I think that is a relatively serious thing to have an individual do on behalf of your joint venture, but yet it appears as if it was almost considered a routine violation of authority.

I can't understand that answer, Mr. Provencher.

MR. M. PROVENCHER: Mr. Chairman, I believe I did take responsible action as an SADL Board member. I did immediately discuss it with the Chairman; I did bring it up at the next board meeting; also Mr. Plunkett followed it up on his trips to Saudi Arabia. We felt that the loan was secure; we felt that there were considerable accounts payable that almost equalled the amount of the loan to Al Bassam. We felt that we had taken responsible action as an SADL Board member at that point time and took immediate action the moment I found out about it, with that board.

MR. D. ORCHARD: Mr. Chairman, Mr. Richeh was the person who now you say made that loan. After making that unauthorized loan, was there any disciplinary action taken by the Board of SADL to assure that he would not make unauthorized loans of \$1.5 million, or did he simply carry on in his capacity?

MR. M. PROVENCHER: Mr. Chairman, he did carry on in his capacity, but I believe shortly thereafter we did put in final authorities. But I would have to check the date as to when those final authorities were approved by the SADL Board.

MR. D. ORCHARD: Mr. Chairman, can Mr. Provencher once again indicate to us why the unauthorized loan of \$1.5 million was not reported to the MTX Board so that they would be aware of the activities of their newly formed joint venture in Saudi Arabia. Why was that information not given to the Board of MTX?

MR. M. PROVENCHER: Mr. Chairman, there was no intent on my part to mislead the board. I do not know the reason really why I didn't report it.

I believe that I must have felt at the time that I was taking appropriate action as an SADL Board member, and also, during that time it was a start-up operation. There were a lot of items that we were dealing with. I felt that the loan was secure. I don't know why I didn't report it, sir.

MR. CHAIRMAN: Mr. Penner.

HON. R. PENNER: I'd like to follow up on a couple of things. First of all, Mr. Holland, sir, you gave a supplementary answer at the beginning of this evening's session, and I want to make sure I understand it and the implications of it. There were a total of 51 MTS employees who at one time or another, an aggregate 51 who were involved in the consortium operation in Saudi Arabia with Alberta Telephones, Bell. Is that right?

MR. G. HOLLAND: No, Mr. Chairman, these are MTS employees . . .

HON. R. PENNER: MTS . . .

MR. G. HOLLAND: . . . employees who have been contracted to the Bell Canada Saudi Arabian contract since 1978. And there have been 51 employees involved and employees are still in Saudi under that arrangement.

HON. R. PENNER: These were people who were in the employ of MTS and then MTS, on an arrangement with Bell, contracted their services out to Bell. Is that what you're saying?

MR. G. HOLLAND: Yes.

HON. R. PENNER: I think you said this morning that Bell came down at a fairly early stage and then from time to time to do some orientation with those employees of MTS who would be going into Saudi Arabia on that contract arrangement?

MR. G. HOLLAND: I believe Mr. Maguire described the procedure that had been followed.

Thursday, 21 August, 1986

HON. R. PENNER: And that was the procedure?

MR. G. HOLLAND: At least in the early stages, Mr. Maguire explained that Bell had sent representatives here to meet with interested employees and to brief them on the nature of the work and the Saudi conditions.

HON. R. PENNER: I'm sorry, Mr. Holland, would you repeat the answer?

MR. G. HOLLAND: Yes. As I recall, Mr. Maguire explained that in the earlier stages, Bell did send representatives here to discuss the positions available and to brief them on the Saudi and working conditions, yes.

HON. R. PENNER: And I believe that the Saudi working conditions would include some orientation with respect to the observance of religious laws and Saudi customs?

MR. G. HOLLAND: Yes, that is so.

HON. R. PENNER: And this was, of course, being done with the knowledge of the Board of MTS at the time?

MR. G. HOLLAND: Yes.

HON. R. PENNER: And with the knowledge of the Minister at the time?

MR. G. HOLLAND: Yes.

HON. R. PENNER: Moving on to a second matter which has arisen early this evening, if I could just make sure with respect to some answers given by Mr. Provencher.

Mr. Provencher, I just want to make sure I understand the nature of the confusion which appears to have existed and which you clarified. I have also a copy of the transcript, and I note on Page 21 thereof, in answer to a question posed to you by the Minister as to who authorized the \$1.5 million loan, your answer was: "It was disclosed to me by Mr. Aysan." That is, you did not at that point say that it was authorized by Mr. Aysan?

MR. M. PROVENCHER: That's correct.

HON. R. PENNER: And, subsequently, and the same page, you said that you believe the loan, that is the \$1.5 million loan, which MTX's portion was \$750,000, was authorized by the President of SADL. Mr. Mackling asked you who that was. You replied "Chafe Abou Richeh," and it was your evidence that you believe it was authorized by him.

Are you now saying that you know it was authorized by him or you're still not sure if it was in fact Chafe Abou Richeh who authorized the loan?

MR. M. PROVENCHER: I still have no direct knowledge, I believe.

HON. R. PENNER: To the best of your knowledge and belief, it was Chafe Abou Richeh?

MR. M. PROVENCHER: Right, and that was based on advice that was given to me by Mr. Aysan.

HON. R. PENNER: Subsequently, in the morning when Mr. Orchard picked up the questioning, the question which he put to you on Page 25 was as follows, in part: "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 and no approval for that was given by the Board of MTX or the Board of SADL, is that correct?" And you said "That's correct."

Mr. Orchard then went on to say further, "My understanding" - Mr. Orchard's understanding - "is that the President of SADL and the General Manager, Mr. Aysan, approved the loan, is that correct?" and at that point you said, "That's correct."

It's that answer that you clarified having earlier said that it was not Mr. Aysan, he disclosed it to you but you believe, although you have no direct knowledge, that it was in fact the Chairman of the Board, Richeh?

MR. M. PROVENCHER: Mr. Chairman, I believe that it was authorized and approved by the President, Chafe Abou Richeh.

HON. R. PENNER: Finally, on that question, I believe you made reference to the documents that you tabled, and that it's in the documents that were tabled this morning, where we might find what authority existed originally at the start of the joint venture in terms of the authority of the board, the authority of individuals on the board, the authority of the chairman of the board, the authority of the executive officer. Those may be found in those documents?

MR. M. PROVENCHER: Mr. Chairman, I believe that the document does identify the powers of the shareholders, the authorities and powers of the board of directors. I'm not certain whether it identifies the power of the president or general manager. We did, as a board of directors, and that is the SADL Board of Directors, approve a final authorization in order to control the authority and approval process for the joint venture.

HON. R. PENNER: So that it was in a consequence of the loan about which you learned in or about the month of July '83 and your reporting it to the board in October '83, that the board required that there be some clarity as to the final authority; that is, the upper limit for investment transactions by the people in Saudi Arabia. Is that what you mean by final authority?

MR. M. PROVENCHER: Final authority is what approval levels, the specific levels the management have for specific transactions.

HON. R. PENNER: Can you reflect whether the final authority, which was put in place by a decision of the board in October '83, extended to a number of individuals; that is a final authority for the manager, a final authority for the president of the board? Incidentally, is that the correct name of the office - president of the board - or is it chairperson of the board?

