

**LEGISLATIVE ASSEMBLY OF MANITOBA**  
**THE STANDING COMMITTEE ON PUBLIC UTILITIES AND**  
**NATURAL RESOURCES**  
**Monday, 1 December, 1986**

**TIME — 7:00 p.m.**

**LOCATION — Winnipeg, Manitoba**

**CHAIRMAN — Mr. S. Ashton (Thompson)**

**ATTENDANCE — QUORUM - 6**

*Members of the Committee present:*

Hon. Messrs. Cowan, Doer, Harapiak (Swan River), Hon. Mrs. Smith

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

**APPEARING:** Mr. Peter A. Cumming, Q.C., Professor of Law, Osgoode Hall Law School of York University

Mr. Charles Curtis, Acting Chief Executive Officer of MTX

**MATTERS UNDER DISCUSSION:**

Annual Report - Manitoba Telephone System

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**MR. CHAIRMAN:** The meeting of the Public Utilities and Natural Resources Committee will come to order.

The first item on the agenda is the resignation from the committee of Mr. Penner.

Mr. Doer.

**HON. G. DOER:** I would move that the Member for Churchill be a member of the committee, seconded by

...

**MR. CHAIRMAN:** Is that agreed? (Agreed)

The next item, the Minister has a statement. Mr. Mackling.

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

**MR. D. ORCHARD:** Does he have a copy of his statement, Mr. Chairman?

**HON. A. MACKLING:** You know, Mr. Chairperson, we suffered through the discourtesies of the Honourable Member for Pembina last week. I think that he can suffer a little bit now.

**MR. CHAIRMAN:** Before we get into the next four-and-a-half hours, it might help if we could refrain from interrupting and if we could speak only when recognized.

Mr. Orchard, on a point of order.

**MR. D. ORCHARD:** Mr. Chairman, the agreement that we have is that if the Minister opens with an opening

statement, it is customary a copy be made available to members of the Opposition. If this is not going to be followed, then so be it. The Minister is abrogating an agreement that we have on opening statements.

**HON. A. MACKLING:** On the point of order, I wasn't furnished with a copy of the honourable member's statement; I didn't, even during the course of the meeting, receive the courtesy from him of giving me one of those display documents that he so proudly furnished. I see no reason, particularly when they're handwritten notes that I'll be using, to give the member a copy. I doubt whether he'd be able to read most of my writing anyway.

**MR. CHAIRMAN:** I don't believe there's any reference in our rules to opening statements of Ministers and I would suggest we proceed with Mr. Mackling's statement.

Mr. Dolin.

**MR. M. DOLIN:** I forget whether it was the Honourable Member for Pembina or the Leader of the Opposition distributed documents to the press at the last meeting and promised members of the committee a copy; I never got one. I'm wondering whether they will provide those at some point, I know the press got them.

**MR. CHAIRMAN:** Once again, Mr. Dolin, the rules make no provisions in regard to such materials. There have been certain practices followed in the past but there's no reference to it in the rules so I will turn the floor over to Mr. Mackling once again.

Mr. Mackling.

**HON. A. MACKLING:** Thank you, Mr. Chairperson. If we are now all settled down.

Over the course of these last two committee hearings, and indeed over the last six months, a lot has been said and done pertaining to the matters before us. On the government side, we have done more to facilitate the work of this committee than perhaps any government has done for any committee in the history of this Legislature. We have provided more information to the public, to outside, independent auditors, the RCMP, and the Opposition, than has perhaps any government before us. And, Mr. Chairperson, we've acted firmly, decisively, quickly and responsibly.

Mr. Chairperson, we have thrown the doors wide open on MTX; we have thrown them open to this committee, to the Opposition, to the public, to Coopers and Lybrand, and to the RCMP. What we found behind those doors is not pretty, but we've had the courage and the guts to deal with the problem. MTX is finished; the wind-down of that subsidiary has begun.

Gordon Holland, Glover Anderson, Maurice Provencher, Don Plunkett and Mike Aysan are no longer

with the corporation - the scapegoats, as the Leader of the Opposition likes to call them.

Four months ago, members opposite were shocked that these individuals were still being permitted to work, and they're widely quoted in Hansard, the Winnipeg Free Press, the Winnipeg Sun, all saying why aren't these people dismissed. Well, four months ago, the members were shocked that these individuals were still being permitted to work, but now they are scapegoats to the Leader of the Opposition. Innocent people set up for a fall apparently.

Well, let's see what Coopers and Lybrand says about these scapegoats. I'll quote Page 42 of Volume I: "Our examination has revealed serious deficiencies in management decision making and the organization and control of MTX and its various ventures. Senior executives responsible for MTS and MTX must accept ultimate responsibility for exposing the Corporation to significant business risk and financial losses."

The Leader of the Opposition calls them scapegoats. Well, I don't see it that way and neither does Coopers and Lybrand. We've identified weaknesses substantiated by Coopers and Lybrand in the reporting and accountability of Crown corporations, and we have taken action. We will be doing more to ensure that Manitoba Crown corporations are more accountable to the public than are Crown corporations anywhere else in Canada.

And what does the Opposition say? What do they cry? Political interference. We want you politically accountable to us, but we don't want the Crown corporations accountable to the government and hence the people.

We've grown used to this kind of opposition despite the Member for Pembina's continual heartwarming assurances that his interests in this issue are non-partisan and therefore you should listen to him and believe everything he says. If anyone in this room believes that, then I've got a little telecommunications company in Saudi Arabia you might be interested in buying; and, believe me, after I heard what the Member for Pembina was trying to sell here on Friday, I would not put it past him to try and sell that company along with the bridge and some prime real estate in Florida - "Those in the Know," a tidy little information package designed to get you to buy that little piece of land in Florida without seeing the whole picture.

Well, Mr. Chairperson, I think it's time that the whole story was told from beginning to end so that those who should and do know better can quit playing games with this issue and begin looking at what is in the best interests of the Province of Manitoba and not the Progressive Conservative Party or one's own ambitions within that party.

I want to start with a period in time that members opposite don't like to talk about and that's 1978. I'm not starting in 1978 somehow to suggest that is the fault of the Opposition that MTX has ended the way it has, but rather to point out many of the problems cited by Coopers and Lybrand and this committee are not problems unique to any one Minister of government.

Secondly, I want to begin looking at what I call a big deception perpetrated by the Member for Pembina and supported by all his colleagues, including whatever heavyweights they might want to claim in their caucus.

Now, the first date I want to mention is April 17, 1978. It was on this day that the board of the Manitoba

Telephone System unanimously passed a motion of which must have seemed of moderate importance at that time and I will quote the board minutes: "It was moved Commissioner MacKenzie, seconded by Commissioner Anderson, that the Manitoba Telephone System enter into the international consulting area and that an initial fund of \$50,000 be established for this purpose to be administered by the Assistant General Manager and Director of Finance." I don't know about you, but the words sound to me like the planting of a seed.

The Leader of the Opposition likes to talk about the NDP Government and international adventurism from a non-partisan position, of course, and he likes to talk about how, under this NDP Government, a Crown corporation is allowed to compete with the private sector. Well, that started in 1978, not by this NDP Government but by a Conservative Government.

Did the Conservative Government of the Day approve of this? Did they know of it? We don't know. But what we do know is that that decision - well, I'll speak the Honourable Member for Lakeside, his role in that later. We don't know, but what we do know is that that decision to have the Manitoba Telephone System, a Crown corporation, a government-backed monopoly move into the international arena in competition with the private sector was unanimously approved not by what Mr. Filmon calls it, an NDP board with no business sense, but by the Progressive Conservative Party board of the day, the kind of board that Mr. Filmon likes to hold up as a model. Competition with the private sector and international markets was approved eight years ago by the kind of Tory board the Leader of the Opposition is advocating. Today he will tell you this is an NDP phenomenon and denounce it.

Well, it didn't take long for the management of the Manitoba Telephone System to charge ahead into this new and exciting area. On July 6, 1978, less than three months after the Conservative board unanimously approved the motion I read earlier, Mr. Gordon V. Holland writes to the Honourable E.R. McGill, the Conservative Minister responsible for the Manitoba Telephone System, regarding the ARAMCO project in Saudi Arabia. He writes, Saudi Arabia. The Conservative Minister tells Mr. Holland to proceed as long as, and I quote, "we are within the bounds of policy approved by the Government of Canada for international contracts of this type."

So in 1978 any MTS employee, as long as they conform to the laws and customs of Saudi Arabia, can now have the opportunity to work in Saudi Arabia because it is acceptable to the Federal Government and breaks no law. It wasn't until 1986 that the Conservative Party of Manitoba, and in its relentless defence of South Africa, found anything wrong with this or anything hypocritical about it.

What's even more interesting about this approval is that it begins involving the Telephone System in Saudi Arabia and the benefits that were to accrue. Let me quote from Mr. Holland's letter of July 6, 1978, in which he details for the Conservative Minister the reasons we should undertake the project, and I quote:

"From MTS's point of view, this type of activity has a number of advantages:

(a) Manitobans participate, to some extent, in these exciting communications projects and benefit the Manitoba economy;

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(b) in a time of cost-containment and economic uncertainty flexibility is increased in ensuring that no layoffs of MTS permanent staff need occur;

(c) there is no economic cost to MTS, in fact, some small financial benefit;

(d) the contribution in terms of staff challenge, satisfaction, development and pride is substantial;

(e) it represents an indication of the competence of, and demand for MTS personnel.

The Conservative Minister approved, further moving MTS into international competition with the private sector for what appears to be almost exclusively social objectives. In 1986 the Conservative Party of Manitoba finds that unacceptable; in 1978 it was just fine. In 1978 this was a very interesting new direction in Crown corporation policy. Was it discussed or approved at Cabinet, a Cabinet that included such heavyweights as Don Orchard, Harry Enns and Gerry Mercier? Did the heart and soul of the Progressive Conservative Party of Manitoba approve of this kind . . .

**MR. CHAIRMAN:** Order please, order please.  
Mr. Mackling.

**HON. A. MACKLING:** Did the heart and soul of the Progressive Conservative Party of Manitoba approve of this kind of international adventurism and competition with the private sector for what are, at the most part, social objectives? Either that party has grown up a lot over the years or someone has a very selective and, dare I say, partisan memory.

With the approval of the Conservative board, and the blessing of the Conservative Minister, things now really begin to move. One month later, in August of 1978, three staff people, and \$94,000 of MTS money is approved by the Conservative board for the remainder of that year for the purposes of pursuing external contracts. In September of that same year they began pursuing a contract in Iran. It is also in 1978 that the Manitoba Telephone System - and I think the Honourable Member for Pembina is really excited to hear this - 1978, the Manitoba Telephone System begins doing business with one Sheik Abdullah Al Bassam. Initially this arrangement involves the sale of surplus and obsolete equipment to the sheik from MTS. That wasn't '86; that wasn't '85; that was 1978, Mr. Chairperson. It isn't until 1980 that this relationship begins to heat up. It is in that year that Oz Pedde and Mike Aysan are introduced to the sheik through the Canadian Embassy. A Conservative Minister, he's got Mike Aysan over there . . . It appears though that Saudi Arabia is not the only place Mr. Aysan and the staff of MTS are drumming up business on behalf of the Conservative board and the Conservative Government.

Let me read now from an MTS Board minute. These board minutes that Mr. Orchard doesn't want to refer to. This is February 11, 1980, Item 13 . . .

**A MEMBER:** Well let them be here to testify then.

**HON. A. MACKLING:** Well, you're going to get your chance, you'll get your change to speak later.

Item 13 . . . well, the boys in the back benches are a little unruly. Item 13. -(Interjection)- Will that chipmunk over there cease? At the request of the Chairman, Mr.

M.A. Aysan joined the meeting to report on external contracts. That's a familiar name to this committee, Mr. Aysan. By viewgraph presentation, Mr. Aysan noted that external contracts addressed three missions of the company; namely, the employee mission, the corporate citizen mission and the financial mission, observing the contracts ensured a minimum of 20 percent profit to MTS as well as an opportunity to dispose of obsolescent equipment.

Noting the world market structure consisted of OPEC nations, industrialized nations and developing nations, Mr. Aysan emphasized OPEC as being the significant opportunity market. Initially, three countries, namely, Saudi Arabia, Kuwait and Nigeria, were considered, but on the advice of External Affairs, Nigeria had been dropped from this list. Of the industrialized nations, New Zealand had expressed interest in the System's expertise in broad band communications. Of developing nations, MTS had made contact with Red China - now I'm sure that the Honourable Member for Sturgeon Creek must have turned purple at this - contact with Red China, working through Richardson Securities; whereas the Federal Government had encouraged MTS to investigate Tobago - all great stuff under a Tory Government.

Mr. Aysan proceeded to review the Saudi Arabian market in detail, noting the potential of the private sector and the public sector respectively. Mr. Aysan advised that the System's private sector strategy was to work with Saudi interconnect telecom, concentrating in MTS strength areas and providing the client telecom company with equipment, technology, people and training. In the public sector, the System strategy is to use a Saudi company as its sponsoring agent to bid on communications systems for government projects, as well as to prequalify MTS and the local interconnect telecom for Royal Commission of Jubail and Yanbu.

Mr. Aysan reviewed the development of the business relationship by MTS with Al Bassam International, which covered various matters such as sale of obsolescent inventory, sale of surplus equipment, sale of new equipment, prequalification for Royal Commission projects, as well as the preparation of estimates for nine separate projects which Mr. Aysan detailed for the board.

He advised that, at the urging of the Canadian Embassy in Saudi Arabia, MTS and its Saudi agent, Al-Sulaiman, group of companies, Saudicorp, had attended the pre-tender meeting for the Riyadh Airport Communications System and that tenders on this project closed April 14, 1980.

Well, the Honourable Member for Tuxedo was very concerned about proper enunciation. I wish he'd been more concerned about the proper direction of MTS years ago.

Mr. Aysan reviewed the Phase 1 and Phase 2 requirements for the communications system at Riyadh International Airport, noting that four major American manufacturers and suppliers had attended and preliminary estimates indicated the value of the project at approximately \$12 million.

The Conservative board duly accepted this progress report.

This little \$50,000 a year exploration of international consulting opportunities had certainly taken off. It had a private and a public sector strategy for international

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competition and it was already talking with at least half a dozen countries and had already identified Al Bassam International as its window of opportunity into the Saudi market.

Did this Conservative board report this to the Conservative Minister? Did the Conservative Minister report this to the Conservative Cabinet? What questions were asked? What answers were given? Did Mr. Orchard or Mr. Filmon articulate their concerns about international adventurism or competition with the private sector? Did any of the heavyweights of the day think to ask anything about Sheik Al Bassam, or did they simply allow things to go merrily along, only expressing those concerns some five or six years later when it was politically opportune?

Mr. Chairperson, what about senior management at MTS in 1980? What kind of concerns should the Minister and the government have had? I would argue, Sir, that in 1980 the Government of the Day had good reason to not only doubt but to perhaps discipline some of its senior staff. I've been led to believe that they regret that they didn't have the guts to do so.

In 1980, the Minister responsible for the Manitoba Telephone System, Harry Enns, was questioned in the House about what was described by my former colleague, Sid Green, as a .5 million loan to an out-of-province company that had been awarded a contract by MTS over local bidders. Here are the questions that were asked. Here's a question by Mr. Green, and I'm sure the Honourable Member for Lakeside was breaking out in a cold sweat.

It says: "Yes, Mr. Speaker, I'd like to direct a question to the Honourable . . ." - now, first of all, Mr. Green asked the then Minister of Industry and Commerce, Mr. Johnston, about this, Minister Frank Johnston. He asked about this electronics company bid, and Mr. Johnston, who was the heavyweight then, had this to say. "Mr. Speaker, as I understand it, the firm . . ." - he was referring to Inter-Discom Systems Ltd.- ". . ." the member is making reference to is in a very specialized area and one of the leaders in North America. As a matter of fact, it would seem that the work they're doing is going to be something that can be very greatly expanded." Just remember those words because later on, when the Provincial Auditor has a look at it, he talks about that high-risk venture, that high-risk situation. Well, Mr. Johnston's saying it's a leader in the field.

Then the question -(Interjection)- to the member who's irritated now and speaking from his chair, the question from Mr. Green about this matter to the then Minister, Mr. Enns, and what does Mr. Enns say? "Oh, I'm having the matter checked and investigated as to whether or not the monies advanced truly fall in the capacity, as the Member for Inkster suggests, as an outright loan to a company or as to whether or not it has been indicated to me by management staff of development and research nature." Interesting.

Then Mr. Green asked Mr. Enns what he knows about this. What about this loan? Mr. Enns says: "Mr. Speaker, yes, I can advise the Honourable Member for Inkster that I, as Minister, was not informed of any aspects of the loan prior to it being made." Sound familiar, sound familiar? Well, Mr. Enns didn't know anything about it, but it did turn out to be a loan.

What about the contract itself? What did the Provincial Auditor have to say about that contract?

What did he say? "ISL was one of several entities . . ." - and I'm quoting from the Provincial Auditor's Report that's Inter-Discom Systems Ltd.- ". . ." which tendered for a research and development service pertaining to one of MTS' current projects. Although ISL was not the lowest tenderer, it was awarded the contract because MTS concluded that ISL's plan most closely approximated the intent, design criteria and specifications envisaged by the request for tender, and taking all factors into consideration, would provide the desired result at the lowest cost.

MTS recognized that awarding the contract to this company was a high risk situation because of ISL's limited performance experience and its financial resources being extremely limited. However, MTS concluded, from its assessment, that the risk was justified and awarded the contract to ISL.

A performance bond was not required, but a provision was made in the contract for MTS to take control of the project, should this become necessary to protect its interests. Sound familiar? And he goes on:

On March 26, 1980 - I should say, I'm not reading it entirely - there are supplemental portions added to the contract, but listen to this portion, Mr. Chairman. The March 26, 1980 amendment included a \$156,000 adjustment to the original agreement to reflect the actual total value of the agreement, the total contractual obligation now stands at \$1,599,212.00. What does this tell you? The Minister didn't know about it? Didn't know there was a loan? He said, well, maybe as management had indicated, it was for research and development he'd have to check into it. Does this tell you that the Minister was deceived, didn't know? It tells you a great deal, Mr. Chairperson, if we want to listen.

Then, what happened there? Well, there was no change in staff, but six months later, the Minister was removed. Mr. Enns was gone and Mr. Orchard appeared on the scene.- (Interjection)- And the Free Press, what did it have to say about this? December 2, 1980. Agree with the Honourable Member for Lakeside; it was a pity.

What did the Free Press say about this? December 1980. He says, in the second last paragraph: A loan of half-a-million dollars would involve senior decision: at a bank or any lending institution that lent money as part of its day-to-day active business. For an agency such as the Manitoba Telephone System, which is not usually engaged in lending money, one would think that no such loan could have been made without the direct intervention of Cabinet; and it would be unusual indeed if Cabinet did not know who it was lending money to. Two possibilities exist: Either MTS made the loan without telling the Minister or the Cabinet, or the Cabinet has thrown to the winds any reputation it might have had as a group of astute businessmen determined to spend public money wisely and in accord with normal business practices.

That was the astute business-oriented government where the heavyweights, Mr. Enns and Mr. Orchard were dominant.

What happened to the senior staff? Well, Mr. Chairperson, I can assume that Mr. Orchard, when he was appointed, called in Mr. Holland and said, you know Gordon, this isn't very nice, look at the embarrassments to my colleague, Mr. Enns, look at the embarrassments to this government, Gordon, I can't stand this, tut, tut, tut.