MR. M. PROVENCHER: It's chairman of the board.

Thursday, 21 August, 1986

HON. R. PENNER: So that in the absence of something in the documents which are now exhibits in these hearings, in the absence of a specific final authority in those documents, the first time there would be a final authority would be following the meeting of the SADL Board in October of '83. Is that right?

MR. M. PROVENCHER: I'll have to confirm the date, Mr. Chairman . . .

HON. R. PENNER: The date of the . . .

MR. M. PROVENCHER: . . . of the approval by the Board of SADL of the final authority and document.

HON. R. PENNER: Subject to verifying the date, in the absence of a final authority section or sections in the Articles of Association, the first time there would be in fact a decision of the board, as to final authority, would be in that meeting which may have been October '83, but you have to verify the date.

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

HON. R. PENNER: Thank you very much.

MR. G. FILMON: Mr. Provencher, if I may just ask a couple of questions again about the \$1.5 million loan unauthorized by the board, I'm curious as to why \$1.5 million of share capital would be sitting there unutilized, when at the same time you were presumably incurring debt in the establishment of the business over there by virtue of Al Bassam, on your behalf, providing for the lease hold improvements, the prepaid rent, the vehicles that they were purchasing for their use. Why would the share capital be sitting there unutilized so that somebody had to find a way to use to at least bear interest on it, and at the same time you weren't from the company investing in such things as the lease hold improvements, the vehicles, and the things that you need to start up the business?

MR. M. PROVENCHER: Mr. Chairman, those initial activities that have just been identified by Mr. Filmon were undertaken by Al Bassam International on behalf of the joint venture. It was some period of time after the incorporation of SADL that Al Bassam did present accounts to the joint venture for those undertakings that they had done for the joint venture in relation to the leasehold improvements, the vehicles and the other items that I have previously described.

MR. G. FILMON: I understand that, but why would Al Bassam have done it on your behalf when SADL could have done it on its own behalf with the available capital sitting in the bank?

MR. M. PROVENCHER: Primarily, Mr. Chairman, leases were approved by Al Bassam International, because I believe that a Saudi national has to approve leases. The contracts then, for the lease hold improvements, were with Al Bassam International. Some of them had been incurred prior to the approval of the joint venture by FIRA. It was in the period of time sometime between August 1982 and June 1983 that some of those costs

may have been incurred, because both partners were confident that FIRA would approve the application for the joint venture.

MR. G. FILMON: I think I understand. The loan capital was approved, was sitting there in a bank, but you couldn't invest anything over there because in effect SADL had not received approval through the FIRA process and Saudi Arabian laws, commercial laws whatever, to operate there, so in effect you were illegally there and everything was being done by Al Bassam on your behalf.

MR. M. PROVENCHER: Mr. Chairman, I think there's a multiple part to that question. If I can break it down. The share capital was transmitted to Saudi Arabia shortly before the FIRA approval, which I believe was June 7, 1983. It may have been a week prior to that, because we were advised by the Ministry that the approval would proceed and that the share capital had to be in a bank account in Saudi Arabia before the Ministry would sign the final documents.

I believe that there was a question, and I'd like to confirm it, that we were there illegally prior to that period of time - if I could get confirmation that that is the question that is being asked.

MR. G. FILMON: Yes.

MR. M. PROVENCHER: No, Mr. Chairman, we were not there illegally. We at that point had an interim agreement with Al Bassam International. I believe that we did have legal consultation from a very prominent Saudi counsel, who advised that what we were doing during the interim period of time was fully within the legal capability of Al Bassam International.

MR. G. FILMON: I'm not referring to the fact that Al Bassam was there illegally, I know that they were there - or at least I understand that they were there legally - as a Saudi national operating company. I'm saying that it wasn't legal at that point for SADL to be operating and therefore you had to put everything through Al Bassam. Is that right?

MR. M. PROVENCHER: SADL was not approved by FIRA in the ministry until June '83, and we were then at that point, operating with Al Bassam, which was the only vehicle that was available based on legal consultation at that period of time.

MR. G. FILMON: So they invested in the lease hold improvements and they prepaid the rent, they bought the vehicles, all of which ultimately were to be used for the purposes of the operation of SADL, but couldn't be in SADL's name because they hadn't been registered and approved by FIRA at that point.

MR. M. PROVENCHER: I believe that's correct, Mr. Chairman. Also, as I identified, all leases have to be signed by a Saudi national.

MR. G. FILMON: Wasn't Mr. Richeh, the President of SADL, a Saudi national?

MR. M. PROVENCHER: At that period of time, no, Mr. Chairman.

MR. G. FILMON: He was a not a Saudi Arabian?

MR. M. PROVENCHER: That's correct.

MR. G. FILMON: I'm sorry, did Mr. Provencher say he was not a Saudi national?

MR. M. PROVENCHER: That's correct, Mr. Chairman, he did obtain Saudia citizenship subsequent to that period of time?

MR. G. FILMON: Well, could Sheik Al Bassam, as a board member, director, not have signed on behalf as a Saudi national on the lease, as a director of the company?

MR. M. PROVENCHER: I'm not certain but I think the leases have to be with a Saudi company.

MR. G. FILMON: And we didn't have a Saudi company at the time - SADL was not a Saudia company at the time, a legal registered Saudi company?

MR. M. PROVENCHER: Mr. Chairman, SADL is not a Saudi company, it is a 50-50 joint venture between a Saudi national and a non-Saudi national, the Canadian firm. When I refer to a Saudi company it's a 100 percent Saudi company.

MR. G. FILMON: Does that mean that even today SADL cannot sign any leases, cannot put in any leasehold improvements, cannot own any equipment or anything, because it's not a 100 percent Saudi company?

MR. G. PROVENCHER: Could I have a second, Mr. Chairman, to consult with Mr. Maguire and Mr. Plunkett? Mr. Chairman, we're not certain. We'll have to contact Saudi Arabia and obtain that answer.

MR. G. FILMON: Do you as a board member not know whether or not SADL has signed a lease, has paid for leasehold improvements, has purchased equipment over there? Can you not tell me that?

MR. D. ORCHARD: How long have we been in Saudi Arabia?

MR. CHAIRMAN: Order, order please.
Mr. Provencher.

MR. M. PROVENCHER: Mr. Chairman, I can tell you, yes, the joint venture has paid for those, but the leases may have been signed on our behalf by the Saudi national. I'll have to confirm that because I'm not certain.

MR. G. FILMON: Does the Saudi national still own all of our equipment, such as the vehicles and the leasehold improvements?

MR. M. PROVENCHER: Mr. Chairman, that has been transferred to SADL.

MR. G. FILMON: Mr. Chairman, Mr. Provencher can correct me if I'm wrong, but I think he told me that none of these things could be done because we were

not a Saudi national company in the past. That the only reason that all this was being done by Sheik Al Bassam originally was because they were a Saudi national company and SADL was not.

MR. M. PROVENCHER: As I previously indicated, we'll have to check. I may be incorrect in relation to that answer. I may be confusing the 1982-83 period with subsequent transactions. It is a long period of time since those transactions have occurred, and I would like to check it in order to give you the right answer.

MR. D. ORCHARD: Mr. Chairman, I'd like to pose some questions to Mr. Aysan on his knowledge of the \$1.5 million unauthorized loan.

I'd like to ask Mr. Aysan what his capacity was in June of 1983 with SADL.

MR. M. AYSAN: General manager.

MR. D. ORCHARD: As general manager, to whom did you report in the company?

MR. M. AYSAN: To the President, Mr. Abou Richeh, on a daily basis.

MR. D. ORCHARD: Mr. Chairman, it has been indicated tonight that the President of SADL arranged a \$1.5 million loan entirely on his own. As General Manager for SADL, were you aware that those funds were removed from the bank account of the company of which you were general manager?

MR. M. AYSAN: I'm not aware of a loan or removal of the funds from the bank.

MR. D. ORCHARD: Mr. Chairman, was the money removed from SADL's bank account, and was it loaned to Al Bassam International Datacom or Telecom, whichever company undertook the loan?

MR. M. AYSAN: To the best of my recollection, I believe SADL received its commercial registration on June 7, 1983. Is that correct? During the pre-incorporation period, on the interim agreement in order to keep the liabilities balanced, MTS was paying some of the costs and the Al Bassams was paying some of the costs.

Al Bassam were absorbing costs for some of the items that Mr. Provencher mentioned, such as acquisition of vehicles, leasehold improvements and local suppliers, etc., and MTS was absorbing some of the salary costs, etc. I believe they were attempting to keep it on a 50-50 basis.

If I recollect properly, the equity capital from both partners had to be put in trust, and this is just a recollection, with the legal firm that represented both partners for the Foreign Investment Review Board. The funds had to be available at the time of issuance of our commercial registration.

In terms of financial strategy, that equity ratio in terms of equity structure, financial transactions, etc., I took my direction from the board and from Mr. Provencher and subsequently, from Mr. Plunkett. I do not have those skills, and I didn't have the authority beyond 50,000 rials.

I really can't comment on the loan of \$1.5 million or how it came about. I believe Mr. Provencher became aware of it when he came into the kingdom to structure the post-incorporation financial structure to establish the financial structure and the authorities.

MR. D. ORCHARD: Who made him aware of it, Mr. Aysan, of the loan?

MR. M. AYSAN: I don't know. At the time of incorporation period, we had accounts payable to both partners, because they both had financed the interim operation. We were trying to resolve the accounts payable both to MTX and the accounts payable to ABI.

MR. D. ORCHARD: Mr. Chairman, either Mr. Aysan is not telling us the truth right now or Mr. Provencher did not tell us the truth this afternoon, because this afternoon or this morning Mr. Provencher said: "It was disclosed to me by Mr. Aysan on a subsequent trip to Saudi Arabia." Mr. Aysan, you just said this evening that you did not disclose that to Mr. Provencher.

MR. M. AYSAN: I said, to the best of my recollection, I do not remember a loan . . .

MR. D. ORCHARD: No, no. We're not talking about your recollection of the loan, Mr. Aysan.

MR. CHAIRMAN: Mr. Orchard, could I ask that you identify before you speak, and also allow Mr. Aysan to finish.

Mr. Aysan.

MR. M. AYSAN: I believe I was referring to the \$1.5 million loan or investment at 8 percent. Is that correct, Mr. Orchard? Would you ask me the question again?

MR. D. ORCHARD: Mr. Aysan, did you inform Mr. Provencher of the existence of the \$1.5 million loan?

MR. M. AYSAN: I do not remember a loan.

MR. D. ORCHARD: Mr. Chairman, perhaps just for a brief moment, Mr. Provencher would like to come to the mike and possibly clarify the answer he gave this morning which indicates that it was - Mr. Mackling asked Mr. Provencher, "Who authorized the \$1.5 million loan that Mr. Filmon has asked about?" Mr. Provencher indicated to Mr. Mackling: "It was disclosed to me by Mr. Aysan on a subsequent trip to Saudi Arabia."

Mr. Chairman, this is exactly the problem we have gotten into with this Minister who refuses to take his responsibilities seriously. We now appear to have misleading statements being made again to this committee by MTS officials, in the same day. Mr. Chairman, would you like to have Mr. Provencher come up, take Mr. Parasiuk's mike, and have the two individuals sit side by side and tell their story to see who's telling the truth tonight? Would that be possible to do, Mr. Chairman?

MR. CHAIRMAN: Mr. Orchard, I believe we have a standard procedure for questions and answers, which allow for you, I believe, to request that Mr. Provencher

answer the question you posed. If you would like Mr. Provencher to answer a particular question, I think the proper approach would be to ask Mr. Provencher to come up and Mr. Aysan to leave the mike.

Order please. If members of the committee wish to have private conversations, will they please do so at the back of the room.

Mr. Orchard.

MR. D. ORCHARD: Mr. Provencher, this morning, in response to a question from your Minister regarding the authorization, who authorized the \$1.5 million loan, you answered: "It was disclosed to me by Mr. Aysan." Is that a correct statement?

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

MR. D. ORCHARD: Thank you, Mr. Provencher. Would Mr. Aysan care to come back, please?

MR. CHAIRMAN: Order please. If members wish to ask questions, they may do so in proper order.
Mr. Orchard, do you have a question?

MR. D. ORCHARD: Mr. Chairman, the Attorney-General isn't on the list, so I'll ask the question he wishes asked. When was that disclosed to you? Was it in July, Mr. Provencher, on your trip to Saudi Arabia, in July 1983?

MR. M. PROVENCHER: Mr. Chairman, I told you that I was uncertain, but I believe it may have been July '83 and I'll have to check my notebook.

MR. D. ORCHARD: Mr. Chairman, let us make sure that we understand the answer that Mr. Provencher gave us this morning when he answered the Minister that "It was disclosed to me by Mr. Aysan on a subsequent trip to Saudi Arabia."

Mr. Provencher, to the best of your knowledge, would that have been the July trip that you made in 1983 to Saudi Arabia, at which time Mr. Aysan informed you of the loan of \$1.5 million that was made that previous June 1983? Would that be correct?

MR. M. PROVENCHER: Mr. Chairman, as I indicated, it may be that July trip, or it may have been the October trip.

MR. D. ORCHARD: Fine. It's going to be the July or October trip. Would you feel that you can provide that information to us the next time we meet?

MR. M. PROVENCHER: Yes, Mr. Chairman, I do have it in my notebook and I believe that there are some dates in my notebook.

MR. D. ORCHARD: Mr. Chairman, could Mr. Aysan be brought back up to the mike, please?

Mr. Chairman, we have now had Mr. Provencher indicate to committee that Mr. Aysan, in either July or October of 1983, disclosed to him the existence of the \$1.5 million loan. Is that a correct statement, Mr. Aysan?

MR. M. AYSAN: To the best of my recollection, I do not remember a loan specifically. Maybe Mr. Provencher

became aware of a loan when we discussed the financial requirements of the company, or the inter-company transactions in-between SADL and ABI or MTX. To the best of my knowledge, I do not know of a loan, Mr. Orchard.

MR. D. ORCHARD: Then, Mr. Chairman, I would like to pose a question to the Minister responsible for the Manitoba Telephone System. We have this evening Mr. Provencher indicating that Mr. Aysan had indicated to him the existence of the \$1.5 million loan. Tonight we have Mr. Aysan indicating that he had no knowledge of that loan, no recollection of it.