Mr. Chairperson, I can only assume by Mr. Orchard's remarks of Friday that after Mr. Enns was stripped of his Telephone responsibilities and watched them given to Mr. Orchard, that a very lengthy and detailed briefing occurred with Mr. Enns telling Mr. Orchard everything there is to know about the Telephone System. We therefore have to assume that Mr. Orchard was made aware that management at MTS had, in the past, misinformed the Minister. We have to assume that these two heavyweights of the Conservative caucus, this heart and soul of the Conservative Party, then discussed in detail, or at least enough detail for some of Mr. Orchard's very sensitive warning bells to start ringing about this rapidly growing international, private sector competition that the Telephone System was charging ahead with.

So we would have to assume that Mr. Orchard, his spider sense tingling, started talking to his Cabinet colleagues, including the Member for Tuxedo, who we know today won't stand for a Crown corporation in competition with the private sector, or a Crown corporation in pursuing social goals, or a Crown corporation involved in international adventurism. Do these heavyweights band together to put an end to all of this? Do they fire or discipline staff? Do they replace the Tory board that made these decisions? Do they remove the Chairperson? They do nothing.

In fact, in May of 1981, they approved participation in the spectrum bid, the project that makes it clear that if MTS is going to continue in this area, then MTX must be created. It's clear to the management of MTS at that point; it's clear to the Conservative board; and one would assume it would have been clear to the Conservative Minister, Mr. Orchard.

The board asked for a legislative change allowing MTS to participate and the Minister says go ahead. There was something else that happened at that board meeting, and I'll quote the minute from May 11, 1981. Mr. Orchard, by the way, just doesn't like to look at these old minutes, they're too old, we've got to look at the new things. Don't look at the past, don't look at history. Here is the quote from the May 11 board meeting: "Concern was expressed that Saudi Arabia was presently spending over its income and its prime export, oil, is a present glut on the market. Should the glut persist, then Saudi Arabia may well have to cut back expenditures on services such as spectrum management." I think I hear a warning bell. Someone on that Conservative board was thinking. Someone is suggesting that we're getting involved in an unstable situation. Who else heard that bell and what did they do?

Let's pause here for a minute, because I'm about to move into another era. I want to remind people that the reason I've gone through this history of MTS and MTX from 1978 to 1981 is not to suggest that Mr. Orchard, Mr. Enns, or Mr. Filmon or any of the members of that government should be held personally responsible for what has happened with MTX's ill-fated venture into international competition, but rather to draw attention first to the fact that it is not something that miraculously cropped up in the fall of 1981. Secondly, to show it for what it is, the hollow and transparent righteous indignation expressed by members opposite over the relationship of this government with the Manitoba Telephone System, and

finally, to show the difference between a government that acts and one that doesn't.

In 1981, we have MTS deciding to get into international competition with private sector companies. We have this approved, based primarily on social objectives. We have a Minister misled by senior staff. We have a board requesting, and a government supporting legislative changes that would allow the creation of a wholly-owned subsidiary exclusively for the purposes of international high-tech competition with the private sector.

And since 1980 at least, under a Conservative board and a Conservative government, we have discussions occurring between MTS staff such as Mike Aysan and what has already been identified as our window into the Saudi Arabian market, Al Bassam International.

Mr. Orchard never likes to talk about those years, and I'm going to tell you why. Because Mr. Orchard wants you to believe, for non-partisan purposes, that this problem is not a government problem or an MTS problem, but rather an NDP problem. He wants you to believe that MTX and SADL were created with unprecedented speed, that somehow, what in the normal course of government would take years to do, the NDP did within weeks of assuming government in November of '81. Preposterous? Well, I would think so.

If he can convince you of that, then he has a political victory. The government and Manitobans don't have a better understanding of exactly what went wrong. Nobody learns all they need to learn to ensure that something like this never happens again. But that doesn't matter to the Member for Pembina. What matters to him is political victory. That's why he doesn't like to talk about the dark days and why he is a historical revisionist and a manipulator of the facts. Say it enough times and they'll believe it. And, you know, sometimes he's right. We're going to shortly see some examples of how the persistent repetition of inaccuracies can begin to sound like the truth. Let's move on.

The next significant event occurs on November 17, 1981. That's the day that the people of Manitoba passed judgment on the kind of government those people had to offer. That's the day that the Conservative heavyweights were sent packing and that was the day that this government was elected.

What was the immediate effect of that on the Manitoba Telephone System? Well, if you believe what Mr. Orchard and Mr. Filmon would want you to believe, it's the day that MTS decided to get into international adventurism, to get into competition with the private sector, to seek out and finalize, at unbelievable speed and agreement with a Saudi sheik to start up a wholly-owned subsidiary for purposes of international competition with the private sector. That's the world according to Mr. Orchard and if you say it long enough, people will believe it.

Well, it may be the world according to Orchard, but it isn't the world according to reality. The reality is that these fundamental decisions and directions were taken long before November 7, 1981, taken by the very people who today denounce them and demand to put an end to them. I can only assume that either they were gutless in 1981 or they're hypocrites in 1986.

December 13, '81, just weeks before the government changed, the still-Tory Board of Directors for MTS passes the motion calling for the establishment of MTX

and any legislation required to make that happen. The Chair of this board was an astute Tory business person, the kind that was referenced by Mr. Orchard on Friday. I suggest that you, Mr. Orchard, were the real father of MTX because although you were not present at birth, it doesn't mean that you had nothing to do with the conception.

Three days after the meeting, the board is changed. Most of the board, I should say, because Mr. Chaput remains. This Conservative board member remains on what Mr. Orchard likes to describe as an NDP board. Just remember Mr. Chaput's name. This new board, although appointed on December 16, will not meet for a month. In the meantime, the Conservative board presents to Len Evans, now the Minister responsible for the necessary material for a Cabinet submission; he'll take it forward, giving Cabinet authority for the incorporation of MTX. The seed planted in 1978 has bloomed and is prospering.- (Interjection)- Well, if the honourable member knows about germination, he and his colleagues certainly laid the seed.

On January 6, 1982, Cabinet grants approval to the Manitoba Telephone System to incorporate a wholly-owned corporate subsidiary for undertaking or participating in projects outside of Manitoba. The hard work begun by the Tory board and the Tory government has been concluded. MTS now has a subsidiary in competition with the private sector, active in international markets with primarily social objectives.

At the new board's first meeting, they are informed of this fact. Here's what they were told. The Board of Commissioners, at its meeting of March 1979 noted that the System had embarked upon a modest program in external contracts which had been highly successful and indicated its desire for the System to continue with its approach in external contracts, quietly building its System expertise with no risk to the System's ability to carry on its present operations, minimal financial risk and at all times ensuring the System proceeds with its statutory legislative authority. They are off and running.

January '82 was a busy month for MTS. On the 25th of January, discussions began perhaps as early as 1980 between Sheik Al Bassam and MTS officials, Oz Pedde, Glover Anderson, and Mike Aysan, culminate in a better understanding to start a joint venture company, this less than eight weeks after the change in government. In the world according to Orchard, you're supposed to believe that this was an exclusively NDP project. Did Mr. Orchard not know, as Minister, that these discussions were occurring, or has he chosen simply to forget now that it is politically advantageous?

On February 8, 1982, Mike Aysan, back from concluding this letter of agreement, makes a presentation to the new Board of Directors on the history of MTS involvement in Saudi Arabia since 1978. Following that review, Mr. Pedde makes a presentation to the board on the proposed joint venture.

Before we get to Mr. Pedde's presentation, I want to read from the minute of the information given to the new board on a business associate of MTS since 1978. The System has been developing a business relationship with Al Bassam International, a well-known Saudi family that has been in international business for 170 years. This relationship covered various matters such as sale of obsolescent inventory, sale of surplus

equipment, sale of new equipment, as well as pre qualification for Royal Commission projects. Mr. Aysan advised that 1981 gross revenue from this relationship was approximately \$2 million, whereas gross revenue forecast for 1982 were \$4 million to \$6 million, and for 1983, were forecast between \$10 million to \$15 million. The benefits from this relationship were that MTS had maintained a profit margin of approximately 13 percent on the equipment, that the orders placed or pending had guaranteed over 25,000 telephones from ITT plant in Winnipeg, thereby maintaining jobs in Manitoba, that all cable and wire had been purchased from the Canada Wire and Cable plant in Winnipeg, and that the forecasted equipment requirements had led to current discussions to establish a telelabs plant in Winnipeg.

The minutes then record Mr. Pedde's presentation. Again, I will read: "Mr. Pedde proceeded by viewgraph presentation to review the preliminary net income statement projected for the first three years of the joint venture partnership, showing a preliminary net income growing from \$575,000 U.S. in year one, to \$2,395,000 U.S. in year three. Acknowledging that these were only projections and did not extend beyond year three, Mr. Pedde noted that based on these projections, MTS would receive return of its equity within one-and-a-half years. Mr. Pedde noted that a five-year contract was being proposed with Al Bassam, to be renegotiated at the end of five years with an option for buy-out on the part of Al Bassam. It was recommended that the board of MTX Telecom Services Inc. approve the proposal for a joint venture partnership between MTX Telecom Services Inc. and Al Bassam International and authorized MTS Telecom Services Inc. to pursue its implementation."

Certainly sounds like a pretty good business deal and, after all, the government had been moving in this direction. They had many years ago given their blessing to international competition with the private sector. This was, however, a little bit different because now we had a Crown corporation in partnership with a private Saudi company. Clearly this eventuality was one of the reasons for the creation of MTX, but the eventuality has become a reality and, according to the minutes, the board did discuss this twist and did express some concern. Obviously those concerns were taken care of and the motion passed.

Mr. Orchard is right when he says, with the benefit of hindsight, that there were warnings. There were warning signs all the way along and long before 1981, but what he chooses to forget is that those warnings were invariably addressed to the satisfaction of not only Ministers and board members, but also to auditors and consultants.

Now, Mr. Chairperson, I would like to move along in respect to my analysis of the world according to Mr. Orchard. Mr. Orchard would like us to believe that the Provincial Auditor was not listened to when his concerns were first raised in 1982. In fact, legislation was passed that satisfied the Provincial Auditor's concerns. Mr. Orchard doesn't like to remember facts. He uses selected memory.

The next item, the world according to Mr. Orchard, the approval of SADL in February of 1982. This was signed two months after the election. Submission to the MTX Board, the momentum was there, everything was rolling along. He wants us to forget about the early

development; the reassurances; those glowing accounts of that same management expertise we had inherited from Mr. Orchard.

On March 22, 1982, a decision was made that all MTX Board minutes would go to all MTS commissioners. Based on that key piece of information, oh, what great thunderous conclusion did Mr. Orchard come to? He tells us, and I quote from Page 19 of the transcript: "Mr. Chairman, in March, 1982, a decision was made by the board that all MTX Board minutes would be given to MTS commissioners." I remind you, at that time Mr. Miller, former Cabinet colleague of Mr. Mackling, was Chairman of the board of MTS and Chairman of the board of MTX. "The backbench Cabinet member received copies all along of MTX Board minutes in which the operations of MTX were fully discussed," and Mr. Scott has indicated by nod of head he was in communication with his Minister and reporting to his Minister. He goes on later on to point out that the results were to be reported monthly.

The fact is, and the honourable member, I believe, knows, that the MTS Board members never received the MTX Board minutes. That direction was never followed and the honourable member, I believe, knows that. What the Honourable Member for Pembina does, he paints half a picture and puts a frame around it and says, see my masterpiece. That's the kind of selective reporting of fact that the honourable member follows. Mr. Chairperson, that's the kind of false and misleading impression that the Honourable Member for Pembina left with this committee; not on that point, on point after point after point.

Next, I want to turn to Mr. Orchard's selective recall of events. Isn't it interesting, Mr. Chairperson, that in that long history - not that long history, he certainly didn't give us the 1978-81 history, but in that history that Mr. Orchard provided to the committee on Friday. Interesting that Mr. Orchard doesn't want to mention the flogging incident. Why? Why doesn't he do that, that was a big item?

**MR. D. ORCHARD:** Because we were lied to, we were lied to.

**HON. A. MACKLING:** Because it doesn't fit into his scenario; because he wants the committee, he wants the public to believe that we knew everything and we didn't do anything about it. He knows and he just said from his chair we were lied to. Yes, success of Ministers of the Crown were lied to. Ministers of the previous administration were lied to, but they did nothing about it.

The fact is that the Honourable Member for Pembina didn't want to talk. He didn't want to relate again about the flogging incident because, as he has confirmed from his seat again, it would confirm that the administration, the senior administration that he left with us were continuing to provide misinformation. When he, as member of the House, continued to say that I was being misled, Cabinet Ministers were being misled. That's what the Honourable Member for Pembina said, time and time again. But now he wants to paint a scenario of Ministers knowing, we were all in the know.

Why does he forget about the flogging incident? Why, Mr. Chairperson? Because he knows that he, himself,

and his colleagues had identified, they're on record as saying that Ministers were misled; and the Honourable Member for Pembina, the Honourable Member for Tuxedo, those honourable members, were saying to me in the House: You have been misled. I didn't prejudice. I wanted an independent audit to determine, and that independent audit clearly indicates that was the case, that we were misled.

I would like to quote from Volume IV, Page 69, of Coopers and Lybrand. Under Loan Authorities May be Violated. "The original authorizations by the Government and by MTS for the loan guarantees to, respectively, the Bank of Nova Scotia (\$4 million Cdn) and Royal Bank Export Finance Co. Ltd. (\$3 million Cdn) do not clearly match the form and nature of the loans in use." We were deceived. That is what Coopers and Lybrand are saying: We were deceived; Cabinet was deceived. But Mr. Orchard doesn't want to talk about that. That's a finding of Coopers and Lybrand. The rationale for the loan was not followed. In Mr. Orchard's selective accounting of the history of MTX he passes it by.

Well, let's look at Mr. Orchard's assessment of the real world again. His assessment of fact, what a distorted assessment. Mr. Orchard told you on Friday about Mr. Scramstad. Oh, he wanted to paint a good picture of Mr. Scramstad, because Mr. Scramstad was asking questions. He said, Mr. Scramstad was the only one, the only one doing his job, the only one asking about the accounts receivable. But Mr. Orchard selectively reads from the minutes of the board. What did the board minutes say?

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

**MR. D. ORCHARD:** Mr. Chairman, the selective reading from the minutes that the Minister just accused me of is the selective minutes that the NDP would release to us, those were the only minutes we could lay our hands on. They were laundered by the New Democratic Government and this Minister.

**HON. A. MACKLING:** On the point of order.

**MR. CHAIRMAN:** Mr. Mackling, there is no point of order.

**HON. A. MACKLING:** Well, let me just say to that non-point of order, to the non-point of order and that silly statement from the Honourable Member for Pembina. He requested information from the House Leader; the House Leader conveyed that to me. Every single document, with the exception of Cabinet reference documents, were given to the honourable member. Any minutes that the honourable member wanted he got, and included in the minute he referred to is information he doesn't want to provide the committee. He wants to talk about Mr. Scramstad asking questions and there being no answers. But the answer was given at the board meeting, but Mr. Orchard chooses selectively not to read it. Let me read the board minute. The minute read - this is the September 13, 1983 board - "Pursuant to the request of the board at its August meeting, Mr. Provencher distributed a written analysis of the accounts receivable, accounts payable and accrued

liabilities of MTS. Mr. Provencher reviewed the submission with the board which the board accepted as information. Commissioner Scramstad advised that his request of the previous meeting was related primarily to the receivables of MTX being high compared to its sales revenue. Mr. Provencher reviewed the receivables at MTX and noted that a large portion of these receivables were attributable to the delay in registration of Datacom in Saudi Arabia. What Mr. Orchard selectively did is took from minutes and gave a false picture of people asking questions, only one or two people asking questions, but not receiving answers and not pursuing it.

This is selective reporting to a committee. It's a selective analysis of history. It's like the kind of thing that the honourable member did when suggesting that I said not one 5 cents worth, wouldn't read the whole statement, wouldn't read the whole quotation that I made. It's the selective use of statements that the honourable member is guilty of and he wants to leave an impression before this committee that is false.

Not only Mr. Scramstad, but as I will point out again and again, Ministers, boards, including previous Ministers of the previous administration, were assured that things were fine, that the concerns that were raised, and concerns were raised, could be justified, that accounts were being straightened out and the system was working.

On Friday, Mr. Chairperson, Mr. Orchard referred to the MTS Board minutes of September 26th. He said that this board minute shows that SADL and Datacom were operating as one company. He continues to suggest that my colleague, Myrna Phillips, knew all about this. We know how Mr. Orchard has treated the Speaker in the House. The minute says, and he selectively quoted, that they were considered as one company. But when you look at the minute, it says that they were considered as one company for administrative purposes. We know by the Coopers and Lybrand audit that initially all of the accounts were handled as one.

Now, secondly, Coopers and Lybrand say the relationship between the two companies was continually misrepresented to the boards, to the Ministers, to the government and to this legislative committee, continuously misrepresented. Do you want me to read from Coopers and Lybrand?

**MR. D. ORCHARD:** Do you need a little help, Al? You should write these things and then you'd know what to say, Al.

**HON. A. MACKLING:** These are in my own writing. Thank you for your help.

**MR. D. ORCHARD:** That's your problem.

**MR. CHAIRMAN:** Order please.  
Mr. Mackling.

**HON. A. MACKLING:** Mr. Chairperson, there are references. I've got a reference here from Coopers and Lybrand, but it isn't the reference I wanted.

**MR. D. ORCHARD:** Maybe you'll selectively quote one then.

**HON. A. MACKLING:** Mr. Chairperson, I've put up with the sarcasm, the innuendo, the invective . . .

**MR. CHAIRMAN:** Order please. I think we could facilitate the proceedings of this -(Interjection)- order please, order please. Order please. I was about to say that it would facilitate the proceedings of this committee if members were to speak only when recognized. I have recognized Mr. Mackling.

Mr. Mackling.

**HON. A. MACKLING:** Mr. Chairperson, Coopers and Lybrand confirm in a number of areas in the report that Ministers, boards, this committee and this government were given false information, incomplete information. Mr. Filmon, his picture of history is that Myrna Phillips, my colleague, knew all about the issues in the MTX minutes. The fact is that she never received those minutes.

We move on: November 14, 1984. The Provincial Auditor raises concerns, and Mr. Orchard is fond of talking about warning signs, but in retrospect, it was a warning sign. However, he doesn't tell you that the staff of MTS-MTX satisfied the audit. What he doesn't tell you is that the Auditor accepted the explanations of MTS-MTX staff that accounts were being brought up to date, that things were moving along.

Then we refer to January 17, 1985, the Plunkett Report, that famous document. That document was never sent to this Minister, never sent to my predecessor, never recorded in our files. Eventually, that document was received by my office in August and was promptly sent to Coopers and Lybrand. I wish now, of course, that the chairperson of that board had referred it to me, but what he did do, Mr. Miller, was bring it to the attention of the board and a special audit was obtained.

The Honourable Member for Pembina, I know he likes to interrupt. I listened to his diatribe on Friday without interrupting. It just shows you, Mr. Chairperson, the kind of would-be leader he is. He cannot hear anyone else speak. On February 7th - and the honourable member wants to gloat over his famous letter of February 7th - I remind you, Mr. Chairperson, this is six days after I became Minister. I received a carbon copy of an informational request that Mr. Orchard sent to Mr. Holland. What it wasn't, Mr. Chairperson, it wasn't a letter of warning or caution to me as Minister. Beware, beware of the senior management of MTS because they pulled the wool over my colleague, Mr. Enns' eyes, and I had trouble with them. I believe that they lied to me.

I want to say "lied to me" because the Honourable Member for Pembina will recall a conversation with me when the Honourable House Leader, Mr. Cowan, was present in the Legislature. It was in July or August of 1986. And he indicated to me personally that Mr. Holland had lied to him and deceived him, but Mr. Orchard only told me those things in July or August of '86 because he had waited for the political scenario to unfold. It was then safe for him to really warn me that Mr. Holland had lied to him in the past. That's the kind of warning that the Honourable Member for Pembina gave me.