Mr. Chairman, what action will you take, Mr. Minister, in compliance with your Premier's stated intent in the House that if we have been misled at this committee, that disciplinary action will be taken? Or do you consider that we have misinformed and misled at this committee tonight?

MR. M. AYSAN: May I add something? I should just add something. There was, I believe, funds invested temporarily, and I do not know the details of it in-between the two partners. I don't know if it was a loan, an investment, but it was an interest-bearing situation. To the best of my recollection, it was negotiated with the two partners. The details of that, I don't remember, nor was I involved. I would just make it understood that for the period I was there, my authority was 50,000 rials. I was not involved or had knowledge of, other than giving requirements to the best of my ability. The financial direction of the company, that structure, equity structure, major financial transactions, etc., were all handled by the board and I would take direction from Mr. Provencher and from Mr. Plunkett. — (Interjection) — I'm sorry?

MR. CHAIRMAN: I would ask members of the committee not to distract or interfere with witnesses. I believe if questions are posed, it's only fair that the member listen to the response and allow other members of the committee to listen to the response without interruption.

Mr. Aysan.

MR. M. AYSAN: I executed the instructions of Mr. Provencher. I had never doubted his integrity or his intent. The details of the investment, or loan, or interest, etc., I do not recollect and I was not familiar with, to the best of my recollection at this time.

HON. A. MACKLING: The Member for Pembina asks a Minister about what is the Minister going to do? What we have heard as a committee is that apparently in sometime June 1983 Mr. Provencher became aware of an unauthorized loan. His recollection of that was that Mr. Aysan had brought it to his attention. We have Mr. Aysan not being able to recall that. There is a difference in memory of an item that occurred three years ago. It is an unauthorized loan. There is no question about that. There has been extensive explanation about it.

But this is the kind of matter that a good management audit firm, with ability to examine accounts and determine lines of authority, with offices in Saudi Arabia, will be able to inquire into, and Coopers and Lybrand

are in a position to delve into all of the management decisions respecting the joint venture operation there and provide advice to this Minister and to this government, and we'll act upon that advice.

MR. M. AYSAN: I may very well have made Mr. Provencher aware of a financial status or the inability to meet certain financial obligations which would have led him further to a find an unauthorized loan; but, specifically, I do not remember making him aware of an unauthorized loan, Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, can I ask Mr. Aysan how, with perfect clarity, you recall some three years ago that your wife was only in the SADL offices to pick up grocery money? You remember that with perfect clarity?

MR. M. AYSAN: Yes.

MR. D. ORCHARD: You remember with perfect clarity the caning incident where it was told that there was no caning, in the House, in 1983. We were told that no employee was caned.

MR. M. AYSAN: I didn't say . . .

MR. D. ORCHARD: Tuesday of last week you recalled with perfect clarity the caning incident?

MR. M. AYSAN: Yes.

MR. D. ORCHARD: And today, Mr. Aysan, you don't know of the existence of a \$1.5 million loan that was made in 1983?

MR. M. AYSAN: Mr. Orchard, with the pre-incorporation period, there was some division of responsibility. I went to Saudi Arabia to do the day-to-day operation of developing a company, developing facilities, developing office space, building an infrastructure to carry out business with.

Mr. Provencher was putting together from Canada the Foreign Investment Review Board submission, the financial structure of the company, the equity structure of the company, the board material.

I, really, other than answering questions to Mr. Provencher, did not get involved very deeply in the process in the pre-incorporation period with the financial matters of the company or flow of funds or equity. I did not know indepth when what happened.

I can recollect the area that I was responsible for in somewhat clearer terms and I can discuss those. But all I can remember is that the equity was to be in trust with the lawyer for a period of time and then I can't even recall the date the bank account was established, whether it was just at the time of incorporation or shortly thereafter because the financial matters were managed by the president and the partners.

MR. D. ORCHARD: Did I hear you correctly, Mr. Aysan, earlier indicate that the monies that were jointly invested by the Saudi Arabian partner and MTS were held in trust at a lawyers?

MR. M. AYSAN: Yes, I believe so, that the requirement that was laid out by the legal advice in Saudi Arabia

Thursday, 21 August, 1986

was that the money had to be available intact just prior to incorporation and issuance of the commercial registration. I presume that requirement was met in order to get our commercial registration.

MR. D. ORCHARD: Mr. Aysan, when you answered the question about the trust fund which you believed was . . .

MR. M. AYSAN: No, not a trust fund.

MR. CHAIRMAN: Mr. Aysan, perhaps if Mr. Orchard could complete his question first.
Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, Mr. Aysan indicated that funds were held in trust and they were the investment funds of MTX and Al Bassam International. He answered that in response to that being his understanding of the source of the \$1.5 million loan. Is that correct?

MR. M. AYSAN: I didn't fully understand the question. The \$1.5 million loan, the source of funds was the equity capital, is that the question?

MR. D. ORCHARD: Yes.

MR. M. AYSAN: I don't know the details of the loan and the sources of funds for it.

MR. D. ORCHARD: Mr. Chairman, I believe we're going to have to check the records of Hansard.

MR. M. AYSAN: Could I just ask my colleague a question? Mr. Orchard, apparently Mr. Plunkett would like to answer the question - Mr. Provencher, I mean.

MR. D. ORCHARD: Fine.

MR. M. PROVENCHER: Mr. Chairman, the capital was held in trust at the National Commercial Bank and a certificate was obtained from that bank, given to the ministry and to FIRA, that the capital was deposited in that account before the commercial registration could be released from the Foreign Investment Review Agency and subsequently approved by the ministry.

MR. D. ORCHARD: Mr. Provencher, while we have you here, was that the source of the \$1.5 million loan?

MR. M. PROVENCHER: Yes, Mr. Chairman, it had to be because that was the only sources of funds that SADL had.

MR. D. ORCHARD: Now, Mr. Chairman, possibly we could clarify with Mr. Provencher.

That money was in trust as a requirement of incorporation of SADL in Saudi Arabia. Now who had responsibility for that account and those funds? Who in SADL had responsibility for the stewardship of those funds? Who had signing authority on them for release of those funds?

MR. M. PROVENCHER: If I can rephrase the question, is the question basically: what was the authority to

release the funds after approval by the Foreign Investment Review Agency?

MR. D. ORCHARD: Mr. Chairman, I'm not really concerned about whether it was before or after. Those funds were released. It's my understanding, unless the story has now changed again, that the \$1.5 million which we are talking about, that were on deposit as a joint investment, 50-50 from MTX, 50 percent from the Sheik's company, it was on deposit, it was loaned out - \$1.5 million - without authorization.

Who had signing authority to release that money on behalf of SADL? I don't care when they did it. I just want to know who had signing authority. Whether it was one person, two people, who had signing authority to release that volume of money?

MR. M. PROVENCHER: Mr. Chairman, I believe that the initial authorizations were with Tariq Al Bassam and Chafe Abou Richeh because the funds were in trust and could not be released until the FIRA and government approvals had been received, and I believe that they did have that signing authority, but I'll have to check that.

MR. D. ORCHARD: Mr. Chairman, is Mr. Provencher telling us that no MTX Board member and no employee, such as the General Manager, Mr. Aysan, were required to have signing authority, but signing authority to our 50 percent investment in Saudi Arabia was given over to Chafe Abou Richeh and to Tariq Abdullah Al Bassam so that they could release that money, without any knowledge of the MTX Board members who were on the SADL Board, without any knowledge of any of the MTX employees? Is that what you're telling me tonight, Mr. Provencher?

MR. M. PROVENCHER: May I have a minute to confer, Mr. Chairman?

Mr. Chairman, I've conferred with my colleagues and we're uncertain, and we'll have to provide that answer.

MR. D. ORCHARD: Mr. Chairman, in providing the answer, I would dearly like to find out, No. 1, exactly when this \$1.5 million unauthorized loan was made; I would like to find out who had the signing authority to release that volume of money from the joint venture bank account; I would like to know, Mr. Provencher, for complete clarification next time, whether your version of how you found out about the loan is the correct version, or whether Mr. Aysan's version is the correct version - that we'd like to establish; and fourthly, in terms of this \$1.5 million unauthorized loan, what was the action of the SADL Board when it was finally told to them that this unauthorized loan was there.

It was a 48-hour call loan, is my understanding. Was the loan called? If not, why not, when it was authorized without approval, and under what circumstances was it finally repaid? Are those questions possible to be answered next time we meet?

MR. M. PROVENCHER: Mr. Chairman, we will put our best efforts to obtaining that information and, hopefully, we can have it complete by the next meeting.

I would like to further emphasize that I stand by my statement of this morning, that I was not aware of that

transaction. I did not authorize that transaction, and I stand by the statement in the record I made this morning and further this evening.

MR. D. ORCHARD: Mr. Chairman, for clarification, that statement being that you were informed of the \$1.5 million loan by Mr. Aysan?

MR. M. PROVENCHER: That is correct, Mr. Chairman, and also the fact that I did not authorize it.

MR. D. ORCHARD: Mr. Chairman, I'd like to ask Mr. Holland if he had met in 1983, June or July, with Mr. Aysan?

MR. G. HOLLAND: I will have to check my calendar, Mr. Chairman. I don't recall off hand.

MR. D. ORCHARD: Mr. Holland, possibly I should pose that question to Mr. Aysan. He might have some recollection of a meeting that he might have had with you in June or July of 1983.

Mr. Chairman, I'd like to ask Mr. Aysan if he had a meeting in June or July of 1983 with Mr. Holland?

MR. CHAIRMAN: Mr. Aysan.

MR. M. AYSAN: Summer of '83? Yes.

MR. D. ORCHARD: Where was that meeting held, Mr. Aysan?

MR. M. AYSAN: In Winnipeg. I was - I'm trying to remember. I believe I visited Mr. Holland in his office.

MR. D. ORCHARD: When would that meeting have taken place?

MR. M. AYSAN: When I was in Winnipeg in the summer of '83.

MR. D. ORCHARD: Did you inform Mr. Holland of the flogging incident at that time.

MR. M. AYSAN: No, in fact, on the contrary. I had said my piece to him and I considered it a personal matter, and I did not wish to discuss it with him.

MR. D. ORCHARD: Mr. Aysan, when you said you had your piece or you said your piece with Mr. Holland, what exactly do you mean by that?

MR. M. AYSAN: I sent a message to Mr. Holland clearly stating to him that the coverage of the subject matter and the deliberation of it was an anguish to our families and an embarrassment to us, and that we consider it a personal matter. We did not discuss the subject matter any further.

MR. D. ORCHARD: What other areas of the operation in Saudi Arabia did you discuss with Mr. Holland at that meeting?

MR. M. AYSAN: We did not discuss Saudi Arabia because the purpose of my visit with Mr. Holland was

purely paying my respects and a social one. It was not a business meeting with him. I was on my holidays. I dropped in to see him. I did not report to Mr. Holland; I was reporting on a daily basis to a president in Saudi Arabia who reported to a board of directors.

The purpose of my trip was a holiday and my visit with Mr. Holland was one of a social visit.

MR. D. ORCHARD: Mr. Aysan, Mr. Holland asked no questions about the operation of MTX in Saudi Arabia?

MR. M. AYSAN: He asked questions like how our families were doing, and how we did, and our comfort and our health. I do not believe we discussed business. I do not recollect discussing any business with Mr. Holland, or for that matter with anyone else that I visited in Manitoba at the time at MTS. I do not recollect discussing business with anybody.

MR. D. ORCHARD: Mr. Aysan, Mr. Provencher has again confirmed that you informed him of the loan of \$1.5 million. Have you had a chance to rethink your answer while you were sitting over and listening?

MR. M. AYSAN: I have to go back through my notes and look at it. I am sure, if Mr. Provencher says I brought the loan to his attention, I have no doubt of his integrity. Maybe I did. I could very well have brought it to his attention, but I do not recollect a loan situation right now, and I really have to go back through some records and files and find out the answer to that.

I'm not trying to cover anything or mislead you at this committee. I have to go back to 1983 and look through the files. I know we had ongoing discussions, because I required input from Mr. Provencher on the financial affairs and financial transactions of the company. We probably have had at least 200 times, discussions on financial affairs of the company. I do not want to call Mr. Provencher that he's lying. I do not remember at this time a loan but, at the same time, I have no doubt Mr. Provencher has no ill intent. I have to go back and look at the files and see what exactly I can glean off it and get it back, but that's all I can say, Mr. Orchard.

I know I was having cash flow difficulties, which I'm sure we discussed with Mr. Provencher, and funds. I have to go back and start looking at some files, Mr. Orchard, to see if there was anything in my files on it.

MR. D. ORCHARD: Mr. Chairman, I'd like to ask the Minister a few questions about this loan.

Mr. Chairman, my leader posed to the Premier whether he had knowledge of the existence of a loan that MTS was lending to Telecom. Mr. Chairman, I'd like to ask the Minister, in what context did you seek information from the senior staff of MTX and MTS? What question did you pose to them to arrive at the answer that Mr. Holland gave us today, where he said, no, there was no loan from MTS to Telecom? What question did you pose to Mr. Holland?

HON. A. MACKLING: Mr. Chairperson, I want to ask Mr. Holland to clarify again. Mr. Orchard is saying that Mr. Holland said today that there was no loan. I don't recall him, however . . .

MR. G. HOLLAND: I think Mr. Provencher answered one question related.

HON. A. MACKLING: Mr. Orchard can refer in the transcripts of this morning where Mr. Holland said that. I didn't recall.

MR. D. ORCHARD: Mr. Chairman, it's on Page 2. It was Mr. Provencher answering the question, "Was MTS lending money to Al Bassam International Telecom so that MTS," etc., etc.

MR. CHAIRMAN: Could I ask members please to come to order?

HON. R. PENNER: Page 2?

MR. CHAIRMAN: Page 2.

HON. A. MACKLING: It wasn't Mr. Holland. It was Mr. Provencher.

MR. CHAIRMAN: Mr. Provencher's comments are the ones being referred to.
Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, could I ask the Minister what question he posed to whomever, whether it was Mr. Holland or Mr. Provencher, whoever in the telephone system or MTX? What question did you pose to them to arrive at the answer that was given by Mr. Provencher today?