When he wrote on February 7th, he wrote to Mr. Holland. He sent a carbon copy of it to me, and he



said, I'd like to receive information, and he outlines information he wants. They were informational requests. I recall that Mr. Holland phoned me and said I've got a list of things Mr. Orchard wants. He's asked a series of questions. I said, well, is there any reason why we can't give him that information? Why are you asking me? Those are informational requests. He's entitled to that information. Maybe Mr. Holland was taken aback, but he said, well, fine, if you have no problems with it. Why should I have any problems with it? A member of the Legislature wants information - he gets it, so there was no delay. I didn't ask to see the letter before it was sent, I got a copy of Mr. Holland's response to Mr. Orchard. No problem, but where were the great warning bells ringing out in here? Where was the member cautioning me, as a minister, about the kind of deceit that he and his colleagues believed had occurred in 1980-81 on the part of senior management of MTS? It just wasn't there.

If you look at the kind of information that was sent to Mr. Orchard that accompanied that letter from Mr. Holland. It says: "Mr. Orchard, following are responses . . . "and Mr. Holland goes into a great deal of detail here, information about travel expenses, share structure, lines of credit, individual accounts receivable, all set out and explained, a very thorough and self-assuring letter. You look at the accounts receivable; they don't look all that bad. Where's the warning in all of this? Where is the great danger that the honourable member is saying? Where is the signal that he says is given to the Minister? It's just not there, but he wants to paint a picture: Hey, I showed the Minister, I told the Minister there was a great problem. Not at all, not at all.

The honourable member says that he asked about accounts receivable. He admits that Mr. Scramstad asked about the accounts receivable, and he says that Mr. Scramstad was a bright guy, he asked the right questions. But the management of MTS reassured Mr. Scramstad, reassured him. If Mr. Orchard said he knew then that we shouldn't trust Mr. Holland's answers, then why didn't he tell me? I'd only been in office for two months; he had been there for many more months with Mr. Holland and knew, and we know now how much he distrusted Mr. Holland, but he didn't tell me.

What about the Arthur Andersen Report, all those warning bells that obviously the Arthur Andersen Report sends up? That report was not received by this Minister. Where did it go? It went to Gordon Holland. It didn't go to the MTS or MTX Boards until June 26th; never went near the Minister's office. Why? Could it be that again senior management of MTS didn't want the Minister to know? The warning bells are ringing by that report in the chief executive officer's office, but they're not ringing in my office.

Then we had Mr. Provencher, the executive vice-president, reassuring the board that everything that has been done or is being done to take care of these concerns. Let's see what Mr. Provencher says: "May 28, 1985, the Provincial Auditor sent me an overview of audits for the year ending March 31, 1985 for both MTX and MTS. Both contain serious concerns in respect to the MTX operations."

**MR. D. ORCHARD:** You received that?

**HON. A. MACKLING:** The Provincial Auditor sent . . . Pardon me? No, March 31st. Oh, on May 28, 1985, he sent me an overview of the audits for March 31, 1985, of both MTS and MTX, and they contained serious questions. Well, what did the boards do about these, the MTS? The report indicated the concerns the Auditor had the previous year regarding internal audit reviews had been resolved; raised new concerns regarding the method used for approval of advances to MTX and the infrequency with which the board of MTS received complete and accurate financial reports.

The Auditor noted that the observation had been reviewed with several key staff and he was pleased with the positive response to the recommendations. I had a copy of that report forwarded to the board chair. On MTX, the report indicated there was still a concern following last year's report regarding the timeliness of financial information on SADL. The Auditor indicated that significant steps had been taken recently to improve the situation and they were encouraged by these signs of improvement.

The need to start making longer-range financial plans was raised and the Auditor indicated the process was about to start, and they were encouraged by this initiative. The other suggestion raised with MTX was not old enough to benefit from an increased formalization of the budget process, at least in part through the preparation of a formal budget, possibly variable, which would receive board approval. He indicated that MTX officials agreed with their recommendation.

The final item raised was financial reporting and the fact that it had not yet been achieved. The Auditor noted that it was his understanding that the new accountant had been assigned to keep the records current and produce monthly financial statements. The Auditor indicated that these matters had been reviewed with senior staff and that he was pleased with the positive response to the recommendations.

Noting those recommendations, those comments, I forwarded them to the board.

The honourable member doesn't tell us about the auditors and the fact that auditors continued to receive confirmation, satisfaction of their concerns. What about the September 12th meeting that the honourable member referred to? Well, we had that meeting attended by Mr. Chaput, signed the document, Mr. Glover Anderson, Mr. Don Plunkett. Mr. Chaput, who stayed on the board, appointed by Mr. Orchard's government back then. They appointed Mr. Chaput, he was acting chairperson, or chairman; he resigned. Would you like me to read his letter of resignation? Would you like me to read that?

**MR. D. ORCHARD:** If you wish.

**HON. A. MACKLING:** If you want it read in the record, I will.

**MR. D. ORCHARD:** Maybe as well.

**HON. A. MACKLING:** If you'd like it, I'll read it.

**MR. CHAIRMAN:** Order please. Mr. Mackling.

**HON. A. MACKLING:** I won't lose my place, Harry, as long as you know yours.

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**MR. CHAIRMAN:** Order please.  
Mr. Mackling.

**HON. A. MACKLING:** Mr. Chaput submitted this document to me and I'd like to read from it. This is a submission to me in respect to the capitalization of MTX Telecom Services.

Paragraph one, the bottom of this document: "Revenues of the Saudi joint venture have grown from \$1.4 million in 1983 to \$6.4 million in 1984. Datacom is projecting break even in 1985 and profitability in 1986," and it goes on, it's a very glowing submission, Mr. Chairperson. It glows with optimism, that same optimism that was exhibited by the administration and the Board of the Day when Mr. Orchard was Minister.

Mr. Chairperson, I could read all of that into the record, but it will take an inordinate amount of time, but what it does indicate that there is, not only hope, there is real expectation that MTX is going to be a winner in every respect.

Mr. Chairperson, I was assured that what was necessary was that the venture in Saudi Arabia would be recapitalized, it had been starved for sufficient capitalization, and with that injection of capital they would get an injection of capital also from the partner.

**MR. D. ORCHARD:** When was that; what date was that?

**HON. A. MACKLING:** That was on September 12th, that's right, you know the date. That was the kind of assurance that was given to me. Things look good; things are going to even be better.

**MR. D. ORCHARD:** That's on SADL in Saudi Arabia? For a point of clarification that's on SADL in Saudi Arabia, is that correct?

**HON. A. MACKLING:** Pardon me?

**MR. D. ORCHARD:** Is that on SADL, an additional \$2 million to SADL in Saudi Arabia?

**HON. A. MACKLING:** It's a \$2 million addition to MTX to facilitate the joint venture in Saudi Arabia.

**MR. D. ORCHARD:** So it's to SADL in Saudi Arabia, September 12, 1985.

**HON. A. MACKLING:** The document speaks for itself and you'll get a copy of the document.

Now, at that meeting, Mr. Chairperson, there were certainly no indications that there were any problems with MTX, or with the joint venture. A glowing assurance that things are going fine. That's the kind of misrepresentation that was made to this Minister. I know the honourable member would like the committee to believe otherwise, but that is the fact.

Mr. Chairperson, the document I refer to, the submission to me, formed the basis for the submission to the ERIC committee. It was virtually the identical document that I've referred to. I should, I suppose, table a copy of this document with you. But, Mr. Chairperson, at that meeting they didn't provide this Minister with a copy of the Plunkett Report of

December'84 that was highly critical of aspects of the joint venture. They didn't produce a copy of the Arthur Andersen Special Audit that the board had requested after seeing the Plunkett Report.

I didn't ask them about a secret audit, when they are telling me that things are going well, things are great. I should say, well is there some audit that I should know about that is negative to all of this? They didn't tell me about Note 11 in the financial statements and if you read that document, you can see that it's a glowing report, it's a glowing accounting to a Minister. And, you look at the document you see the person who signs, as chairperson in that submission is Mr. Chaput the member of the board that was appointed by the previous administration, the one remaining Conservative board appointment, the kind of businessman that the Honourable Member for Tuxedo likes to talk about. This is a strong business person, that's the kind of person you should have on the board, he says; and the honourable member, Mr. Orchard, says when the NDP Government was elected they took off a business person and put on a political hack. Mr. Chaput was the business person, the knowledgeable business person, and apparently he was hoodwinked by the administration, he was hoodwinked.

The honourable member thinks that only the Minister was hoodwinked. Maybe he doesn't believe that, but certainly he has to accept the fact that Mr. Chaput did not knowingly try to deceive this Minister. That business person, that businessman, surely acted sincerely. He was their appointment.

Now, one of the classics in that great scenario that Mr. Orchard - the world according to Orchard - one of the classics of his presentation on Friday was that he said, Oh, you look at that September 22, 23 board meeting and . . . he talks about the Arthur Andersen Report and the concerns that were raised. He doesn't tell you about the meeting of October 21, 1985 of the MTS Board, the board minutes, the selective use of minutes. What is the October 21 board meeting, what do those minutes reveal? The honourable member doesn't want to put those on the record.

Well, let's read from the October 21, 1985 board minutes. "At the request of the Chairman the Director of Finance proceeded to give his report. Mr. Provencher advised that the external auditor, Arthur Andersen and Company, had now resolved, to its satisfaction, the questions raised on overdue accounts, overdue notes and a provision for uncollectables, as related to its audit of Saudi Arabia Datacom Limited, SADL. The Director of Finance advised the term of Arthur Andersen and Company, as Auditor for the Manitoba Telephone System, has been extended by one year by the Department of Finance of the Province of Manitoba." We went along, Mr. Chairman, with the system that was adopted by the previous Tory Government, appointing external audit companies. In the initial days I was in government, back in 1969-73, we believed that the Provincial Auditor should be doing the bulk of the auditing for government, including Crown corporations; they changed it. We didn't reverse that, we said, all right, we'll continue to go along with that. And those auditors, Arthur Andersen, were advising, through Mr. Provencher, that the problems had been resolved to its satisfaction.

Now, maybe Mr. Provencher was not telling the board the truth, I don't know, but that was the information

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and advice the board was getting. Mr. Orchard doesn't want that kind of information on the record. The fact that boards, board members, Ministers, governments were being assured by senior management that the auditors were satisfied; that's on the record; that's part of the minutes. That's part of the minutes that Mr. Orchard selectively leaves out of his scenario.

But, that wasn't the only absurdity in the history according to Orchard. The government now, it's September '85, we're going to be involved in a cover-up, and he talks about meeting on November 18, 1985, and he says there's a problem now. There's a problem now, we have to try and hide this information. At the board meeting of November 18, 1985, how are they going to hide this information? You know how they're going to hide the information, Mr. Chairperson, they're going to hire a public relations person, a media consultant to hide it; that's how they're going to hide it. He reads from the minutes and the minute says that we have to heighten the public profile of MTX. How absurd to say that that's part of a cover-up. Do they think that Roger Newman would be part of a cover-up? Is that the kind of integrity that they think the media has in this province and in this country? That they can be used; they can be . . .

**MR. D. ORCHARD:** That's what you think you can do.

**HON. A. MACKLING:** . . . the board of the MTS saw no reason to believe that there was any significant problem, so they urged that there should be media involvement, because there was a false impression out there of MTX. The false impression was that the senior management knew the mistakes and the wrongdoing. I suggest to you that the Honourable Member for Pembina knew his source of information and he has admitted this publicly. His sources of information were much better than mine.

Mr. Chairman, we've heard the history of the world according to Orchard, and I have related to you the history of the world of a world of reality. Mr. Chairperson, we didn't hide things. When after that dramatic production of the affidavit by the Honourable Member for Pembina, we didn't dither. We called in the RCMP within a matter of minutes of the tabling of that document, a document that was known to the Leader of the Opposition and the Member for Pembina for at least some days before, some days. We didn't dither, we didn't hide it, we didn't hold back knowledge. We moved decisively. We appointed Coopers and Lybrand, who everyone, including the Honourable Member for Pembina, has admitted have done a first-rate job. They got into the information quickly and made findings of fact and made those findings of fact known to us, findings of fact which we haven't hidden. Within the days which we agreed to, all of that information is available to the public, unprecedented disclosure to the public - within days, all of that information. Every piece of information that the Honourable Member for Pembina requested, he received.

Mr. Chairperson, this has been a record of a government that faced up to the problems. We didn't make snap decisions. We didn't, as honourable members say, fire people, dismiss them without an accounting. We didn't shut down systems without an

accounting; we did the responsible thing. We got an accounting, we got an audit and we acted decisively. All of that information, probably for one of the first times in legislative history in the public domain, within a matter of days. I suggest to you, Mr. Chairperson and members of this committee that this Minister and this government have set an example for unprecedented openness and decisiveness. I think the example we have set in acting promptly, decisively, but responsibly, will set an example for future administrations.

We have, in addition, announced, as the Premier's outline, a decisive course of action to ensure that Crown corporations will be more closely accountable for their actions, actions that we saw in a previous administration, that in a previous administration went unreported and no corrective action was taken. We know the wrongdoing during the course of this administration, but we have taken the action and we are neither proud nor ashamed of it, but it had to be done and we have done it.

Mr. Chairperson, all of the matters that are outstanding in respect to MTS operations have been referred by me by letter to Mr. Robertson to carefully review and weigh the soundness of the business decisions taken, because we have learned to question the soundness of those decisions. Honourable members in the previous administration knew, and the Honourable Member for Pembina, particularly, questioned the soundness of those decisions in the past but did nothing about it. Mr. Chairperson, I think that the time has arrived for all Manitobans to want to ensure that the Manitoba Telephone System is returned to a position of strength.

Mr. Chairperson, before I yield the floor, I want to deal with one other area of concern. The Honourable Member for Pembina has been trying to exploit in the media and others the view that we were hiding, we were covering, we were trying to hold back. My goodness, I have outlined that this process, three committee meetings after the report, sitting until 11:30 tonight, we haven't tried to hide anything; any information the Opposition wanted the Opposition received. We haven't tried to hide the report. We've made Coopers and Lybrand available to the committee for questioning. I don't know on what basis the Opposition can continue to say that somehow we are not providing for full information to this committee and to the people of Manitoba, and then they want to twist it further and say, well, the inquiry, the audit, didn't go far enough. They should have looked at political responsibility and then they twist around the information that Mr. McKenzie gave at the previous meeting.

I want to put on the record the question and answer that Mr. Manness gave, the question that Mr. Manness put to Mr. McKenzie and the answer that Mr. McKenzie gave to that. - (Interjection) - Mr. Chairperson, we have grown used to the chattering of the Member for Pembina. We will ignore it. Mr. Manness asked this question: Mr. Chairman, again I ask the Minister if I might ask Mr. McKenzie, is it normal in your business, Mr. McKenzie, when you've these types of major reviews and investigations for a government in the past, whether a consulting firm reviewing activities of which government is ultimately responsible in one fashion or another, whether the terms of reference preclude an investigation such as yours from determining

government or Minister or Cabinet knowledge through review of Cabinet minutes or committees of Cabinet minutes? Mr. McKenzie said the normal methodology for conducting such investigations in terms of reference are to focus on the business, the effectiveness of its management and the decisions that are taken or have been taken by the responsible executives. It is not normal for us to pass judgment on the political process. That's what Mr. McKenzie said. Honourable members want to distort, but not only Mr. McKenzie.

What does another member of Coopers and Lybrand firm say? - and I quote from the Free Press of Saturday. Asked why the political masters were let off the hook. Mark Berkowitz, a Coopers and Lybrand partner, said the consultants couldn't find anything to implement the government or the Ministers who he said were kept in the dark by the officials. He goes on: Our mandate was to review and assess the adequacy and accuracy of management and operations information provided to the Winnipeg head office, to the MTX Board and to the government, Berkowitz, one of the dozen or so Coopers and Lybrand people, who participated in the MTX review, said from his Montreal office. Berkowitz added that some of his colleagues have more than 20 years experience in management audit and they didn't write the report lightly. We can fully back it up. We are prepared to report on the basis of our interviews more than 40 and the documents provided to us by the government and MTX. Coopers and Lybrand questioned Ministers; they questioned anyone that they wanted to question. We've had the RCMP questioning people. We've had more intensive inquiry into this matter than any other matter before in legislative history.

I know the honourable members will tell all that we haven't got a judicial inquiry; we would have liked to have lawyers here; we would have liked to make presentations to committee. Every one of the MTS employees was invited to cooperate with the RCMP and with Coopers and Lybrand, speaking in confidence to those people, putting their concerns on record without attribution. Every one of those employees received an assurance from this Minister that their cooperating with those inquiries would in no way jeopardize their employment with MTS. All of those assurances were given.

We made every effort to make sure that Coopers and Lybrand and the RCMP provided this committee and this government and the people of Manitoba with full information. I know the Opposition will continue to say we're trying to hide. How are we trying to hide? We provided every document that they wanted with the exception of Cabinet documents. And the honourable members will continue to say that.

Mr. Chairperson, I am proud of the fact that this government acted decisively. I have concerns when I realize that, as I indicated in my earlier remarks, really, it was like history revisited. Those same concerns, those same issues, those same officials seem to have deceived, lied, whatever, to previous Ministers in the Conservative Government, but regrettably nothing was done about it. That same spirit of adventurism was there, that lack of accountability was there, but nothing was done about it.

This government has dealt with that matter. Those senior management people are no longer with us. We are embarking on a new era in the Telephone System,

an era of accountability, an era of pride in our system and we will not be detracted by the negative attitude of the Honourable Member for Pembina.

Mr. Chairperson, we will go forward in a Crown corporation initially established by a Conservative Premier for the good of the people of Manitoba, a Crown corporation that has seen it go astray, start to go astray, encouraged to go astray under a previous Conservative Government. Mr. Chairperson, we had the intestinal fortitude, we had the will to deal with the problem, and MTX is being wound down in a responsible, reasonable way, management has been changed and further management decisions will be made to ensure that the MTS will continue to serve the people of Manitoba in a responsible manner.

I urge all members of the Legislative Assembly to join with me in ensuring that the Telephone System operates for the benefit of all the people of Manitoba.

Mr. Chairperson, I'm given to understand that Mr. Cumming who was here on Friday, who was available to the committee on Friday but was not called, I know that there were a number of questions that Mr. Dolin asked and I took them as notice. I would like to see Mr. Cumming respond to those questions, but I know that the Honourable Member for Pembina is very anxious. However, I certainly want to make sure that we have an opportunity of hearing from Mr. Cumming. I leave it to you, Mr. Chairperson, to decide.

I took as notice questions from Mr. Dolin. I'd like to be able to deal with them, but I understand . . .

**MR. D. ORCHARD:** You can deal with them in a few minutes.

**HON. A. MACKLING:** Well, if the Honourable Member for Pembina is going to assure us that he's not going to run out the clock as he did on Friday and break the understandings we had, well, then, I have assurance that Mr. Dolin will have an opportunity to ask those questions.

**MR. D. ORCHARD:** Can you determine that, Mr. Chairperson?

**MR. CHAIRMAN:** Order please. There seems to be an indication that this matter will be dealt with later and perhaps the material could be distributed at that time.

Mr. Orchard.

**MR. M. DOLIN:** A point of order, Mr. Chairman.

**MR. CHAIRMAN:** Mr. Dolin, on a point of order.

**MR. M. DOLIN:** I am perfectly willing, since the Minister spoke and I would think one of the members from the Opposition, probably the Honourable Member for Pembina, would like to respond, I would defer to him to give him this opportunity. But I would like to remind the Chair that this is now the third meeting that I have been requesting information, to look at the Coopers and Lybrand Report which, from my understanding, was the role of this committee and the reason for having these hearings. I would like to look at Volume VI and the human rights aspect and I'd like some assurance that I will have some opportunity to do that. If the

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member will give me the opportunity, I will certainly defer to him.