HON. A. MACKLING: Mr. Chairperson, I've asked a great many questions over the past two weeks, three weeks, months, to staff of the telephone system. I can't recall precisely what questions I asked on what date. I asked, and I know that the honourable member says that he asked Mr. Holland on a prior occasion in respect to loans. I've asked staff to give all information in respect to those operations in answer to those questions.

MR. D. ORCHARD: Mr. Chairman, the Minister says he's asked many questions. Did you ask whether there were any loans to the Saudi Arabian company from MTS-MTX for the joint venture? What's the nature of the question that you posed to result - Mr. Chairman, I'll be perfectly clear where I'm coming from.

Mr. Chairman, we had a question which was narrow in its context, I will submit, in that my leader asked the question: Was MTS lending to Telecom? That was a very narrow question - we will fully admit that - because our information that we had was that there was a loan made to Telecom prior to the incorporation of SADL in Saudi Arabia. So we posed the question with the best information we had.

That question was answered this morning, Mr. Chairman, in a very narrow way, that there was no loan by MTS to SADL. It took questioning from my leader to drag out the information and the true status of the existence of a loan.

Mr. Chairman, what I want to know from this Minister . . .

HON. R. PENNER: A point of order.

MR. CHAIRMAN: Mr. Penner, on a point of order.

HON. R. PENNER: Mr. Orchard has admitted that the question was a specific question, MTS to Telecom, and that it was answered. He is now saying that was untruthful, but what he's doing is referring to another set of questions dealing with loans by SADL or an investment by SADL . . .

MR. D. ORCHARD: Is he on a point of order, Mr. Chairman?

HON. R. PENNER: . . . and to say that the matters in question, of a loan from MTS to Telecom — (Interjection) — Yes, it is, because the statement has been made that an untruthful answer has been given. What we find is the usual quick flip from one kind of premise and question to a totally different kind of question. The narrow question, admittedly narrow, was an MTS loan to Telecom, and now when another answer was given to an entirely different question about loans from SADL to Al Bassam, it is said that the other answer is, therefore, untruthful. That is a point of order, because an allegation of untruth has been made.

MR. CHAIRMAN: Mr. Orchard, on the point of order.

MR. D. ORCHARD: No, Mr. Chairman, is there a point of order?

MR. CHAIRMAN: I believe I will take advice as to whether there was. I believe that's normal procedure, and the Chair will then subsequently rule. If you have comments to make on the point of order as to whether it's irrelevant or not . . .

MR. D. ORCHARD: No, we just want to get on with the questioning of the Minister without interruption, if that's possible, Mr. Chairman.

MR. CHAIRMAN: So you're not contesting whether there was a point of order or not?

MR. D. ORCHARD: Well, there was no point of order, Mr. Chairman.

MR. CHAIRMAN: Well, thank you for making your statement.

I believe that Mr. Penner was raising what was a point of view rather than a point of order and was making comments and interpretation of the questions which represent a differing view.

HON. R. PENNER: Since you've taken this under advice, at the same time will you advise me, because I've so much to learn, whether a statement about a member of this House, that it is untrue, is, or it does not make a point of order.

MR. D. ORCHARD: Ask the Speaker what she ruled today, Rolly.

MR. CHAIRMAN: On the point of order, to complete, you are quite correct if that was your point of order. However, I was referring to the fact that you're making

statements as to the premise of the questions, which was the basic substance of your point of order that Mr. Orchard raised earlier, and that would be a difference of opinion, that would be something that you may wish to raise subsequently when recognized, but not on a point of order.

Mr. Orchard.

MR. D. ORCHARD: Thank you. Mr. Chairman, the answer, as I say, to the narrow question was no, there was no loan. Further questioning revealed that there was a loan made.

Now given, Mr. Chairman, that most of the questions that we've posed to this Minister have resulted in the discovery of floggings, the discovery that equipment was returned, the discovery that Theresa Aysan was working in Saudi Arabia

A MEMBER: Not just shopping.

MR. D. ORCHARD: Yes, that's probably right, and not just shopping. And we have discovered on other occasions that where we've posed questions, we've gotten some very interesting answers.

My question to the Minister is: Given that the Leader of the Opposition posed a question about loans, why would you not have pursued with the MTS people why we would be asking about loans by our company or companies to Al Bassam International?

Given that anytime we have raised these kinds of questions, you, on a number of occasions, with embarrassment, have had to come to the House and tell us you were misled, why did you not pursue more fully the existence of the loan that was admitted to this morning of \$1.5 million?

Why didn't you pursue that as Minister responsible for the Manitoba Telephone System?

HON. A. MACKLING: As I've indicated, Mr. Chairperson, I don't take umbrage at the concern of members for all of the detail, a full accounting of all of the business arrangements that we've heard of, and a full analysis by a firm that is able to look at all of these transactions and determine what was good business practice.

We've heard that, according to the evidence from Mr. Provencher, there were monies that the joint venture had on deposit that then were invested, albeit in a promissory note only, but at a rate of return. If they had been left where they were, they weren't earning income. Someone made a decision that that was a good investment, but it was an investment that was made without authority.

We heard from Mr. Provencher that he wasn't satisfied that that should have been done, drew it to the attention of the board and, subsequently, the loan was fully repaid with interest. Obviously, there was a matter of concern for good accountability in respect to that and he has referred to further initiatives by the SADL Board to define limits of operations.

Questions have been put in respect to a number of issues in respect to the management of this operation, including accounts receivable and notes and so on. It's a complex operation over there, obviously, because of a need to conform to Saudi law and yet carry on business through the joint venture.

This Minister is satisfied that if there were any wrongdoings that amount to public wrongdoings on the part of anyone, the RCMP thoroughly investigate those matters and will advise, if it's necessary, for any prosecutions to follow. That's one matter.

In respect to all of the business arrangements, as complex as they appear to be - and this Minister is not privy to what investments or what loans, what particular decisions are made from day to day or from month to month in respect to sales and security for sales, investments and security for investments - those matters will be adjudged by one of the best management auditing firms in the world and they will make a comprehensive report to this government; a report that, as I've indicated, with the exception of areas where it may be commercial confidentiality, will be available to the public, including the Opposition.

I have no hesitation in saying that I appreciate the intensity of the concern of members to make sure there is a full accounting. That is shared by this Minister and by this government and there will be a full accounting.

MR. D. ORCHARD: Mr. Chairman, the Minister skillfully avoided answering the question as to why, given the - and I'll go through them again. He had to flip-flop on the discrimination question and the hiring practices question. This Minister had to flip-flop and reverse his answer on the floggings. This Minister had to recorrect his answer on the equipment return. This Minister had to change his answer on the kickbacks.

I simply asked this Minister, when we posed the question about a loan: why would you not have asked MTS-MTX senior officials whether there was any loan? Why did you let them lead you down the garden path of answering the very narrow question, because as of

HON. R. PENNER: That's the question you asked.

MR. D. ORCHAD: Oh! Now, Mr. Chairman, here we have Mr. Penner giving us the ultimate reason why we need testimony under oath before a judicial inquiry, because he said they only answered the question that was posed. In other words, any other question and any other answer will not be forthcoming; it will be hidden.

So Mr. Penner, the Attorney-General, believes that as long as you don't provide full information, because you weren't asked the exact question, it's all right to hide information from the people of Manitoba, to hide a \$1.5 million loan which would have happened. That's what the Attorney-General just says is acceptable practice; that's why we have no confidence in the kind of investigation that's being carried on into the operations of MTX and MTS.

MR. CHAIRMAN: Mr. Penner with a point of order.

HON. R. PENNER: The Member for Pembina just now, in some heat, attributed motives to me for raising a question. I have been in a thousand trials, civil and criminal, about whether or not, when a person is asked a specific question and they answer that question, whether that person is doing the right thing or the wrong thing. I made a statement which any lawyer of integrity and honour would say, yes, that's what happens; you are asked a question, you answer that question . . .

MR. CHAIRMAN: If you could just hold on a second, Mr. Penner.

Mr. Orchard, I recognized Mr. Penner on a point of order, let him complete his point of order. If you have comments to make on the point of order, please do so after he finishes his remarks.

Mr. Penner.

HON. R. PENNER: The point of order that I'm making and I'll come to it again, is that in some heat, not caring to have his attention drawn to the questions of accuracy, Mr. Orchard attributed motives to me and assailed me in terms of my ability to perform the office of the Attorney-General. That is a point of order. I'm asking you to take that under advisement, to check the record, and, if, in fact, I'm right in the kind of statements that Mr. Orchard made, I want to serve notice now that I will be asking for a full apology.

MR. CHAIRMAN: Mr. Enns first, on the point of order.

MR. H. ENNS: Mr. Chairman, on the point of order, I certainly wouldn't dispute with the Attorney-General, as well his experience in a court of law, or what indeed is the practice in a court of law? But we are talking about a Minister's responsibility to the people of Manitoba and that isn't confined to the narrow confines of right or wrong in legalistic terms in a court of law.

He is supposed to represent the interests of Manitoba, in this case, the taxpayers that are putting up the \$1.5 million, and he has to answer for that in the broadest possible way.

And, Mr. Attorney-General, I would suggest to you, if you want to transfer this into a more courtroom-like setting, then by all means have a judicial inquiry and you can have high priced lawyers do the questioning instead of amateurs like us, because right now we're doing a — (Interjection) — pretty good job.

MR. CHAIRMAN: Order please. Are there any further comments on the point of order? In view of the fact there are no further comments, I will undertake to review Hansard in regard to the concern by Mr. Penner that Mr. Orchard attributed motive to him, which would certainly be a breach of the rules. I will report back when I've had the opportunity to review Hansard.

Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, thank you. Mr. Chairman, I was interrupted on a point of order, you might recall.

So, Mr. Chairman, what we have is exactly as I indicated in question period this afternoon. We've got an incompetent Minister who has been misled on a number of occasions by MTS-MTX officials. We have a Minister too incompetent to ask the questions of those staff to get the kind of answers that we get when we get the staff before committee here.

This Minister would still not know about the \$1.5 million loan, because he would have accepted, hook, line and sinker, the answer to the narrow question. He didn't have the competence and the ability and the knowledge on how to carry out his ministerial responsibility to find out whether in fact a loan existed or not. This Minister is unfit to serve as the Minister

responsible for MTS. He should be removed immediately, because he has not carried out the responsibility of providing the answers, and getting the answers, and seeking the answers from MTS and MTX.

We had the totally ludicrous situation this afternoon, Mr. Chairman, of this Minister responsible for MTS who, over three weeks, has promised us that when we get to committee we will have full provision of answers to the questions we have posed.

A question was posed by my leader as to the existence of a loan to the Saudi wholly-owned company, and we had this Minister who promised us full disclosure, we'll have all the answers, turning around and asking questions of Mr. Provencher today. Questions that he should have posed, if he was a Minister undertaking his responsibility seriously, but he is incompetent; he is a failure; he has not dealt with this situation and he should not remain as Minister responsible for MTS.

He should be removed and someone - and I don't know who it is because I don't see too many bright lights across the table right now - but someone, with some ability, should take on the responsibility of Minister responsible for MTS, so that we could have a Minister who asks the proper questions, to get the correct answers.

We're getting tired of doing it on this side of the House, in providing this Minister with answers that he should rightly seek out and receive from MTS and MTX staff. He should be removed. He should be removed immediately. He is incompetent.

HON. A. MACKLING: Mr. Chairperson, I and my colleagues have grown used to the intemperance of the Honourable Member for Pembina, not that I'm insensitive to it. It does trouble me that he places questions in a way that can be confusing.

MR. D. ORCHARD: Confusing?

HON. A. MACKLING: Yes, on more than one occasion, even tonight, he's asked a series of questions in one, as has his leader. He obviously came into knowledge about some problems with MTS-MTX, some long time before this Minister - particular information - and didn't bring it to my attention. In his vituperative speeches, lists a whole litany of wrongdoing on the part of people, and then expects one to sit quietly and say nothing.

He misstates what I have said to the House; he confuses issues — (Interjection) —

MR. CHAIRMAN: Order please. Mr. Mackling, I recognize your . . .

HON. A. MACKLING: Excuse me, Mr. Chairperson, I didn't interrupt the honourable member through his diatribe . . .

MR. D. ORCHARD: I might have to have a point of order . . .

MR. CHAIRMAN: Order please, order please.

HON. A. MACKLING: I have never, for example, Mr. Chairperson, in the House . . .

MR. CHAIRMAN: Mr. Orchard on a point of order.

MR. D. ORCHARD: Mr. Chairman, I believe that the Minister has attributed motives to me that I have, in his words, attributed statements to him that aren't true. Would the Minister like to clarify which statement I made about his being misled and having to correct himself in the House that was incorrect?

MR. CHAIRMAN: Mr. Orchard, I don't believe you had a point of order. That seemed to be more of a question than a point of order.

MR. D. ORCHARD: You're absolutely correct.

MR. CHAIRMAN: And I did recognize Mr. Mackling. He had not completed his comments.
Please continue, Mr. Mackling.

HON. A. MACKLING: Mr. Chairperson, it's typical of the Honourable Member for Pembina to use words that other members don't use and say they said that. The honourable member can look at Hansard and he'll never find this honourable member has said that anyone misled me. "Oh," he says, "Words don't seem to mean much to the honourable member, except when they're to his advantage."

I have indicated to the House that I have been concerned that I haven't had the fullest of information. The honourable member corroborates that, tonight and other occasions. I've indicated some frustration about that, and it could well be that civil servants, in talking to a Minister, are concerned about precision when politicians, like myself, would rather that I got a fuller answer.

But I have never said that anyone in MTS or MTX has misled me. Oh, the honourable member says that, he says it in the House that I have said I've been misled.

MR. H. ENNS: You've stood up and demonstrated it, Al.

HON. A. MACKLING: Well . . .

MR. H. ENNS: Three, four, five . . .

MR. CHAIRMAN: Order please, order please.

HON. A. MACKLING: Now the Honourable Member for Lakeside is saying I've said it. You know there ought to be a concern for members being accurate.

Mr. Chairperson, I reject the kind of kangaroo-like court atmosphere that the Member for Pembina would like to have here, like a Star Chamber, judging people to be guilty, judging people to be liars, before there is a thorough investigation and a factual review of these matters.