**MR. CHAIRMAN:** It appears that assurance has been given.

Mr. Orchard.

**MR. D. ORCHARD:** Mr. Chairman, first off, I want to correct the Minister in another one of his incorrect statements. I violated no agreement with his House Leader. His House Leader knows full well that when he put in the one hour condition, I said if we're on a serious of questions in a presentation, I cannot guarantee to limit it to one hour. The House Leader is nodding his head in agreement. So, Mr. Minister, I please urge you not to further mislead the committee.

Mr. Chairman, the Minister has laid out a case which describes, if I can put it as gently as possible, the complete incompetence of this Minister in coming to grips and understanding with the very serious situation that we are faced with in the Telephone System and MTX today. We are talking about a minimum exposure of \$25 million, none of which existed in 1981 at the change of the government. All of that exposure is compliments of the incompetence primarily of this Minister that is sitting here tonight, and only for tonight, because he has resigned for his incompetence. None of that liability existed before.

He wishes to cook up a story of involvement by the previous administration. Mr. Chairman, that may be good to try to divert attention from the real issue tonight, the real issue being that Manitobans are being asked to pick up a minimum of \$25 million of loss incurred during the NDP term of government, and if we were to have Coopers and Lybrand further investigate within the Telephone System the area of cross-subsidization, which has not been accounted for within the Telephone System and its MTX operation, that loss would grow dramatically. I can assure you of that.

Mr. Chairman, this Minister has given us absolutely no comparable analysis. For instance, in 1981, when we were defeated in government and this NDP administration and the previous one took over, the Minister skillfully forgets to tell the people of Manitoba, in his attempt to save political face, that there were no accounts receivable in December of 1981 from Saudi Arabia or any other joint venture or any other exposure in sales.

Mr. Chairman, there was no investment in 1981, December, in Saudi Arabia. Mr. Chairman, there was no free-standing 100 percent-owned corporation of the Telephone System named MTX. The mother of MTX is one Muriel Smith, the father is one Howard Pawley; because in January of 1982 the mother and father signed the Order-in-Council which conceived MTX. We have Mother Muriel and Papa Howie in 1982, January. That is who created MTX, the 100-percent, joint-owned company of the Telephone System.

Further, in 1981 in December when the government changed, there was no joint venture in Saudi Arabia in which this NDP Government has currently invested \$794,000 to start and an additional 8.5 million in MTX and into Saudi Arabia with an additional 2 million. There were no liabilities to the Telephone System in 1981 as a result of a venture in Saudi Arabia. There was no

exposure to the Manitoba Telephone System in 1981 in December when this government took over because of external operations of the Telephone System in Saudi Arabia, the United States, New Zealand, China, you name it, there was no exposure to the Manitoba Telephone System and to the stakeholders of that Telephone System. There was none of that.

But if you just listened for that last hour-and-a-half to this Minister who is flailing in complete Ministerial incompetence, you would be led to believe that is the situation they inherited in 1981. Well, Mr. Chairman, I simply say that is a false impression that the Minister is trying to leave.

I reiterate again, in 1981, there was no accounts receivable outside of the Province of Manitoba that we are still trying to collect. There was no investment in Saudi Arabia. There was no joint venture in Saudi Arabia. There was no freestanding corporation, MTX and the Telephone System. There were no liabilities owing to the people of Manitoba through their Telephone System, and there was no exposure to the Telephone System in 1981 in December when this government took over.

Mr. Chairman, the Minister -(Interjection)- Mr. Chairman, do I hear the Minister babbling from his chair? Is he having a little trouble tonight . . .

**HON. A. MACKLING:** No, I was responding to what one of your colleagues said.

**MR. CHAIRMAN:** Order please, order please. I've reminded members before; I'll remind them again. The procedure is that, when individual members are recognized, they shall speak. I would really recommend that people pursue private conversations in the hall.

Mr. Orchard.

**MR. D. ORCHARD:** Mr. Chairman, I want to draw to the Minister's attention, because he's trying to point out that he was terribly competent in his stewardship of the Manitoba Telephone System, I want to point out to him a very interesting scenario. He has mentioned Project Ida tonight. I want to tell you that Project Ida, I inherited in whenever I became Minister, October of 1980, whenever it was. You know what one of the first things that Mr. Holland did as Minister? He came to me to ask me for an \$8.5 million investment to advance Project Ida from an experimental stage in Headingley - and maybe some of the staff over there who are sitting after listening to the Minister's diatribe for the last hour-and-a-half might remember this, some of the staff who were there then. The \$8.5 million that Mr. Holland requested was to put Ida from an experimental stage in Headingley to a full-scale demonstration project.

Now, \$8.5 million is an interesting figure, because that's exactly the figure that the same Mr. Holland and board came to Mr. Mackling in September of 1985 for to additionally finance MTX, the creation of Ms. Smith and Mr. Pawley in 1982.

Mr. Chairman, in 1980, when Mr. Holland asked for that \$8.5 million, I said, I'm afraid I need a little more information, Mr. Holland. As a result, to get that information, I sent my board chairman a copy of a letter. In that, I asked a series of questions. You know,

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it might be interesting for me to table that letter tonight, because this is what a Minister of a Conservative administration did when asked for \$8.5 million. I'll table this letter, and get a copy out. I would like a copy of that for my files.

Mr. Chairman, I then set up a three-person committee to study the Omnitel II technology that was to be expanded from experimental stage to a full-scale demonstration. After a period of several months, not being satisfied with the request for \$8.5 million, that committee came back and said to me, the Omnitel II technology is not viable.

Mr. Chairman, in addition to that at a committee hearing in which I was sitting in the chair that this incompetent Minister is now occupying, I sat there and I listened to a member of the Opposition, the Member for St. Vital, ask questions about Project Ida. After that hearing, I asked the Member for St. Vital if he had concerns. He said he did. We discussed them and that, Mr. Chairman, was what a Minister responsible would do when members of the Opposition raised concerns about something the Telephone System has done.

In the four years that I have sat in this committee, including the fifth year this year when this whole bubble burst, I have raised concerns about MTX and not one NDP Minister has asked me why, what I'm concerned about, what is the problem, not one. Now, I offer you my course of action. I offer you the NDP course of action. Which was the competent and responsible one? I think it's fairly obvious. Now, Mr. Chairman, on the \$8.5 million request to expand Project Ida, basis the three-person consulting report, basis the answers to the questions I posed, I cancelled Project Ida and would not approve another \$8.5 million.

Now, I just want to take you to September, 1985, where this Minister is now sitting in the chair. September, 1985, this Minister is sitting in his office responsible for the Telephone System. The same Mr. Holland comes to him and says, we need \$8.5 million. For what? To put into our MTX operation, to further capitalize MTX, the Crown corporation that Mother Muriel and Papa Howie set up in 1982.

Now, this Minister apparently said, yes, Mr. Holland; I'll rubber-stamp that, and I'll take it to ERIC committee; and they did. He took it to ERIC Committee where the heavyweights, Mr. Cowan, Mr. Kostyra, Mr. Parasiuk, Mr. Schroeder were sitting in that committee. Mr. Holland came to the committee. He said, I need another \$8.5 million for MTX. They said, rubber-stamp, we'll give it to you, no questions asked. Do you know where 2 million of that 8.5 million was to go? It was to go to the joint venture in Saudi Arabia that was set up in April, 1982 by the NDP Government, Mother Muriel and Papa Howie. Sorry, sometimes, it's confusing.

Mr. Chairman, did Mr. Mackling, in agreeing to take that \$8.5 million request for funds to Cabinet, ask any questions of Mr. Holland? Did he ask him, what is the current financial analysis of SADL in Saudi Arabia? Well, I don't know whether he did or he didn't but, if he asked, he would have been given the 1985 May report of Arthur Anderson and Company which said that Saudi Arabia Datacom Limited has major concerns to the Telephone System, and I will quote. "Our principal concern is the extent to which capital, approximately 12 million, has been exposed in a high-risk environment without adequate controls to protect either the capital or ensure a rate of return commensurate with the risk."

This document, I believe, Mr. McKenzie identified as the first warning sign. This was available to a Minister who responsibly asked questions in September of 1982 when he was being asked for another \$8.5 million. That ladies and gentlemen and Mr. Chairman, is why we want this Minister resigned completely from Cabinet because he is not responsible to ask the questions of his bureaucrats in which the answers for proper spending of money will be given. This was available to this incompetent Minister when he recommended another \$8.5 million, 2 million of which to go to this venture that was already losing 12 million. So much for that Minister's competence.

Also, the Minister could have, in September of 1982 asked for the current financial document of MTX. (Interjection)- did I say, '86? In 1985, he could have asked for this document and this document could have been presented to the Minister had he asked the question. But either he didn't ask the question, which is incompetence, or he did ask the question and received the answer, which we would only find out if we get this Minister under oath in a judicial inquiry. We don't know which, but the information was available and he asked for \$8.5 million without asking the very simple basic question that anybody would ask when requested for \$8.5 million: what does the latest financial statement say?

This Minister did not ask that question before he rubber-stamped an \$8.5 million request. Is that competence? Is that taxpayer confidence to be given to this Minister who, when asked for \$8.5 million, never asked to see the latest financial statement, which was available at that time? Is that competence, ladies and gentlemen, because had he asked for it, he would have seen in the notes, Page 2: "The recoverability of the investment in SADL and the related trade receivables, described above, is uncertain at this time."

Do you need any more warning than this? And it was available, had the Minister asked. But this Minister is not competent enough to ask, or he asked, received the answer, and decided not to tell the people of Manitoba because an election was coming.

We don't know which; we don't know whether it's cover-up or incompetence, but either way the government is culpable and can't get out of it.

Mr. Chairman, this Minister is telling the people of Manitoba, and he expects the people of Manitoba to accept his plea of ignorance and his Cabinet's plea of ignorance that they knew nothing. How stupid does this NDP Minister and his Premier and his Cabinet believe the people of Manitoba are? Do they really believe that the people of Manitoba are stupid enough to believe that a Minister is competent in approving an \$8.5 million loan without asking for the latest financial statement to see whether the company is in financial trouble or not? There are not too many Manitobans who believe that they don't know, the reason being that this Minister simply decided he didn't want to know or else he wanted to cover up. As I say, we don't know which.

Tonight I want to tell you, Mr. Chairman, the Minister has made the case better than I have ever heard it made before. He has made the case for a judicial inquiry into the political culpability of the NDP Government and Cabinet, including himself. I have never heard more reasons given in an hour-and-a-half to have a judicial

inquiry examine the political role, the political knowledge and the political responsibility of this Minister and this government. He gave every reason that was needed.

Mr. Chairman, it is with that thank you to the Minister for giving every reason available for a judicial inquiry that I would like to move, seconded by Mr. Filmon, that the committee recommend to Executive Council the appointment of a judicial inquiry in order to assess and report on ministerial and governmental responsibility for the MTS-MTX fiasco in Saudi Arabia and, in particular, the loss of up to \$30 million in taxpayer money.

That is the first of several motions that I will make, Mr. Chairman. We'll find out whether anybody was telling anybody.

**MR. DEPUTY CHAIRMAN, M. Dolin:** I have been advised that the motion is in order.

It has been moved by Mr. Orchard, seconded by Mr. Filmon, that the committee recommend to Executive Council the appointment of a judicial inquiry in order to assess and report on ministerial and governmental responsibility for the MTS-MTX fiasco in Saudi Arabia and, in particular, the loss of up to \$30 million in taxpayers' money.

Any debate? Mr. Filmon.

**MR. G. FILMON:** Mr. Chairman, I might say I'm surprised that the Minister is not speaking on the matter. Mind you, he has had more than ample time to present his case leading up to this motion and certainly in the hour-and-a-half he gave us plenty of reasons to support this motion, so perhaps his silence indicates that he supports the motion and I indeed hope that he does.

Mr. Chairman, the major points that the Minister brought forward were that he believes that Mr. Orchard and indeed all members on our side of the House in putting forth the facts, in putting forth the case with respect to the MTX issue, have only quoted selectively and only presented selectively certain pieces of information, that indeed, despite Coopers and Lybrand, despite an investigation by the RCMP, despite all of the hearings of the Public Utilities Committee throughout the summer and now, that the whole story hasn't been told, that in fact there is much more in terms of the responsibility and the culpability that ought to be aired for public view.

He made that case, I won't say eloquently but certainly at length; he made that case this evening. That, to me, says that perhaps he's right. Perhaps there ought to be a far more thorough investigation, a far more thorough airing of all of the information that ought to be put forward to find out, in his words, what went wrong, why it went wrong, and how it went wrong.

If indeed it's the Minister's case it went wrong because of certain investments that took place before his government took office in 1981 - now, he says investments - to my knowledge, there was not a nickel invested in Saudi Arabia. In fact, there was a joint bidding on contracts, ultimately a joint bid prepared that was turned down, so it never came to fruition.

There was a participation on the part of the Telephone System, along with Bell International, in contracts overseas, and AGT. Those contracts provided for all of the costs of the Telephone System to be covered

and, in fact, a payment of salary plus 40 percent on all of the salaries of people who were seconded by the Telephone System to work over there. So there was no risk whatsoever; there was no investment whatsoever. In fact, there was a guaranteed rate of return.

Mr. Mackling tries to make the case that that is equivalent to entering into the establishment of an export corporation to do business outside of our provincial borders. I might say at this point that it's interesting to note what is now viewed, or perhaps has been all along, as the mandate, the mission of that export corporation, and I quote from Coopers and Lybrand, which said that the MTX business mission has become, and I quote, "to undertake anything in telecommunications outside Manitoba which might be profitable and for which staff can probably be made available."

That, it seems to me, is a far cry from the kind of mission and involvement of anything that the Telephone System had to do outside of its borders during the administration of the former Conservative Government. Yet this Minister suggests that all of this is equivalent and, in fact, that operation of the Conservative Government was what really led to this investment in MTX, the passing of the Order-in-Council to form MTX, the passing of the amendments to The Manitoba Telephones Act to allow for this extra-provincial operation of the corporation and all of those things he says came as a result of that.

He says, too, that this was all part and parcel of the reasoning behind the involvement in the past despite the fact, as I've indicated, that there was no risk and, in fact a guaranteed rate of return, and yet his operation, in the words of the former executive vice-president, Mr. Anderson, and again I quote from Coopers and Lybrand where Mr. Anderson said, "Making money was not the prime purpose. It was to employ MTS people and provide them with an enriched environment." I want to tell you, Mr. Chairman, that at no time during the operations that he has referred to, prior to 1981, was that ever the mission and the mandate of the Telephone System in its operation.

It always was and always ought to be to provide the best quality service of telephone and telecommunications to the people of Manitoba at the lowest cost. It was only as a result of this Minister's administration that that became changed. It was only as a result of that that the people of the Manitoba Telephone System, all of those loyal employees that the Minister referred to in wrapping up, were put into the situation where they were dragged into the mire of this high-risk foreign venture, this propensity to get into all sorts of extra-provincial investments to try and somehow become involved as a Crown corporation, become instruments of public policy, as has been quoted by the Premier and this Minister, as the route that they chose in the past and still choose to take.

So it seems to me that indeed he's making a case for the fact that we ought to have a full public inquiry and a full airing of this to find out indeed if it was this kind of mission statement, this kind of determination on the part of his administration that led to us being where we are today, to having put at risk probably at least \$25 million and indeed maybe a great deal more.

The Minister took issue as well in his statement with my having said that the five senior officials have been

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used as scapegoats. He said that I am ignoring the fact that in the past we have suggested culpability on the part of senior management. Indeed, as we sat throughout the summer hearings of this Public Utilities Committee, we became convinced that there obviously was culpability on the part of senior management. The reason I referred to scapegoats is that having accepted that senior management is responsible and would have to pay the price - and Coopers and Lybrand have confirmed and identified the responsibility - having accepted that, I say that they are now scapegoats when this Minister can get away without taking any responsibility whatsoever, can just simply wash his hands totally and suggest that the Coopers and Lybrand study that had no mandate to examine or comment upon any responsibility by the government, by the Ministers responsible, that this vindicates him and that he can walk off scot-free.

So I say that as long as this Minister retains a position in Cabinet where he can continue to wreak havoc on other government departments as he has through his involvement, either by negligence or irresponsibility, in the MTX fiasco, can continue to wreak havoc on other government departments, then they will have been used as the scapegoats to keep his head and his hands clean of this, and it won't wash.

The only way that he is going to be satisfied, as he has pled his case, is going to be to have that full and complete public hearing that we have been talking about, that we have been calling for, where people can be called and examined under oath to see whether indeed all of the things that he proposes were done without his knowledge. Here I have to say that he sounds a little bit like Richard Nixon as he says I don't remember; nobody told me; you didn't send the letter to me; it was just a copy that I got. All of those things that he says are starting to sound a little bit like Richard Nixon.

Let's maybe have the air cleared because he's the one who has said that the air isn't clear, that much more information should be presented, that we are quoting out of context, that we are presenting facts in isolation without giving the total picture. Well, then, let's have the total picture.

Let's find out everything that ought to be said about this before it goes any further because we have seen the most skillful job of political damage control that has ever been done on this province. We have seen the most ingenious manipulation of public opinion on this matter. By putting forth, firstly, the case that says, no, there won't be a full and complete public inquiry; a management audit, yes, capably done within the scope of what it was designed to do, which eliminates totally any view of public involvement or any responsibility on the part of politically elected representatives and has no opportunity to investigate the books of the sheik's company wherein may lie the proof of the allegations that were made about kickbacks, about illegal payments, under-the-table commissions and all sorts of other matters that have yet to be attended to and, in all likelihood, will not be attended to as a result of this incomplete inquiry.

Of course, finally, the great part of this whole puzzle, the great final stroke of genius with respect to limiting the damage control on the part of the New Democratic Government was that decision that he calls such a

forceful decision to remove the five senior officials prior to these hearings so that although they were available to Coopers and Lybrand, although they were able to be cross-examined and asked all of the relevant questions, they are not available to this committee. The only public body that will have an opportunity to examine all of the facts with respect to this whole issue, they have been removed from the scene prior to these hearings.

I say to you, Mr. Chairman, had that sort of action, the removal of the witnesses before the trial, had that sort of action been done by the Mafia, they would be facing a grand jury; but, instead, this Minister gets off scot-free and retains his position in Cabinet. It's an absolute crime.

So if this Minister believes that there needs to be a further airing, a more complete hearing of this matter to find and assess public responsibility from previous administrations, previous Ministers, other people who have been involved, then I say that's wonderful. Vote for this motion and you'll have that opportunity and then you won't have to hide behind anybody's skirts.

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

**MR. H. ENNS:** Mr. Chairman, just not to prolong the debate on it, but to make it abundantly clear, it goes without saying that the mover of the motion before us would take the same position that as a Minister who had some responsibility for Telephones, I welcome, indeed I insist on the public inquiry to take place. I want my record during my period of time as the Minister responsible for Telephones to be examined in the fullest possible way as does my colleague, Mr. Orchard, and we will get to the truth of this matter. So let it simply be put on the record that those Ministers who have been referred to by the Minister in his lengthy speeches this evening before us welcome that kind of inquiry.

**MR. CHAIRMAN:** Mr. Doer.

**HON. G. DOER:** Yes, I'd like to speak against the motion. First of all, Mr. Chairman, the Coopers and Lybrand has produced a 600-page report that many people in this room have called thorough and complete. It is 600 pages of material dealing with the MTX and MTS operation with a number of terms of reference that have been stated for the public record, which includes, Mr. Chairman, issues of information that go to the government in point reference No. 5 and point reference No. 11.

When Coopers and Lybrand looked through those two points of reference in terms of the information that did go to government, it concluded at every turn that the information that the government received, in fact indeed in many cases the board of MTS received, was incomplete and inaccurate.

Let me quote just a couple of places where this material has been stated as incomplete and inaccurate in terms of the decision makers, because I think this is very critical. If the government had received totally accurate information, and Coopers and Lybrand had said so, I think that's a very serious issue.

When we look at Volume V of Coopers and Lybrand, Page 32, not only are we getting subjective opinions



from the telephone management system that's incorrect, it even states that the figures set out in the balance sheets that were produced to the board were different than what was in fact reality. When we further look at the critical period of time, and very critical in terms of the amount of money that was approved by the ERIC Committee of Cabinet on October 9, 1985, Coopers and Lybrand again assessed the information provided to the decision-makers.

On Page 41 of the report, the process of providing for additional investment of \$2 million Canadian in Saudi Arabia in 1985 raises significant questions about the adequacy of the information provided to the MTS Board, the Minister, Crown Investments and ERIC relative to the profit and loss sharing arrangements in Saudi Arabia and throughout its history, and it goes on and on, Mr. Chairman.

So we do have points of reference where information going to government is critical in terms of government responsibility and the independent audit that the Member for Pembina has already called thorough and in totality has evaluated those issues. I think that's very important in considering a judicial inquiry.

Further, Mr. Chairman, we have an RCMP investigation that is still under way. An RCMP investigation is critical to some of the accusations raised in the summer. We hope, certainly, that the air is cleared as soon as possible because I think that's the second cloud hanging over the corporation's head.-(Interjection)- I don't control the RCMP, neither does the Member for Pembina, but I know they are working as expeditiously as possible. They have the Coopers and Lybrand Report and I know that they have interviewed a number of people and the Attorney-General would be able to report on that more fully.

The third issue is that everything about the Telephone System has been talked about in terms of a judicial inquiry. I think again the Estey's Commission which was dealing with the \$1 billion taxpayer bailout performed by Michael Wilson and Barbara McDougall in the federal Conservative Government, on Page 26 of that report there is a very interesting quote: It was necessary throughout the hearings to make it known to the participants and to the community at large that the inquiry was not a convenient forum for the trial - and I use the word "trial" because that's the same term the Leader of the Opposition just used - or settlement of all issues, public-private, arising out of these failures. That was dealing with the whole issue of who was responsible for the billion dollar bailout authorized by the federal Conservative Government under the stewardship of Michael Wilson and Barbara McDougall.

The other issue is the whole cost of having not only a Coopers and Lybrand Report, Mr. Chairman, where we had spent considerable sums of public money to find the facts and get the facts, and I think we have got the facts. We do not want to spend millions and millions of dollars having lawyers and judges and whoever who would be involved in a judicial inquiry or a public inquiry re-evaluating the same ground that Coopers and Lybrand has just thoroughly done with their management audit team.

So I believe, Mr. Chairman, that it's absolutely time to get the corporation on its renewal state that the Minister has talked about. It is absolutely essential that we do not cripple the Telephone System for two to

three years. It took us, I think, one-and-a-half to two years to find out you shouldn't mix metric and imperial gallons in airplanes in terms of the Gimli-near disaster and I think that's very, very important. but it took a long period of time. That is time the Telephone System does not have. It is time to get the Telephone System onto stable management and we know, Mr. Chairman, that when the Hydro inquiries took place, it crippled that organization for three years. It's time to get on with the business of the corporation, time to get on with the inadequacies of Crown monitoring, with the Crown reform proposal and that's why I think this motion is counterproductive to the best interests of Manitobans.

**HON. A. MACKLING:** Mr. Chairperson, I know the honourable members did hear my concerns earlier. I will not take a lot of time with the committee except to reiterate that this government did act decisively. I know that the members of the Opposition at one stage were saying fire these people immediately. Then if we fired them and they hadn't appeared before the committee they would would say, well, you know, you did that, now they won't appear. We set up a management review. The representatives of that management audit firm have been made available to the members to question. We have made the copies available to the public. We have furnished to the Opposition every document that they requested, save submissions to Cabinet or Cabinet committees. We have provided the fullest kind of airing of this issue that is possible under the parliamentary process. We have not spared ourselves in working very hard to make sure that all of the questions are answered. The RCMP are still investigating. We have referred to Mr. Robertson, the new CEO of the Telephone System, a very extensive list of concerns to do a real job evaluation of everything that the Telephone System - of the projects they had before, looking at management staff. We want to get that system operating to the benefit of the people of Manitoba. I know that the Honourable Member for Pembina, he sees this as an opportunity for his furtherance of his personal ambitions.

My concerns are for the good of the corporation, for the good of Manitoba. We have taken the decisive steps. I think some people may have thought that they were perhaps too tough. I believe that those management who are no longer with us, the same management that really had led the previous administration along paths that we followed, I sincerely believe, Mr. Chairperson, that we have done a very effective, thorough and reasonable job of getting on with reviewing the problems, addressing those problems and I can see no benefit in the system being subjected to the same sort of ongoing inquiry that the honourable member talks about. I know that he would like to spin this out ad nauseum, but for our purposes, for the purposes of the people of Manitoba, it's best that the system get on with the job of providing excellent telephone service.

**MR. CHAIRMAN:** Mr. Dolin.

**MR. M. DOLIN:** I note in this motion, there is a 20-20 hindsight here that the Minister has known this,

ERIC should have known that, this Minister should have known this, this one should have known that. I also noticed for about the last five hours in this committee, we have been looking at a six-volume report, which is excellent in its insight and thoroughness, but we have been hearing a debate between our Minister and a former Minister on who is right, who should have known what.

I think one of the comparisons you can make is you now have an inquiry going on which I think should have gone through the federal Committee on Rules and Privileges and that is the Sinclair Stevens inquiry, which is going to drag out for some years and cost \$3.5-\$4 million to the taxpayers of this country. I think that's what this resolution - if the political needs of the mover of this motion are to be served, I don't think it should be at the expense of the taxpayers of this province. We pay \$350-some-odd thousand for this report. I would like to get on with examining this report. If I really felt there was sincerity behind the motion, I would think in the last five hours, we would have been questioning board members, staff people, from MTS.- (Interjection)- They're sitting right there. We would also be questioning the people from Coopers and Lybrand who are here at some expense to the taxpayer who have done a reasonably thorough job of looking at what happened, how things occurred, the way they present themselves today, but I see no sincerity on the part . . . Here is a group who want to spend the equivalent of another Sinclair Stevens inquiry in the Province of Manitoba to look at, they quote "political culpability." The Member for Lakeside talks about how he wants the inquiry to vindicate his record as Minister seven or eight years ago. My God, I don't want to spend the taxpayers' money on such political absurdities. I think this committee is here to examine Coopers and Lybrand. When the Mounties report, we will examine those pieces of information provided to us. I think up to now the Member for Pembina's done an excellent job of digging out the facts.

He has more resources, more sources of fact which he has not yet really touched. He has been making political statements; I think it's time that stopped. I think this nonsense about a judicial inquiry should cease, the motion should be defeated and we should go on with the business of this committee the same way the Federal Government should have used rules and privileges, rather than having a judicial inquiry at great expense to determine whether or not Sinclair Stevens is culpable. I can't support an insincere motion like this, Mr. Chairman.

**MR. CHAIRMAN:** There are no other members indicating a desire to speak on this, so therefore I will ask if members are ready for the question.

I have a request to read the motion. It's moved by Mr. Orchard, seconded by Mr. Filmon, that the committee recommend to Executive Council the appointment of a judicial inquiry in order to assess and report on ministerial and governmental responsibility for the MTS fiasco in Saudi Arabia and, in particular, the loss of up to \$30 million in taxpayers' money.

Are you ready for the question? Will all those in favour of the motion please indicate by saying aye? All those opposed to the motion, please indicate by saying nay.

In my opinion, the nays have it.

**MR. D. ORCHARD:** Mr. Chairman, could we have a formal hand count, please?

**MR. CHAIRMAN:** There has been a request for a counted vote. Would all those in favour of the motion please indicate by raising their hands.

Would all those opposed to the motion, please indicate by raising their hands.

**MR. CLERK, W. Remnant:** Yeas 4; Nays 6.

**MR. CHAIRMAN:** The motion is defeated.  
Mr. Orchard.

**MR. D. ORCHARD:** Mr. Chairman, the Minister, in his argument to defeat the last motion, said that a most thorough review had been done by Coopers and Lybrand. That is a statement made by his Premier which is not true, nor is it true when he makes it because, as Mr. McKenzie has indicated to us in questioning on Wednesday, November 26, their mandate did not include determining the political responsibility of Cabinet Ministers and the Minister responsible.

Their management review ended at the senior management levels. There was no examination of board culpability, ministerial culpability or Cabinet culpability in terms of the ERIC committee of Cabinet.

Mr. Chairman, if the Minister who says a thorough review was done wishes that to happen, he would want to have his name cleared as the Minister responsible for the Telephone System. I thought he would have welcomed the judicial inquiry which, if he is innocent as he says, would have cleared him, but he is obviously afraid of something, Mr. Chairman, in that he turned down that motion.

So we offer to the Minister an alternative to the judicial inquiry. Incidentally, I just point out that a judicial inquiry was welcomed by this Minister earlier this year when Mr. Parasiuk wanted to clear his name and we jumped in and we spent, I don't know how many tens of thousands of dollars clearing Mr. Parasiuk's name, but all of a sudden this same Cabinet, this same caucus, this same NDP Government does not want a judicial inquiry to clear the name of Mr. Mackling. Is that how little you value you him now as a Cabinet colleague and a caucus colleague, that you will not clear his name, or is the problem that the heavyweights, Mr. Cowan, Mr. Kostyra, Mr. Parasiuk, Mr. Schroeder, through their culpability in the ERIC committee, would also be found negligent, culpable of blame in the MTS fiasco? Is that what you fear from a judicial inquiry? We will not know because you've turned it down once again.

Mr. Chairman, because Coopers and Lybrand have not been given the mandate to investigate political culpability of this government at the board, ministerial and ERIC committee of Cabinet level, we offer this government, this Minister, this Premier, who have said there is no political culpability on his Cabinet, the opportunity to prove it.

I move, Mr. Chairman, seconded by Mr. Filmon, that this committee recommend to Executive Council that the terms of reference for the Coopers and Lybrand Consulting Group be expanded to examine political

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responsibility of the government and its Ministers in the MTX affair.

**MR. CHAIRMAN:** There is a motion before the committee. Is there any discussion?

There being no discussion, I'll call for the question.  
Mr. Enns.

**MR. H. ENNS:** It seems to me, Mr. Chairman, and I think, if there has been unanimity on one matter during these hearings, that is the general acceptance of the excellence of work done by Coopers and Lybrand.

We have heard that certainly from members of the Opposition; we've heard it just referred to a moment ago by a colleague on the committee, Mr. Gary Doer. Everybody seems to acknowledge the excellent level of work that Coopers and Lybrand firm is capable of and has demonstrated by putting the report that we now have before us.

It seems to me, Mr. Chairman, that the government would have a great deal of difficulty, in fact would be stretching everybody's understanding of what fair play is all about if now they, for some reason, would not want this same firm that has demonstrated its capabilities, demonstrated its excellence, to proceed in an expanded manner as suggested by this motion before us.

**MR. CHAIRMAN:** Mr. Manness.

**MR. C. MANNESS:** Mr. Chairman, my comments will be brief. I was looking for a place in Hansard where I posed a question to Mr. McKenzie on Wednesday last with respect to political involvement; I can't find it. I believe the Minister came close to quoting him. I do have it now, Mr. Chairman.

In my view and, as the members opposite know, I'm an individual who's pretty cost conscious on these sorts of matters, I don't want to see personally a multi-million dollar inquiry. Nevertheless, to me, this approach - (Interjection)- You prejudged, Mr. Scott, the cost of an inquiry. You know something maybe that I don't. You knew it would be multi-million, did you?

Mr. Chairman, I think this proposal in itself could be one that would have a moderate price tag attached to it. Quite frankly, I see it being at a cost similar to the inquiry conducted by former Justice Freedman in the Parasiuk affair. I honestly believe that it can involve a third party, one that would specifically look at Cabinet documents, one that would hold those in a closed system that would indeed evaluate them, determine government knowledge and government responsibility on this issue.

Mr. Chairman, then and only then can we determine whether indeed members of Cabinet, indeed whether this Minister had knowledge of this issue, like he claims he did not.

Mr. Chairman, it seems to me that for a very moderate cost, the people of this province would soon know whether indeed members of this government, whether indeed members of this Cabinet had prior knowledge to many of the issues that have been discussed in this committee over the last several months. I think our party would wait for that third-party evaluation, Mr. Chairman, and at that time I'm sure we would be

prepared to rest our case indeed, if the government was shown to have no involvement at that period of time.

Mr. Chairman, I think that the members opposite, indeed the government if they're not prepared to accede to this motion, it says to me and I think many other people, that they are covering up some aspect of their knowledge in this issue.

**MR. G. FILMON:** Mr. Chairman, the members of the government side on this committee have rested their case on the fact that this was a thorough and complete study being done by Coopers and Lybrand. The Member for Concordia, the Minister responsible, the Premier, have made the statement that Coopers and Lybrand have investigated and found the government absolutely clean on this and no responsibility for this. The responsibility, in their words, was only at the management level.

I just want to quote from the committee hearings of Wednesday evening, in which I was questioning Mr. McKenzie. I'll quote this first question, and say: "You make no attempt to make judgment as to whether or not there was any political responsibility, given that the political arm was starting to become more and more involved in approving additional financing and so on? You have not attempted to assess any political responsibility?"

"Mr. G. McKenzie: That is correct."

As well, in the course of the discussion with Mr. McKenzie, I refer to a number of questions that should have been asked, in my view, on the part of anybody taking responsibility for, certainly as Minister responsible, and I referred to nobody was asking whether or not there were any business plans before making major management decisions, that we had any market analyses that told us whether there was any hope of selling our products.

"At some point, you state, and I quote: 'At no point along the way was anybody asking the question, what business are we in?'" I asked Mr. McKenzie: "Did the management consultants seek to find out whether or not, at the political level, the Minister or any of the Cabinet members sitting on ERIC asked any of those questions?"

"Mr. G. McKenzie: No."

I go further, Mr. Chairman, in addressing this need to know how the Minister can attempt to say that he has absolutely no responsibility. He has said that he acted quickly, that he acted decisively, that he did all the things necessary to bring this to a head and to finally assess the whole responsibility for all this mess, this whole fiasco with respect to MTX.

I just want to refer him to Thursday, the 17th of July 1986, and at that time my colleague, Mr. Orchard, was asking him questions in the Legislature, and I'll quote from Mr. Orchard. Now, this is Thursday, the 17th of July 1986, and he says, and I quote: "In today's committee hearing, we had figures given to us for the year ending March 31, 1986 for MTX Telecom Incorporated. In view of the fact that they are projecting a loss, that accounts receivable are up \$3.1 million to \$10.9 million, at the same time that sales have decreased \$500,000 to \$8.3 million, and the total exposure of MTX is now at \$16.4 million, will the Minister

responsible for the Manitoba Telephone System ask for an independent audit by the Provincial Auditor to assure Manitobans that their telephone bills will not be used to subsidize losses occurred in Saudi Arabia providing telephone and business opportunities to Saudi Arabian sheiks?"

The Minister answers a very long answer which includes the following: "The whole principle of telephone companies across North America investing, or at least allowing their expertise to be sold internationally, is a very common one. Every major telecom in North America is doing this and in the case of the Manitoba Telephone System, the facts that I put on the record this morning before the committee indicates approximately \$2 million net net revenue flowed to the Manitoba Telephone System during the period 1979 to 1985.

"For the honourable member to be suggesting that somehow the investments that we have made as a corporation in the Middle East are taking away revenues from Manitoba are absolutely false. It's the reverse that's true. Madam Speaker, I am as convinced as I am of anything that the honourable member wants to stage a scare about the investments we are making, but despite the facts we put on the record that indicate that those ventures pay big dividends for the shareholder, the people of Manitoba."

He goes on to say: "Madam Speaker, there is no problem when you have a corporation that during the four, five-year period of its operations has resulted in millions of dollars of money being paid to employees that otherwise would not be working in Manitoba, that money flowing back as wages but, in addition, \$8.8 million of goods have been purchased from . . . "Those are multi-million dollar benefits," he says, "to Manitoba."

Two weeks later, less than two weeks later, he called this a high-risk foreign investment - a high-risk foreign investment - and today he tries to tell everybody around this table that he took decisive action and he acted as soon as he was forewarned. I want to tell the members here that this went on for weeks, the committee hearings. In fact, the process of questioning by Mr. Orchard, by myself, by others, dates back to 1983, asking specific questions on concerns, and he wasn't even interested enough to ask relevant questions, to ask to see a financial statement when he was asked to approve \$8.5 million of additional investment in MTX, \$2 million of it to go to SADL, the joint 50-50 venture. None of this was he any way interested in pursuing.

We are being told by him that the reason is that he knew nothing, that nobody told him what was going on, or that he can't remember, or that the letter was only a copy that was sent to him and it wasn't the original, so he didn't act on it.

I say, Mr. Chairman, that he has made a case for his own ignorance before this committee, and his own negligence, and I accept the rationale that he's put forward. Now, in order to ensure that everything is being done that is fair to him, as was done for Mr. Parasiuk in his public inquiry, I say let's be fair to Mr. Mackling because I think he may have gone too far in pleading the case for his own ignorance and his own negligence.

Let's be sure that everybody is being fair and let's have this investigated by Coopers and Lybrand.

**HON. A. MACKLING:** Mr. Chairperson, I know that the Honourable Member for Tuxedo is having some difficulty trying to maintain as vigorous an image as his probable contender for the leadership, Mr. Orchard . . .

**SOME HONOURABLE MEMBERS:** Oh, oh!

**MR. CHAIRMAN:** Order please, order please. That also applies to Members of the Legislature who are sitting on the side of the room, please. Can I have order.

I have recognized Mr. Mackling.

**HON. A. MACKLING:** Somehow, Mr. Chairperson, I think there's a note of irritation in their voices. I was just saying that in somewhat of a jest. I didn't think they would take it all that seriously. But, Mr. Chairperson, the honourable member refers to a response I gave in the Legislature to the concerns that had been raised in a July sitting of the committee.

**MR. D. ORCHARD:** But you didn't know anything, Al. Remember?

**HON. A. MACKLING:** And the honourable member confirms the kind of ongoing, continuing misinformation that I had been receiving.

**MR. D. ORCHARD:** Oh, that's balderdash.

**MR. CHAIRMAN:** Order please. I have reminded members of this committee on various occasions that I will recognize individuals wishing to speak and only they shall speak. That's the normal procedure of committees. I'm not going to allow the committee to deteriorate into this kind of back and forth discussion.

I've recognized Mr. Mackling. If members of the committee wish to speak, I will recognize them afterwards.

Mr. Mackling.

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

Ongoing reassurances, not only from senior staff but the boards as well, and I refer the honourable members to the document that I had tabled earlier. This was a document submitted by Mr. Chaput, Mr. Anderson, Mr. Plunkett, and in the justification - this is the information that was provided to me by those very responsible people - and I read the justification:

"Through MTX and MTS involvement in external contracts, these benefits have accrued to Manitoba: A hundred person years of employment; \$7 million in orders placed with Manitoba companies since the incorporation of MTX, offset to MTS expenses through the loan of its employees to MTS; maintenance of employment to MTS employees; new career challenges; support of Manitoba activities; a return to MTX of approximately \$1 million annually realized through reduced expenses and increased revenues. With increased capitalization, MTX will be able to maintain and extend these benefits while offering new opportunities for the stimulation of Manitoba-based employment opportunities. Capital authority can be made available by MTS to fund these projects."

Why I read that, Mr. Chairperson, is to reiterate that there was continuous optimism, there was a continuous

assurance by those senior officials, by the Chair of MTX that this was a sound investment, that while there had been a downturn in the Saudi economy, some accounts receivable were greater, it was a good business to be in. Those assurances were given. They were given by Mr. Provencher, the executive vice-president, in this committee room to the Honourable Member for Pembina.