The kind of investigation that will be conducted by the RCMP will be a thorough, exhaustive investigation into those matters of serious allegations and as I've pointed out, the Coopers and Lybrand management review will be, as well, a thorough investigation of all matters dealing with management decisions in respect to these operations. That will be a full accounting and a full review. This Minister will not judge people to be

liars, not judge people to be deceitful. I will call upon and expect those people who are expert in interviewing and determining whether systems have been appropriately used or not will fully account and report to this government. After that kind of an analysis, decisions will be made, not on the basis of the kind of cross-examination that the honourable member wants to make, implying that people are lying and being deceitful.

I'm not going to jump to those conclusions until there has been evidence of that by people who are expert and experienced in determining what is the appropriate truth and the appropriate answer, to determine that is truthful. When those findings are made, we will act.

MR. D. ORCHARD: Mr. Chairman, I just want to quote for committee an answer that the Minister gave, much similar to the answer that he gave tonight. This is Thursday, the 17th of July, 1986, where I had been questioning the Minister about the projected losses and the call at that time to have the Provincial Auditor examine the books of MTX.

Mr. Mackling said: "Madam Speaker, I am as convinced as I am of anything that the honourable member" - meaning myself - "wants to stage a scare about the investments we are making but, despite the facts we put on the record that indicate those ventures paid big dividends for the shareholder, the people of Manitoba."

Mr. Chairman, that was his opinion of what MTX was doing and I could dig out, on July 17, 1986, big dividends; and just in a statement issued two days ago, he indicated that we may be losing \$17 million in Saudi Arabia through MTX. That's quite a flip-flop in one month.

Mr. Chairman, I want to further quote Mr. Mackling's answer on the 31st of July, 1986: "Mr. Deputy Speaker, I thank the Honourable Leader of the Opposition for the question. I will take that as notice. I would like, however, to indicate to the Honourable Leader of the Opposition and members of the House that I erred the other day and I apologize for that. In indicating an answer to questions that were put to me, I believe, by the media, that I indicated that the contract for the equipment with the Saudi Arabian bank was cancelled as a result of the bank's change in ownership. That was the information that I had. That appears to be incorrect and I apologize for that. There was a change in the consultants that the bank employed and they determined that they didn't want to continue with the installation."

Mr. Chairman, someone gave the Minister the wrong information. On the 31st of July, the Minister had to apologize because of that.

Mr. Chairman, it isn't only in the last month-and-a-half that I have been putting questions to this Minister about the operations of MTX in Saudi Arabia. I've been doing it for four years. For two-and-a-half years, this Minister has been responsible for it and has done absolutely nothing to check out any of the concerns I raised last year and the year before.

This is the Minister irresponsible for MTS and he should no longer have that portfolio. He is incompetent. He has not taken any of the questions seriously. He did not even take any of the allegations seriously as

late as the 17th of July 1986; and look at the situation we're in tonight, where Mr. Provencher says one thing; Mr. Aysan says another thing. And this Minister sits there and says, well, we're not too sure what's going on, but I don't really know how we're going to find out, but we're going to find out.

When, how, and when are we going to get to the truth? The only time we're going to get to it, Mr. Chairman, is with the judicial inquiry, testimony under oath; that's the only way we're going to get to it. Anything less demonstrates this Minister's incompetence, the government's incompetence, a government paralyzed and unable to act. It's chosen a course of action which is wrong. It doesn't want to admit that it's wrong because of the political damage it will suffer in admitting it's wrong in not going for a judicial inquiry.

Meanwhile, the only people who are suffering from this government inability to deal with a situation which is serious are the taxpayers of Manitoba, who are on the hook for a \$4 million guarantee, and the ratepayers of the Manitoba Telephone System, who may be exposed for upwards of \$17 million to \$20 million in Saudi Arabia. And we don't know where else we've got problems with MTS.

We've got employees in MTS who would dearly like to be able to come forward and testify under oath. But this Minister, for some reasons, doesn't want that to happen. This government doesn't want that to happen. That begs the question: What are you trying to hide? Why are you trying to hide the facts from the people of Manitoba? Why aren't you willing to protect the taxpayers and the ratepayers of the Manitoba Telephone System in getting to the truth? What are you afraid of, Mr. Minister? You can tell us that before you tender your resignation.

MR. CHAIRMAN: I would warn members that the rules of the House do apply here in terms of attributing motive. I believe that members should follow the same practice that we do in the House.

Mr. Mackling.

HON. A. MACKLING: Mr. Chairperson, I've grown somewhat accustomed to the face and the voice of the Honourable Member for Pembina and I appreciate that he is very anxious to show that he is leadership material. He is very anxious to play out as much as he can, in his most dramatic a fashion as he can, his concerns here. I have never indicated that I will shirk from the responsibility as Minister of ensuring that there is a thorough review of the operations of MTX, to ensure that there's full accounting.

The honourable member seems to doubt the ability, maybe the integrity of a thorough RCMP investigation.

MR. CHAIRMAN: Order, order please. I recognized Mr. Mackling. I would appreciate if members of the committee would give him the same courtesy that they would expect themselves if they were recognized.

Mr. Mackling.

HON. A. MACKLING: The honourable member should recognize that the best investigative force in this country

to ferret out the truth is the RCMP. In respect to management decisions, management accounting, we have engaged probably one of the finest management audit firms in the world. — (Interjection) —

MR. CHAIRMAN: Order, order please. Mr. Orchard, you were not recognized.

Mr. Mackling.

HON. A. MACKLING: Mr. Chairperson, I don't interrupt the honourable member. I know that he's intemperate. I know that his feelings may be hurt from time to time, that he's not being recognized for the effective member he is, but he believes to be much more than he even is. Here is a member, Mr. Chairperson, who enthusiastically endorsed telephone involvement in Saudi Arabia and now wants to be the person who exposes all of the weaknesses, tries to intimidate and beleaguer people before this committee.

Mr. Chairperson, the way in which the issues are to be determined will be by a rational, thorough, effective review and investigation by the RCMP and by the management audit team.

The honourable member says cover-up. He is indirectly, Mr. Chairperson, accusing the RCMP of not being able to do a thorough investigation.

MR. CHAIRMAN: Order please, order please. Order please.

Mr. Orchard, I called for order, please. On repeated occasions, I've asked members of the committee to allow the member that's been recognized to complete their remarks.

Mr. Mackling.

HON. A. MACKLING: Mr. Chairperson, the honourable member does not offend me by his demands for my resignation. This member will ensure that there is a thorough review and a thorough accounting in respect to the investments that have been made, and there's no question. But in light of the revelations that have been made to this committee, that there needs to be, and we have recognized that, a thorough investigation of those matters, and there will be.

MR. CHAIRMAN: Mr. Doer.

HON. G. DOER: Mr. Chairman, are we going to continue this evening, in which case I'd like to ask some questions?

MR. CHAIRMAN: What is the will of the committee?

A MEMBER: Committee rise.

HON. G. DOER: Can I keep my place on the list for the next committee? I'll be here early.

MR. CHAIRMAN: Committee rise.

COMMITTEE ROSE AT: 10:10 p.m.