Those assurances were ongoing; those assurances were accepted by audit firms. The honourable member can say that I was naive - it's fine to have hindsight - but when you get an ongoing assurance by people with whom you deal and must trust, what are you to believe? Am I to distrust the chief executive officer of the Telephone Corporation? Am I to believe that he is not telling me the truth, that these people are lying to me?

The honourable members know that government business has to operate on a certain measure of trust. The chief executive officer of the Telephone System is like a Deputy Minister. When the Honourable Member for Morris says I have a problem, I have a constituent with a problem with his phone service, I don't phone an accountant, I don't phone the Provincial Auditor, I don't phone anyone but the chief executive officer for a response to those concerns. There has to be trust and confidence with that person. When you lose trust and confidence, you can no longer continue to have that person there.

Now I had no reason to trust, to mistrust the confidence . . .

**MR. D. ORCHARD:** You said it right the first time.

**HON. A. MACKLING:** All right, we'll get to that. I had no reason to in any way doubt the integrity and the ability of the chief executive officer and the senior management of the MTS. They were the same officials that had served under not just one but several administrations. They were people with whom the previous Ministers had a relationship of trust, including the Honourable Member for Pembina and the Honourable Member for Lakeside. Those members of the Legislature had found that they could trust those people; they hadn't lost confidence in them, they hadn't removed them from office.

I had no reason to believe that those people were not trustworthy, that the information they were giving me was not anything but sound fact. Mr. Chairperson, in hindsight, obviously, that trust was ill-founded, but when those facts became clear, when all doubt was removed with the findings of the Coopers and Lybrand Report that clearly indicated the neglect and failure of management to inform boards and Ministers, then this Minister acted decisively, this government acted decisively, and that is the kind of obligation that rests on government.

That's not just my view. I pointed out that back in 1980 the previous administration had been faced with concerns but they didn't do anything. They didn't do anything with that senior management. And the Free Press of December 1980 said this: If Mr. Enns was reassigned after the trouble became known to the government, that's the trouble with the embarrassing loan that Mr. Enns couldn't remember. He said that

maybe management had assured him it was for something else like economic research or some other matter . . .

**MR. CHAIRMAN:** Mr. Enns, on a point of order.

**MR. H. ENNS:** On a point of order, Mr. Chairman. I believe it is a legitimate point of order when a member of this committee reads into the record something that is obviously not correct and not true.

There's no question of my not having recall of that particular loan which the Minister referred to, the \$500,000 loan to a Toronto group called Inter-Discom. As a matter of fact, I would like the public inquiry that regrettably this committee voted down just a few moments ago to show the lengthy reference that was made at that time to the Attorney-General's Department that gave the legal opinion at that time that indicated the MTS Board had indeed the authority to make that loan.

It was that loan made, without reference to the Minister of the Day, that, indeed, in many ways sparked the questionings, the doubts that eventually terminated in a venture that the Telephone System was operating in at time. I would be very happy to have that data, that record, that opinion made by the legal department of the Attorney General's Department of that day be part of the inquiry, be part of the investigation, part of the investigation by Coopers and Lybrand if they are given the authority to do so, because that material exists, that material would clearly indicate that the Ministers of those days asked the questions.

**MR. CHAIRMAN:** That was not a point of order, Mr. Enns.

Mr. Mackling.

**HON. A. MACKLING:** Mr. Chairperson, I always look on with anticipation and delight to the interjections of the Honourable Member for Lakeside because he's notorious for his points of order that aren't points of order, so I appreciate his concern and his discomfort.

But I continue to read from the editorial of the Winnipeg Free Press, December 2, 1980: If Mr. Enns was reassigned, after the trouble became known to the government, if not to the public, then there is some evidence that remedial action was taken. The Minister was removed. Many members of the public, however, will wonder how much longer politicians will remain willing to take the blame for what happens within departments without being able to make some major readjustments of personnel within those departments.

Mr. Chairperson, the Free Press of that day clearly indicated that the Government of that Day should have faced up to its responsibility. It didn't do that; we have. The people who advised the previous ministers and advised them in a way which was detrimental to the public interest are no longer with us. We have taken those decisive steps, and now I say we get on with making sure that the Telephone operates to the benefit of all Manitobans.

**MR. CHAIRMAN:** Mr. Dolin.

**MR. M. DOLIN:** I'll be very brief, Mr. Chairman. I'd like to quote two references. The motion asks for Coopers

and Lybrand to look into political culpability. I'd like to quote from the Free Press from Mark Berkowitz, much as I hate to do this. "Asked why the political masters were let off the hook, Mark Berkowitz of Coopers and Lybrand Partners said, 'The consultants couldn't find anything to implicate the government or the Ministers who,' he said, 'were kept in the dark by the officials.'"

Let me further point out, on Volume I, Page 42, which I considered a key statement which is the summation of the findings of Coopers and Lybrand, it says: "Our examination has revealed serious deficiencies in management decision making and the organization and control of MTX and its various ventures. Senior executives responsible for MTS and MTX must accept ultimate responsibility for exposing the Corporation to significant business risk and financial losses."

Taking the two together, which obviously the Opposition making this motion does not give credence to, I wonder why they're asking for Coopers and Lybrand to do further work since they don't listen to their basic assumptions: No. 1, on Mr. Berkowitz; and No. 2, on the summary of their findings of the entire six volumes, to look into what could have been done, what should have been done, whether the Minister should or should not have trusted people.

**SOME HONOURABLE MEMBERS:** Oh, oh!

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

**MR. M. DOLIN:** The reality is there's a certain amount of cynicism . . .

**MR. CHAIRMAN:** Mr. Dolin. Order please, Mr. Dolin.

**MR. M. DOLIN:** Well, the latest resolution was somewhat insincere; this one is somewhat cynical. They're not listening to what Coopers and Lybrand Partners said; they're not looking at the results in the report. They're asking basically for Coopers and Lybrand to do their job as Opposition. They obviously feel they have not made the political case, and they want Coopers and Lybrand to give them some further information where they can draw further conclusions and more innuendo. I think this resolution is as insincere and as cynical as the first one. It should certainly be defeated. Harry, you'll be defending it some day. History will absolve you, Harry.

**MR. CHAIRMAN:** We have a motion before the committee. Does the committee wish it read?

**MR. D. ORCHARD:** Yes.

**MR. CHAIRMAN:** Moved by Mr. Orchard, seconded by Mr. Filmon

THAT this committee recommend to Executive Council that the terms of reference for the Coopers and Lybrand Consulting Group be expanded to examine political responsibility of the government and its Minister in the MTX affair.

Are you ready for the question? Question has been called. All those in favour of the motion, please say, aye. All those opposed to the motion, please say, nay. In my opinion the nays have it.

Mr. Orchard.

**MR. D. ORCHARD:** Mr. Chairman, I would like to make another suggestion to committee. Thank you, Mr. Chairman.

Mr. Chairman, we have now eaten up two-and-three-quarter hours of time. My honourable friend, the Member for Kildonan, wishes to get on with discussion on the human rights issue which Mr. Cumming can discuss. Now, Mr. Chairman, we also have issues that we want to discuss with Mr. McKenzie and his colleagues. We have specific questions we want to ask of this Minister. We want to ask him the questions before he is no longer Minister responsible, and then can plead ignorance that he doesn't have to answer the question. Now, we're fast running out of time tonight.

Mr. Chairman, I would move, seconded by Mr. Filmon, that this committee meet on Thursday, December 4, 1986, from 10:00 a.m. until 12:30 p.m., and on Tuesday, December 9, 1986, from 10:00 a.m. to 12:30 p.m. and that, at its Tuesday sitting, the committee consider further meeting dates. Mr. Chairman, I make this motion under the full understanding that the now Minister, the Member for St. James, would be here and available to answer questions as to his culpability and political responsibility in the MTX affair.

Thank you, Mr. Chairman.

**MR. CHAIRMAN:** We have another motion. Is there any debate on this motion? Seeing no indication people wishing to speak, are you ready for the question? I will put the question. Do members of the committee wish the motion read?

**MR. D. ORCHARD:** Yes, Mr. Chairman.

**MR. CHAIRMAN:** Moved by Mr. Orchard, seconded by Mr. Filmon

THAT this committee meet on Thursday, December 4, 1986 from 10:00 a.m. to 12:30 p.m., and on Tuesday, December 9, 1986 from 10:00 a.m. until 12:30 p.m., and that, at its Tuesday sitting, the committee consider further meeting dates.

Are you ready for the question? All those in favour of the motion please indicate by saying aye. Before proceeding, I should remind that only members of the committee are allowed to vote.

**HON. A. MACKLING:** And the advisors can't say aye either.

**MR. CHAIRMAN:** All those opposed, please indicate by saying, nay. In my opinion the nays have it. The motion is defeated.

**MR. D. ORCHARD:** Mr. Chairman.

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

**MR. D. ORCHARD:** No . . .

**HON. A. MACKLING:** Mr. Chairman, I asked for the floor.

**MR. CHAIRMAN:** I believe Mr. Orchard had the floor before. The normal procedure is that we do recognize people until they finish with their various matters.

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**HON. A. MACKLING:** Well that matter had been dealt with.

**MR. CHAIRMAN:** I realize that, Mr. Mackling.  
Mr. Orchard.

**MR. D. ORCHARD:** Mr. Chairman, unfortunately we've lost yet another vote by this government on a most reasonable motion; first of all, a judicial inquiry into political culpability which they claim they're innocent of; secondly, the retention of Coopers and Lybrand to determine political culpability, which they denied us because they say there's nothing to hide, but yet they want to hide. They defeated a motion in which we have simply asked for two more committee hearings to further investigate, as the Member for Kildonan wants to do, the Coopers and Lybrand Report. That was denied by the government. What are they trying to hide?

So, Mr. Chairman, in all hope that members of the government will accept this next motion, I want to place a motion before the committee that will allow us to have Coopers and Lybrand here at committee meetings in early February because, as Mr. Mackling referred to earlier on tonight, all outstanding issues of MTS and MTX have been referred by letter to Coopers and Lybrand for their further follow-up. I believe that is a correct statement by the Minister. That would seem to indicate to me, Mr. Chairman, that further reporting is to be done by Coopers and Lybrand to the government.

We believe that it would be most beneficial for this committee to be reconvened in early February to study those further issues that are examined by Coopers and Lybrand to determine at that point in time whether the 25 million has grown to 30 million, to 40 million, whatever it becomes after Coopers and Lybrand does discuss and interview and review the outstanding issues as the Minister has said that have been referred to them.

Therefore, Mr. Chairman, it would be my hope, in moving this motion, that my honourable friends in government would see fit to allow this committee to sit in early February to further have Coopers and Lybrand experts here to discuss their further findings in the MTX and MTS fiasco; and I would move, seconded by Mr. Filmon, that the committee sit during the first week of February 1987 to further review the status reports from Coopers and Lybrand Consulting Group on the wind-down of the MTX-MTS operations.

**MR. CHAIRMAN:** Debate on the motion, Mr. Mackling.

**HON. A. MACKLING:** Yes, Mr. Chairperson . . .

**MR. M. DOLIN:** Could I ask a question, some explanations?

**MR. D. ORCHARD:** Certainly.

**MR. M. DOLIN:** Thank you.

**MR. CHAIRMAN:** Mr. Dolin.

**MR. M. DOLIN:** Could the member explain, if the House is going to be sitting at the end of February and this

committee will be meeting in late February or early March, what's the hurry? I mean what's the difference of a couple of weeks.

**MR. CHAIRMAN:** Mr. Orchard, on that point.

**MR. D. ORCHARD:** Mr. Chairman, to that question of the Member for Kildonan, being as how this is his first Session, he may be aware that in previous Sessions the government has deliberately delayed the Public Utilities Committee until an inopportune time, sometimes late in the Session. We would prefer to not have that happen with the expertise of Coopers and Lybrand available to committee and with ample time in early February, when the House isn't sitting, for committee members and, indeed, all interested members of the Legislature and the public to be here to listen to Coopers and Lybrand and discuss their further findings.

I believe the first week in February would give people an ample time to prepare and ample time to discuss and it would be an opportune time for all of us to become prepared and more conversant in the issues of the MTX fiasco, the growing and mounting losses of \$25 million, \$30 million, \$40 million, whatever it may be, prior to the Session. That's the reason for the suggestion of early February, Mr. Chairman.

**HON. A. MACKLING:** Mr. Chairperson, the Member for Pembina obviously wants to exercise his continuing form. I have indicated that MTX is being wound down in a reasonable and prudent way. In the course of that winding down, Coopers and Lybrand will assist the government and MTS to do that. In due course, when the MTS report is before the committee, it will be in order, I assume, for questions to be asked about the winding down of MTX, the progress that's being made.

Normally the committee sits during the course of the sitting. I can speak with certainty about the sittings of this committee during my tenure as Minister. We, through the House Leader, arranged and accommodated the Leader of the Opposition or his critic on scheduling of the committee hearings. There was no unwillingness on the part of this government to accommodate those concerns and arrangements were made for the sittings to ensure that in one instance, for example, when their critic wasn't available for a period of time, to hold it over until he was available.

To suggest that this committee has to meet sometime in February to accommodate the ongoing saga that the Honourable Member for Pembina wants to perpetuate is an abuse of the legislative process. This committee has sat for many, many hours. We're here at the third sitting to accommodate the wishes of the Opposition to deal with this report. The honourable member I think just wants to create a platform for himself. The Legislature and the Committee on Public Utilities will hold its hearings and its meetings during the course of the next Session. I don't believe that a further Session is necessary.

**MR. CHAIRMAN:** There is a motion before the committee. I see no other members indicating a desire to speak on it. Do members of the committee wish it read?

It's moved by Mr. Orchard, seconded by Mr. Filmon, that the committee sit during the first week of February 1987 to further review the status reports from the Coopers and Lybrand Consulting Group of the wind-down on the MTS-MTX operations.

Are you ready for the question? I will call the question.

All those in favour of the motion, please indicate by saying aye, members of the committee, that is. All those members of the committee opposing the motion, please indicate by saying nay.

In my opinion, the nays have it; the motion is defeated.

Mr. Dolin is next on the list.

Mr. Orchard, do you wish a formal count on that?

**MR. D. ORCHARD:** Yes.

**MR. CHAIRMAN:** A formal count has been requested on that last vote.

Will all those in favour of the motion, who are members of the committee, please raise their hands.

(4)

All those opposed to the motion, please raise their hands. (6)

The motion is defeated.

Mr. Dolin.

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

Through you, Mr. Chairman, I would like to direct some questions to Mr. Cumming from Coopers and Lybrand on Volume VI of the report if that would be possible.

Mr. Cumming, come forward.

**MR. CHAIRMAN:** Mr. Mackling?

**HON. A. MACKLING:** Yes, the member asked me a number of questions and some of the questions I want to respond to. Perhaps, while Mr. Cumming is coming forward, I could respond to the honourable member by saying that I have read the views of Mr. Cumming in the report. I don't disagree with his findings, but I want to assure the honourable member that notwithstanding Mr. Cumming's finding in the report, our government is on record as indicating and committing ourselves to legislation that will address the problem that we had seen before in connection with the secondary reach, if you could call it that, of other laws in respect to the human rights field within Manitoba. We want to address that concern.

In respect to the general issue of Crown corporations dealing within Manitoba, mandated to courses of conduct that would subscribe to our human rights legislation, I am certain our government will wish to work with various groups to decide the manner in which we codify and develop a method of operation and guidelines, rules if you will, to ensure to the best of our ability that there not be a secondary discriminatory practice as a result of government acceptance of contractual obligations elsewhere.

It's a very difficult field. I've read Mr. Cumming's report. I had representations to me in connection with providing opportunities for secondary, that is participation in other areas, where the discriminatory practices in one jurisdiction prevented a particular group, whether it be women or people of a particular

religious faith, from securing employment. I heard those representations before, I sympathized with them; but I believe that we have to do our best to avoid any kind of secondary, as I call it, discriminatory practice where it's not direct discriminatory practice in Manitoba but, as a result of the involvement of a government corporation or agency, there is obviously some application of that foreign law which, construed in the terms of our human rights legislation, offended.

It's a difficult problem. It's not one where I think that I can outline right at this moment how the government can specifically address those problems, but we're committed to consultation on that in the development of the legislation and in development of the guidelines. I give you that assurance in respect to the government's concerns in that field. Now I know the honourable member has some questions of Mr. Cumming, but I wanted to put on the record this Minister's and this government's concerns in that area.

**MR. CHAIRMAN:** Mr. Dolin.

**MR. M. DOLIN:** Yes, I'd like to thank the Minister for those comments which I noted also in his introductory remarks last Wednesday. I think one of the realities that I think Mr. Cumming has pointed out in his document is this is not particularly a simplistic matter and something that can be dealt with very quickly or very simplistically.

I think, in the whole turmoil that we're facing here around the Coopers and Lybrand Report and the reason for the report is, one, that hopefully there will be some silver lining to these dark clouds and perhaps out of ill will come some good. I think one of the things just pointed out is the potential for discrimination and for untoward activities towards Manitoba citizens by Crown corporations and private sector businesses doing business abroad. Hopefully, you know, my intent here today is if we can come to some determination of how to deal with this. I think Mr. Cumming has given us some openings in his report, which I'd like to get some further details on it, and the Minister's statement of intent of the government. I think perhaps we can go someplace to ensuring that this kind of, what I am firmly convinced was covert discrimination on behalf of MTX and MTs, never happens in another Crown corporation operating in this province.

If I may, I'd like to refer to Pages 36 and 37.

**MR. CHAIRMAN:** Order please.

Mr. Mackling.

**HON. A. MACKLING:** Mr. Chairperson, before Mr. Dolin continues, the questions that Mr. Dolin had asked were referred to Mr. Cumming. There is a written response and I'll ask that that response be circulated so member will have an opportunity to familiarize themselves with it before Mr. Cummings is asked to respond. I'll table the responses.

**MR. M. DOLIN:** Thank you, Mr. Minister.

On Pages 36 and 37, if the Minister will pardon me to take some selective quotes, but they won't be necessarily - and I'd like Mr. Cumming's comments. On Page 36, it says: ". . . no person of the Jewish



faith applied for an MTX position, and no female applied . . . circulars advertising the positions are non-discriminatory in content." It goes further to say: "Employees are not labeled by religion and therefore there is some uncertainty about which employees may be Jewish." Further, in the last line, ". . . no concrete suggestion that anyone in management actually discouraged such possible applicants."

On Page 37, in the second paragraph, Mr. Cumming I think correctly points out: ". . . entrepreneurial zeal by MTX management in pursuit of the Saudi operations, which makes one suspect that sensitive human rights issues would be given very short shrift as a nuisance factor to business goals."

I was present at an earlier hearing in the summer by Mr. Maguire with this introductory document that I'm wondering if Mr. Cumming is familiar with. It's an introduction to Saudi Arabia, if I could pass it over to Mr. Cumming.

**MR. CHAIRMAN:** Mr. Cumming.

**MR. P. CUMMING:** Thank you, Mr. Chairperson.

I might just say generally before I respond to your question, Mr. Dolin, that when I attended on Friday I was kindly given a copy of the transcript of Mr. Dolin's remarks of November 26th. Given that I had concerns about the time that might be allowed for your questions tonight, I prepared that written response today to what I thought the heart of your question was which was to solicit an amplification of my recommendations on how to cope with the problem in the future. So we'll come to that.

In terms of the question you've just asked now, I don't think I have seen this particular document. The document that I have seen, which is what I thought the document you referred to in your remarks was and what I understood it to be when I made inquiries last Friday after seeing the transcript, was a document that seems to be similar but has a different title and I suspect is an earlier or later version, but it would take some time to check that out. I think, in substance, the document you referred to, I'm familiar with.

**MR. M. DOLIN:** I thank Mr. Cumming for those remarks.

I am not referring to the document because I want to go into any detail on the document, I just want to make the point that my reason for being firmly convinced that it was covert discrimination is that document was a document at MTS where I assume, either through direct knowledge or through the grapevine, which I'm sure operates very efficiently in MTS as any other large corporation, people of the Jewish faith or women would know very clearly that that document states what would be expected of them in going to Saudi Arabia. Therefore, it is not particularly surprising to me that they would not have applied for positions with MTX. The matter of not being able to carry any map of the State of Israel, any bible that's not that Qur'an, women not being able to own or drive cars, etc., would certainly dissuade anybody who was either female or Jewish from applying for positions. One would gather they would not apply for positions.

That, to me, is covert discrimination, which brings me to, how do we stop this from happening? I think

you've made some very interesting recommendations and I'd like to refer to them, both in the document you've just kindly provided us with and in your original which is on basically Page 44, where you make two recommendations.

The first is that: "The code of business conduct should include . . . an explicit statement . . . "- and you've explicated on this on your recent document - ". . . that the Manitoba Human rights applies to every aspect at every stage of the recruitment and hiring process in Manitoba and generally to all Manitoba-based operations and activities of the corporation." I would assume that in the long term, dealing with all Crowns or if we wish to deal with private sector companies from Manitoba or are incorporated in Manitoba doing business abroad, that we could legislate that kind of thing into The Human Rights Act, which would be one step, but would only deal with the operations within the Province of Manitoba. Am I correct in my reading of that, Mr. Cumming, through you, Mr. Chairman?

**MR. P. CUMMING:** I'm sorry. Could you put that last part again, Mr. Dolin?

**MR. M. DOLIN:** The first recommendation of The Human Rights Act application, my understanding is that would basically only deal with a company's, be it public or private or Crown corporation, operation within the Province of Manitoba in the matters of hiring and dealing with employees and advertising, etc. That would be the first half, and I think what's more important to me is the second half of your recommendations, which I'll get to in a minute. But am I correct in reading that correctly and interpreting it that way through you, Mr. Chairman, to Mr. Cumming?

**MR. P. CUMMING:** Mr. Chairperson, if I understand Mr. Dolin correctly, let me put it this way. This is what I am saying as one of the basic points here, and I think we have to go to the full explanation, given the complexity of the matter. But just in brief, from the standpoint of the human rights law, I mean a basic point here is that Manitoba human rights law only applies within Manitoba so that it follows - and I've said it time and time again in the report - that an employer like MTX or any other employer has to comply in every respect with the Manitoba human rights law in respect to activities within Manitoba, which includes the entire hiring process.

When the corporation leaves the jurisdiction, as it were, in extending its business abroad, that is when the problems arise in that the corporation has to comply with Saudi law in this situation, and its entirely up to the Saudis as to what that law, administrative practice and customs will be; and you get into the problem of visa denial and, indeed, discriminatory laws domestically applied within Saudi Arabia.

**MR. M. DOLIN:** Which leads me to the second question, which I think is the key and where I'm really interested in more detailed information, is the second part of dealing with the problem that Mr. Cumming has just outlined, is the fact where we have no jurisdiction in a foreign country dealing with whether be it a Crown

corporation or any other Manitoba corporation doing business and whether or not they discriminate.

Your suggestion is that moral political judgments have to be made on a cost-benefit basis, you suggest on Page 48, which I think strikes me as eminently reasonable since we can't legislate for a foreign jurisdiction.

You point out a code of conduct for a Crown corporation needs to be developed in a specific fashion in respect to human rights issues doing business abroad.

There are two kinds of businesses we do abroad, and I think you point that out in your supplementary notes. One is trading with a country, and you use Russia as an example, which I am very well aware of the kind of discriminatory practices the USSR takes towards Jews and other minority groups. One is affecting trade with them, such as selling wheat, and the other is doing businesses in a partnership or joint relationship with that country.

My question on that point: are there different cost-benefit moral/legal judgments that should be taken and defined regarding those two aspects of doing business abroad for either Crown corporations or Manitoba businesses generally; one the matter of trading with a foreign jurisdiction, the other a matter of being in partnership or in some sort of joint venture business with a foreign corporation?

**MR. P. CUMMING:** Mr. Chairperson, we're into the realm of moral/political judgments and, as the report in the supplementary edition points out, that is a question that a government has to face and you have to go through a process to get it.

If the Honourable Member for Kildonan would like my personal opinion on the question he's raised, I'm happy to give it. I think it's probably a nice distinction - and by that I mean a fine distinction - to attempt to make between a trading situation and, as you put it, a joint venture situation. I don't think you can say just a joint venture situation, a subsidiary situation; that is setting up a permanent establishment abroad and having employees based in that permanent establishment and what have you.

I think you can make an argument that there is a relative distinction in terms of the degree of activity and connection, so that you might say there's a quantitative difference but, in terms of qualitative distinction, I'm not sure. We might argue about that but I think, for the sake of argument, one could argue that there is no qualitative distinction and I could give you a number of examples.

I mean what's the distinction between the recent introduction of voluntary sanctions in terms of new investments in South Africa by the Federal Government - that goes to both situations, you might say - and the difference between the Federal Government's position and, indeed, all Federal Governments' positions in the past in terms of encouraging trade with Saudi Arabia?

And I'm not sure the distinctions can neatly be made on the basis you suggest. It may be a pragmatic dividing line if a government is reluctant because we're talking about a situation that has some abhorrence for our own values. That is we're talking about another jurisdiction that has dramatically different values that

we don't agree with. So that is a question of making a pragmatic distinction because we don't want to get into a situation that bothers us so much as it were. One might make it where you're setting up a permanent establishment or getting into the joint venture situation rather than simply a trading situation, but I'm not sure there's a qualitative distinction on principle.

Have you understood my response?

**MR. M. DOLIN:** If I understand it correctly, what Mr. Cumming is suggesting is that there's a continuum of involvement and that you look at the cost-benefit moral, political rationale for involving at some level on a continuum. At one end, I think the example you use in your original document was the U.S. keeping Farley Mowat out, which would be the low end of the spectrum and do we do business with the U.S. on a trading basis while the other end of the spectrum would be something like South Africa or Saudi Arabia or a partnership where we're directly involved with our employees. I think I'm correct in that assumption.

The thing that seems to be missing from the report is I'm not entirely satisfied with the situation saying moral and political judgments and a cost benefit. Cost benefit in dealing with human rights is something that bothers me a bit, is that cost benefit should be considered. It sounds somewhat mechanistic in dealing with moral judgments, which is basically what we're doing here.

What I do find missing - and maybe I'm just missing it in the report - is what criteria does a government use in making those moral/political judgments at some level on that continuum of involvement?

Using the Saudi Arabian example, maybe we can deal with that. We went into a partnership in Saudi Arabia. In 1978 we started as a sub-contractor for Bell - that's at some level on a continuum; in 1982 we became partners with a Saudi Arabian firm, which is some further involvement level on a continuum. At all levels, I look at the Saudi Arabian policy; I look at the probability; I look at the introductory document that's given to MTX employees saying that there are discriminatory practices and if you go to Saudi Arabia you're going to have to live with them.

What criteria does one use in this and how does one set up the criteria? Because the Minister has very clearly stated that the government has a willingness to establish criteria to make these determinations or at least have that kind of assessment done and referred to the Minister or Cabinet to make a judgment at some part of the continuum whether or not we involve ourselves.

I'm wondering: what specifically do you use as criteria and what kind of determinations do you make in weighting those criteria on a cost benefit thing? Is it strictly a dollar? How much money is it to discriminate against blacks in doing business with South Africa? If they give us a lot of money, do we sort of push aside the discriminatory practices of South Africa? I find that somewhat abhorrent.

I assume there are other ways in the Saudi Arabian situation, and we say, well, there's \$25 million at stake. In order to recover the \$25 million, there's only a few Jews and a few women and none of them have really applied anyhow, so let's go ahead and keep doing business and try and get that \$25 million back. I find that also abhorrent.

And I'm wondering: how do we determine a criteria and what suggestions would you make to the Minister, who says he wants to set up a policy, and to any future government to make these determinations? I know that's a rather long and I'm sure there's going to be a rather detailed answer, but I would appreciate hearing it or any ways that we may look for those answers. Maybe you don't have the answers; maybe you know where we should be seeking.

**MR. P. CUMMING:** Mr. Chairperson, in responding to that, I think it best to draw the member's attention to the answer that I made in anticipation of that question in reading your remarks of November 26th. I don't want to take too much time here, but perhaps you could turn to Page 3.

Throughout this supplementary document, as it were, I have tried to be as concrete as possible because we're talking about a question that's not that easy to answer, and it may be immodest of me to say so, but I like to think that this is the closest anyone has ever come toward approaching an answer. -(Interjection)- I'm trying to say that I've tried to be as concrete as possible, Mr. Dolin.

If you turn to Page 3, I've drafted provisions on a tentative basis that might be considered for insertion in the Code of Business Conduct. Again, I don't want to take us through all the detail here, but if you go to Page 4 and if we take the instant situation as to the past or as to a hypothetical future, and let's work through it as to the things that I would think have to come into play, all right?

On Page 4, at the middle, I say: "To take the instant situation, it was apparent to the corporation that Saudi Arabia sometimes denies visas to women and persons of the Jewish faith for discriminatory reasons and that such actions are in conflict with the values and norms seen in The Manitoba Human Rights Act, but there's no violation of the Act itself for beyond the territorial limit of Manitoba.

"In drawing up the cost-benefits assessment, management would research and document the following factors:

"(1) What are the actual Saudi laws, administrative practices and customs as determined from the literature and experts? This material is not that difficult to obtain as there is considerable literature in the universities and External Affairs of expertise readily available.

"(2) What is the position of the Federal Government on Canadian corporations carrying on business in the foreign jurisdiction and what, if any, guidelines are recommended by the Federal Government and the Canadian Human Rights Commission.

"(3) What is the experience of other businesses in dealing with such problems and their resolution. In the case at hand, Bell Canada International had experience, along with many other Canadian and American corporations.

"(4) What do the government authorities of the foreign jurisdictions say about the matter? In the instant situation, a discussion should take place with the Saudi Embassy to ensure better communication and understanding of the matters from everyone's perspective before it is decided whether the business activities will be extended abroad."

So I'm talking about the factors there and there may be others; there may be other things that come to mind as you go along. But the kinds of factors that should be brought into focus and overtly addressed prior to making the decision as to whether you go abroad or not.

I go on to say: "Having gathered the relevant information, the cost benefits must be assessed. The following discussion is not meant to imply any resolution of the issue, but rather simply that a moral-political decision must be made, having weighed the competing arguments.

"On the negative side, there is the denial to women and Jews of job opportunities in the business venture in Saudi Arabia. The affected individuals have suffered both the denial of equality of opportunity and also an injury to their human dignity. There is both a disadvantage for the particular individuals affected and, more generally, there is an adverse impact psychologically upon Canadians when there is a carrying on of business in a jurisdiction with values at such variance with our own. The situation is offensive to Canadians."

So that's the negative side as I would paint it briefly.

Going on: "On the positive side, to carry on the business may improve the infrastructure or economy of the foreign jurisdiction, which has both short- and long-term ramifications." And I'm leaving aside entirely the economic benefits to the business because they're taken into account, they must be taken into account, but they're another consideration.

"For example, as a country with the largest conventional oil reserves in the world, the retention of Saudi Arabia as an ally of the Western Bloc is essential for national security reasons." I mean, I'm given norms of NATO and the western countries in terms of their considerations.

"With an improved infrastructure comes economic and social advancement and greater prospects for long-term stability in that country. Second, with an improved infrastructure in telecommunications, there is a much more domestic and transported contact, more information disseminated and more exposure to competing values."

Now, I'll go on, and I'm not trying to make a judgment here or imply any judgment of my own. It's a difficult one to make, but one has to make it in the final event. I'm saying all western jurisdictions are faced with this judgment, implicitly or explicitly, or more or less articulate.

"Is it more or less likely that the foreign jurisdiction's approach to human rights will change if the Manitoba Crown Corporation carries on its business abroad?" I think that's a critical question. "The argument can be made that the more western contacts there are with the Saudis, and the more that the Saudi economy becomes modern and westernized, the more likely it is that Saudi views in respect of women working and in respect of Israel will be modified.

"Bell Canada's international project in Saudi Arabia has resulted in a seven-fold increase in telephones." I forget the figures that I looked up but there's a dramatic increase in long-distance calls beyond the country, as an example.

"A modern, comprehensive telecommunication system is a necessary prerequisite to social

advancement. Finally, there's an advantage to Manitoba itself through exposure to competing ideas and values from abroad."

I'm trying to turn the tables here and use some examples. "Beyond economic gains and increments in scientific knowledge and technical skills, there can be gains from exposure to other values. It's only since 1970," and I take this example advisedly, "that Manitoba has made it unlawful to discriminate against sex in employment. Surely this progressive reform of the law was at least in part due to the exposure of Manitoba through modern telecommunications media services, to changing values elsewhere in western society. We all learn from experiences in other jurisdictions."

Then I go on with a couple of examples that may or may not be appropriate. I have other ones in the full report as to what we might learn from other countries and what they might say about our own human rights values here. I mean, we have a very progressive piece of legislation, but I don't think we're at the end of the line yet. I'll skip over that part, if you want the example, and go to Page 7.

Then I try to come out with a conclusion. Having addressed the factors, Mr. Dolin, and marshalled them, as it were, and then taking the factors through a cost-benefit analysis as best I can, I say, the first full paragraph there: "Having assessed the cost benefits of doing business abroad from a broader perspective than simply economic criteria, moral political judgments then have to be made in deciding whether or not to carry on business in the foreign country, given its position on human rights."

Then I go on further. I think that stops in terms of answering this specific question.

**MR. CHAIRMAN:** Mr. Mackling, you had a question on that point?

**HON. A. MACKLING:** If Mr. Dolin doesn't cover it, I would like to just ask a question.

I've read the material, Mr. Cumming and, as I've indicated in response to my colleague, the government has looked at this and started to wrestle with how do you really deal with it. What I wanted to ask you is it appears that the American approach has been to take a tough position with a government like Saudi Arabia and say that if you want our expertise, then you have to give us some immunity from your laws. It almost appears like what they have established is an understanding that they could have what might be called an enclave in Saudi Arabia that is something like the territory being excluded from the laws, as if it were a part of the, not ambassadorial, but what's the other term - the diplomatic immunity sort of thing. So that while you're there, you work out an agreement of diplomatic immunity of those foreign nationals within that enclave.

Is that the kind of thing that government's should be looking at where there is such a very marked disparity between the laws of a country like Saudi Arabia and our Manitoba laws?

**MR. P. CUMMING:** Well, Mr. Chairperson, in responding to Mr. Minister, perhaps he is aware of more than I am on the point in terms of what he said. I, from my reading

of the American literature, and I read a lot in preparation for this - and maybe he didn't mean this - I don't think it's a case of getting diplomatic immunity or a formal exemption from Saudi laws. I don't think that was asked for by the Americans or agreed to or suggested by the Saudis. I think in practice what happens is that in terms of American citizens living in Saudi Arabia my sense is this: that there are enclaves, as you put it, and they're not bothered from a practical standpoint.

Also, in terms of American legislation, in particular, Title 7 of the Civil Rights Act, there is an extraterritorial reach to that legislation in terms of intra-American relationships abroad, all right? And those are valid points to consider. Indeed, there may be constitutional problems for Manitoba as a province, but perhaps representation should be made, for example, to the Federal Government, and the Canadian Human Rights Act to be extended extraterritorially to dealing with intra-Canadian relationships where Canadian establishments are abroad.

Now, just so that we're precise on this difficult question. I think that's all fine, so I'm responding positively to what you're saying in that sense. I think that the situation at hand here, which is the employment of females and persons of the Jewish faith, where you're running into the Saudi response to sending those employees abroad, you can't handle that easily through that framework. That is, and I'm guessing now, but I think if someone goes to Saudi Arabia as a spouse, we'll say, as a female spouse, that there is no problem; but if we're talking about a female engineer working in the field side by side with males, my guess would be that visa application might well be denied and your enclave approach, best as it can be to ameliorate the total situation, can't address that particular situation.

The best that one can do there, if one decides to go ahead on the cost-benefit basis, as it were, on the moral political judgment, I think, is to make your decisions in Manitoba entirely on the merits and if, in our hypothetical, a female engineer is the one to be chosen on the merits, then to make forceful and considered representations to the Saudi Embassy, together with External Affairs, to do a lot of persuasion. If that is still at the end of the road ineffectual and the decision has been made to go ahead in any event and notwithstanding the Saudi's blocking of a visa for that particular applicant, that is the point, if you're going ahead, that I suggest is a further recommendation, that you have other ameliorative compensatory measures in terms of other operations in Manitoba to try to assist that aggrieved person because there is a grievance there.

**HON. A. MACKLING:** Just one final supplementary question to Mr. Cumming and that is this: in trying to address these concerns, I was advised that the Americans have a presence in Saudi Arabia, a military presence there, and that there were Jewish technicians, military personnel there. They took the position with the Saudis, look if you want our expertise, you have to accept the fact that our people are there and, as I understood it, there was some sort of an enclave, the Americans had a territory, their military base, and for all intents and purposes there was some recognition of diplomatic immunity or whatever. Now, is that

something that you would recommend? We're trying to break down these barriers, we want to trade and it seems that we have to have people actually in the foreign jurisdiction. How do we deal with it? Do we try to develop that sort of an arrangement, that diplomatic immunity or enclave approach? Is that something that realistically should be pursued?

**MR. P. CUMMING:** Mr. Chairperson, well, Mr. Minister, I think it's an approach that together with all of the approaches we have discussed should be pursued. I might just add as an addendum on the Jewish question there, that the record is murky, as it were, because I think the Saudis would say that they don't discriminate against Jews and my report points that out. I don't want to belabour it and I'm certainly not defending them, because I think they blur the distinction and problems arise. I think it is clear that where a person has expertise and the Saudis want it, that if the person is Jewish, the Saudis will accept the person.

**A MEMBER:** They'll ignore it.

**MR. P. CUMMING:** Yes, I mean, they'll ignore the problems they might otherwise perceive in other applications. So there are many American examples and I presume other Canadian examples beyond the MTX context where you do have Jewish persons working in Saudi Arabia. The American case law does, as the report indicates, have some examples of where persons of the Jewish faith for one reason or another did not work in Saudi Arabia and brought actions on a civil rights basis.

**MR. M. DOLIN:** I'd just like for a minute to run through. You know, I like the definitions in the supplementary thing I to IV, the actual Saudi laws, the position of the Federal Government, the experience of other businesses and the government of foreign jurisdictions. The first question I'd like to ask: cost benefit strikes me as somewhat of a misnomer; I mean, what we're really looking at is a loss-gain situation. Cost benefit strikes me as financial and we're talking moral, legal here. It's what do we lose in the way of our dignity, our human rights, our moral strength in this province by doing business in a foreign jurisdiction where we would have to give up some of those qualities and how much are we willing to give up. I think that's basically what you're talking about in the loss-gain situation. I'm wondering, once the determinations are made, and let me run through the Saudi Arabian thing and see how I would answer the questions. The first one, what are the actual Saudi laws? Well, the Saudis claim they had no specific laws discriminating against Jews. They discriminate against Zionists. Now, how did they make the determination? They determine which Jew is a Zionist and which is a non-Jew. I suspect from your past comments is that a Jew who has a great deal of technical expertise and they want Jesus to be a Zionist, you know, which strikes me as a bit cynical, but that's probably the way they operate.

Women, they are fairly specific with. Women cannot own cars, cannot drive cars in Saudi Arabia, nor can they work with men. So the Saudis would say, well, in one case we really don't discriminate against Jews, we

discriminate against Zionist and women, well, we're protecting women in our culture. So there would be some loss gain there.

The second one, what's their position in the Federal Government? Well, we contacted the Department of External Affairs, and the Department of External Affairs said the Saudis do not discriminate. They deal with each visa application on a case-by-case basis. Our understanding will be there is no problem with Item 2.

Item 3, what is the experience of other businesses in dealing with such problems in the resolution? Well, since 1978, we've been in on the Bell subcontract. We haven't had any serious problems. Indeed, there are some Americans doing business there as the Minister just pointed out, the American military. I think ARAMCO has been there for since oil was discovered in Saudi Arabia some 25-30 years ago. So, you know, maybe we would be getting responsible, maybe it's not so bad.

Then what do government authorities in a foreign jurisdiction say about the matter? I think that's somewhat repetitious of (1), is where you investigate and the Saudis say, well, we don't discriminate against Jews, we discriminate against Zionists, and a Zionist, we will determine who's a Zionist.

So what you have here is you have a rather vague scenario saying, well, there's some questions of possibly bad human rights relationships and possibly inconsistent morality of what we, as Manitobans, consider an appropriate view of human rights and morality.

So what do we do? Basically what you're suggesting is we look at all four items, that management make a report to the Minister, in this case of a Crown Corporation, to the Minister in the case of, if we legislate, as you suggest, some sort of law dealing with private enterprise incorporated in Manitoba doing business in Saudi Arabia. We would go to the management of the business, who would then do a report and look at the loss-gain scenario and make a judgment.

I have a concern here. It is obviously a judgment to be made on whether or not the facts and the responses I've just outlined are what you get, or whether you do a little further digging and find out, well, Saudi Arabia has never taken Jews of any kind except in very specific situations. What happens to this? Do we, as a government, and does the Minister then make these public once they've made a determination? Does MTS, for example, having requested this information, then say we now have what I would consider a better term, a loss-gain situation on a human rights basis in doing business in Saudi Arabia. We have reviewed it and are now considering, based on this information and responses to questions (1) to (4) being asked - we have reviewed it and said we think there is a reasonable benefit. We have compensatory payments, for those people who have not been issued visas, in place. We are now going to do business in Saudi Arabia.

Now, if somebody questions that afterwards, should the public or the employee questioning, or the Opposition, or anybody in government, or anybody in the general public, or any employee of MTS have the right to say, I would like to know on what basis you drew the conclusions that we should be in business in Saudi Arabia . . .

**MR. A. BROWN:** I don't see what you're trying to get at.

**MR. M. DOLIN:** If you'd listen, you might figure it out, Arnold.

If you are doing business in Saudi Arabia - you have made these judgments - who gets a right to see these judgments and to contradict them? Do you have public hearings on these? Do you allow this information to be public? I think that's a reasonably important consideration and I'm wondering what your opinion will be, and after you've done this research, whether or not the affected employee or employee who considers himself affected, or the public have a right to take a look at why you're in Saudi Arabia and have you asked the right questions and what are the responses you've got?

I think that's pretty tricky in a government situation and I'm wondering, you know, how do you feel that should be handled or can it be handled?

Through you, Mr. Chairman, I'd like to direct that to Mr. Cumming.

**MR. P. CUMMING:** Mr. Chairperson, firstly, Mr. Dolin, I might say I like the loss-gain reference rather than the cost benefits and I agree with the bulk of your comments.

I might say, in terms of those factors - you're speaking quickly and you're going through them quickly. I must say I did go through all of the External Affairs information I could get and, to be fair to External Affairs, I think they said much of what I've said. A lot of what I'm saying is based upon . . .

**MR. M. DOLIN:** I was being more hypothetical.

**MR. P. CUMMING:** That's right. That is, it's not an easy situation to make black and white descriptions as to what the Saudis do in all situations.

In terms of the Bell situation, just to take that as an example because I did spend some time with the Canadian Human Rights Commission in Ottawa, who had investigated on their own complaint, as you know from the report, discrimination in respect of women.

They took the view that Bell should, given the situation, if women were denied jobs, that they should have an affirmative action type of program in their other operations and that is the way it was resolved. So I was using that as an example. Clearly that's one thing you would look to. Is that satisfactory? Is it more or less satisfactory? Is it totally unsatisfactory, or what have you? I'm not passing judgment on it; I'm saying it's relevant.

Finally, in terms of Saudis and their treatment in respect of women and the rights of women, and again I'm not implying any sympathy for their position, but in looking at it from the limited perspective I have but in looking at a lot of literature, they have come a long way, as it were, and maybe that tends to show the point of increased contact. I mean, if I'm not mistaken, by recollection, in reading the literature, it's only in 1962 that they started to educate women in schools in their own jurisdiction.

I guess what I'm saying is I think one could argue that their values are changing and it's a judgment as to whether the impact of our contacts with them are having some consequence. I suspect they are. When we talk about women's rights, we're talking about, in

my view, the fundamental revolution of this century and it's going to have tremendous impacts around the world and it's going to take place slowly.

But it's a destiny, as it were, and I think the most profound impact will be upon the Islamic countries, and it's coming. I have attended conferences in Geneva and elsewhere where, in my judgment, that point is recognized. It's in part due - I'm not trying to make the argument but I'm saying these are the things to consider - it's in part due to the increased communications that the world has today. I mean, that is another revolution that facilitates the one I just spoke of.

So, coming down to your point about what do you do about this as a government, again, it's my own view but I think the government has to face an issue like this as squarely as possible and it should be done openly. I see no reasons why it should be not done openly and they have to take responsibility for the decision and that should be made public. Perhaps there should be hearings or certainly in the context of periodic hearings of a commission like this if it's an agency like MTX or MTS, the hearings should be able to embrace this particular topic and groups should be able to come - women's groups, the B'nai B'rith, what have you and make representations as to their view. The government's view then might change or, in the first instance, it might even not do business in Saudi Arabia.

That would be my own response as to the process to follow.

**MR. M. DOLIN:** Just to clarify. It sounds like what was hoping to hear, is what Mr. Cumming is suggesting and what I think is the logical thing, that once these determinations have been made, that this either be part of the annual report so people can comment on it or, in some way, a public document so people understand the whole scenario that has been drawn out, the reasons, so people can comment if the government has been misled by one source or another so they can comment, so we don't get into a situation I look at the Saudi Arabian situation and I say we should never have been in there in the first place. I look at your recommendations and had we looked at these points and made these examinations at the time we originally got involved in Saudi Arabia, we would have decided not to.

I think one of the comments you're making about our responsibility to the Third World and to bring their kicking and screaming into the 20th Century regarding rights of women and equality of women, I agree with. But I also do not think that women should be thrown off the cliff and sacrificed without going in there with their eyes wide open in full knowledge of what they're getting into. I don't think we, as Manitobans, want to send Manitoba women into Saudi Arabia without their knowing what to expect and without their understanding that they may be there as change agents but that's something that they have chosen to do rather than we sending them there and sacrificing them. I don't think that's what you're suggesting but certainly I think that we shouldn't have been in Saudi Arabia in the first place. Should we have done this examination and should it have been public, I think we would have heard enough commentary from groups, as you suggest

like the B'nai B'rith, the National Action Committee on the Status of Women, what have you, on what the loss-gain scenario would have been. I'm wondering what your comments are on that. You're suggesting there should be public hearings when there is a certain level of significance of loss-gain, or at what point do you start looking at that? Or do you just include a document in any foreign transaction on the human rights aspect in the agreement or in the annual report of the corporation doing that business abroad? How would you handle that?

**MR. P. CUMMING:** Mr. Chairperson, what I'm saying is that here we're talking about a Crown corporation. The Crown corporation would follow this code of business conduct in developing a paper, as it were, a position paper on the human rights aspects in the context of its overall brief or position paper, whatever you call it, proposing the moving of its business abroad. That would go to the Minister responsible and he, in turn, would seek advice from the Attorney-General or the Cabinet, as a whole, in the context of making the decision.

I think ideally that either before that point in time, or after the point in time, of a tentative decision by Cabinet, keeping with this example here of, say, MTX, say this commission itself, which I'm not sure of its flexibility in terms of calling periodic hearings but, to my mind, maybe with the benefit of hindsight, it would have been appropriate at that point to call a hearing saying this is what's being proposed. There is a difficult issue here from the human rights aspect. There are losses and gains in the human rights area, as well as in the economic area. There are proposed gains, at least at that point in time, and we should assess it and hear representations and then, with the benefit of those representations, maybe making the final decision as it were.

I hope I've responded.

**MR. M. DOLIN:** Maybe I should direct my next question to the Minister because I have some concerns about the workability of that system. Saudi Arabia, to me, is a gross example. Back in 1978 when we got into the Bell sub-contract, Bell was in there and we got in. We felt there were certain benefits that were mainly financial and putting some employees to work, etc. I think, from what the Minister has said and from what the recommendations on MTX were, there were a lot of social and employment things selling MTX at the time also.

The fact is that these items weren't considered very carefully. If they would have been considered carefully today, after what we have been through and after looking at this report and after seeing what's happened in Saudi Arabia, I don't think we would be there. So, to me, it's a gross example. I'm thinking of other examples of countries that are less blatant in their discrimination than Saudi Arabia. In any business done by, let's say, Manitoba Hydro or any other Crown corporation - we've got quite a few - doing business abroad in any foreign jurisdiction, or any department of government, for instance, sending an expert from the Department of Education to Tobago or someplace like this on an exchange program, do you do reviews

in every one of those cases and do you do them publicly? I don't know how feasible that is.

What I was suggesting is perhaps, you know, to make the report of the loss-gain in the human rights aspect available so people could see what the trade-offs when you made the decision to actually enter that jurisdiction and enter an arrangement. I don't know how feasible it would be. I'm wondering if the Minister might comment on whether he thinks it's feasible, or maybe Mr. Cumming would like to comment a little further.

**HON. A. MACKLING:** Well, the honourable member raises the question again, I think, of accountability in connection with our standards, our laws and what the government's role has been and what leadership the government has given in respect to an area such as this. It's not easy to provide an answer for that, it's an extremely difficult field.

I think though the suggestion that you, yourself, have made, and Mr. Cummings has I think agreed with that, is that it would be appropriate for this kind of a concern to be made part of a report. Where a Crown corporation has external contracts there should be some reporting on whether or not these contracts are bound by Manitoba law, what the relationship of the law is in respect to those contracts from the several aspects, the human rights issues and the law of contract, generally. How are we protected in that country in respect to an accounts receivable, for example? I think there should be that full kind of accounting given for Crown corporations.

Now how you deal with private corporations is another matter, and I think that we tried to address that more complete concern. I don't know whether Mr. Cumming has anything further to add on that.

**MR. P. CUMMING:** Mr. Chairperson, just before I respond to the specific question, do I take it that this supplementary document is a tabled document? I don't have to read it all?

**MR. CHAIRMAN:** Yes, it is.

**MR. P. CUMMING:** All right.

In respect of your last question then, Mr. Dolin, just a few points in a somewhat scattered fashion, but I suspect you're right about the decision on Bell, that it was primarily economic. But I think, perhaps in hindsight, those factors that I've mentioned, the impact on Saudi Arabia, the fastest-growing telecommunications system in the world took place in Saudi Arabia due to Canadian efforts through Bell Canada International, at least if I can believe their literature. From an economic standpoint, it involved about \$2.5 billion in revenues generated for Canada just as a matter of interest to date.

**MR. G. FILMON:** 2.5 billion?

**MR. P. CUMMING:** 2.5 billion.

Now to go to the rest of your question. There are a lot of civil rights or human rights variances around the world. As you say, the Saudis are fairly blatant and they're fairly up front in dealing with it. There are a lot of other variances that would come into play that we

should be aware of, and perhaps argue for not having a blanket prohibition in moving abroad because it might have a lot of unexpected effects.

Now let me give you a couple of examples. A lot of countries would discriminate on the basis of age. You mentioned sending a civil servant abroad. A lot of them would have a law against employment of someone at an age that would be - 58 is not an uncommon age, say, for some African countries. A second example would be, a lot of African countries would deny a visa to someone coming in who will be living with someone to whom he or she is not married; that is, a cohabitation of unmarried persons. They will deny a visa application. That would be a prohibition in Manitoba on the basis of family status, of course.

A lot of jurisdictions, I suspect, especially in the eastern block countries - and I use an example perhaps hypothetical in terms of myself in that I belong to a group of lawyers who write letters on behalf of Jewish dissidents seeking to emigrate. I don't know if there's a computer in the Soviet Union that keeps track of those who write letters but, hypothetically, if I were to be employed by a Manitoba corporation and sent abroad, I might be denied a visa by the Soviet Union for what, in effect, is really by reason of my political beliefs, which in Manitoba of course would be a prohibited ground of discrimination. So I guess what I'm saying is there are a myriad of situations out there beyond the Saudi one that may come up from time to time.

Your point about hearings, it might not always be possible to have hearings before the decision is made. I think the process should be followed for the decision. At least there's a document; at least people have focused on the factors and focused on the loss-gain situation and made a decision, and there's openness to the decision and there's responsibility taken for it. If it's a major situation like going into Saudi Arabia and it's visible, preferably there'd be a hearing before the fact. In respect to these other possibilities, they might not even be recognized at the time - although they should be through that process - the periodic hearings of the commission in the situation of the Telephone Company or hearings of other committees could take place and address them.

**MR. M. DOLIN:** Just a final comment. I'd love to go on all night because I find Mr. Cumming fascinating.

The Minister's already stated we're going to take action. I would hope that the Minister would take action based on the criteria. One is The Human Rights Act, the other is this code of corporate conduct which includes the criteria for establishing and making prior judgments and also making them public so the public is involved.

Also there's another suggestion which I like and I would hope the government would look at and that is the blanket prohibition being introduced into human rights law whereby Manitoba business cannot move abroad unless the foreign jurisdiction accepts Manitoba recruited employees on a non-discriminatory basis; and also the anti boycott, where the discriminatory Business Practices Act in Ontario, which might be something that the government would be willing to look at, so I hope all these areas . . .

I would not like to see another situation occur where I, as a taxpayer and as a citizen of Manitoba, sit here and look at my brothers and sisters as citizens of Manitoba and say some of them are being discriminated against by a Crown corporation which we are all the owners of, in their ability to seek employment and to use their skills and to go abroad being paid for company that they own, does not allow them to do that and also, as Mr. Cumming has pointed out, there was not even a compensatory situation set into place where, if they were discriminated against in a foreign jurisdiction, that's too bad.

I think what happened in this scenario is there was covert discrimination at the enthusiasm of management for MTX, made finance as the ultimate goal and how much money they could make and how quickly they could make it and the fact is this was not taken into account. I think, if nothing else, this should be a learning experience and we should not allow this to happen again. We've seen it happen, we've seen discrimination take place in this province and I think it was because we weren't considering these facts.

If something good has to come out of these Public Utilities hearings, I think one of the good things is maybe this will never occur again in this province, that maybe with the cooperation of the Opposition and the government we will draw up legislation and guidelines for Crown corporations which will ensure that Manitoba citizens are treated fairly, both in Manitoba and abroad and, if they're not treated fairly, there are good reasons for making that determination and that there's adequate compensation.

I'd like to thank Mr. Cumming for being here; I'd like to thank you for the time.

**MR. CHAIRMAN:** Mr. Filmon.

**MR. G. FILMON:** Thank you, Mr. Chairman.

I won't belabour the matter; there's been a great deal of discussion, because I know there are other issues that others are wanting to address. I wanted to put on the record firstly my appreciation for the thorough legal analysis of Mr. Cumming on the problem.

I might say that I'm glad the Minister has referred to secondary discrimination and Mr. Dolin has referred to what he calls covert discrimination, because I'm concerned that some have portrayed this as stating that there was no discrimination with respect to employment in Saudi Arabia. Indeed, as I understand it, Mr. Cumming can correct me if I'm wrong, that MTS/MTX was not guilty of the discriminatory practice, that they merely referred those who applied for visas, and that the Saudis did not perform any illegal discrimination because in fact their laws and religious tenets permit and sanction practices that would be considered to be illegal under our Human Rights legislation here in Canada or here in Manitoba, but that it does not contravene their laws and therefore it is not illegal. In fact, MTS, MTX has not participated in the discrimination, but it does indeed take place by virtue of their laws and tenets.

I say that in setting out the situation - Mr. Cumming can correct me if I'm wrong - but on Page 46 I think he summarizes it, and I quote, "It can be stated that from the perspective of Manitoba and Canadian human



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rights norms and values, the application of Saudi regulations and customs, in some instances, discriminate in employment with respect to both women and Jews. That is, Saudi law and custom result in employment practices within Saudi Arabia that would be in breach of Manitoba Human Rights law if the practices took place within Manitoba."

I believe that is the issue that was raised; that is the issue that was debated in the Legislature. What we've said was that there were discriminatory employment practices. MTX didn't make the discrimination, but in fact the laws and religious tenets of Saudi Arabia made the discrimination.

The direct parallel that we made in the Legislature was the direct parallel that I believe Mr. Cumming has made here in his assessment of it. He says, and I'll quote again, "A Crown corporation should make a judgment on a cost benefit basis of the merits in carrying on business in a foreign country which has different human rights norms and values from those expressed in Manitoba and Canadian laws. The decision will certainly be made by government, on occasion, not to do business in foreign jurisdiction which do significant violence to Canadian standards of basic human rights. South Africa is a current example. When the judgment is made by the management of a Crown corporation and is supported by government to carry on business in a foreign jurisdiction, that discriminates in respect of the entry of certain employees on a basis that would be unlawful in Manitoba, the corporation should extend to disadvantaged employees compensatory opportunities in other areas."

That's in fact what the point has always been in this, that if, in the judgment of this administration - and the Premier expressed it with respect to South Africa - no truck or trade, no investment in South Africa because they discriminate by way of race and colour, then surely, having a Crown corporation under your control in which you make the judgment as to whether or not the investment should take place, you make the determination whether or not you should be doing active business in that country. You should have the same application of the same principle and that's the hypocrisy I was talking about, for the Minister's point of view, not that I said MTX was doing it, but in fact that was the Premier's view of investment by anybody in South Africa. His view should hold true therefore with respect to employment in Saudi Arabia, under the guise of a Crown corporation, making its investment and doing business there.

**HON. A. MACKLING:** I want to thank Mr. Cumming as well for his very careful approach to what is a very difficult area for us in government, for any group in society.

I'm just want to put on the record what I've indicated is that while there was no discriminatory practice - and Mr. Cumming has so found - the practical effect may well be that there is a secondary discrimination because virtue of the fact that people will know, and I don't know at what stage that knowledge may occur.

If an employee of the Jewish faith saw the bulletin, he might have known about Saudi Arabia to begin with. He may have thought, there's no question, I wouldn't go there, but perhaps it occurred later. Maybe someone

else who had applied and being briefed told him, hey, you know, you can't practice your religious faith there; you can't even acknowledge that Israel exists. Perhaps this information comes about in a secondary manner, but however it comes about there is a likelihood that secondary discrimination would occur, because as a basis of being there, the employees are briefed; those who presumably express a willingness to go, an interest in going, have, under the Bell contract and pursuant to the MTX contract, received a briefing.

I don't know at what stage, if at all, a woman or someone of Jewish faith may have been discouraged from being there. The records indicate there were none that had applied, but it may well be that there was knowledge within the system and it's an extremely difficult area. There was no discrimination apparently, but the practical effect, nevertheless, of the laws and customs in Saudi Arabia, I would think, would likely have made for discrimination in some form regardless.

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

**MR. G. FILMON:** Mr. Chairman, the practical effect is that a woman would legally have been prohibited or prevented from working in Saudi Arabia by their laws. That's why the flogging took place because there was a suspicion that Theresa Aysan was working over there.

**HON. A. MACKLING:** Mr. Chairperson, I don't think that was the finding. Women do work there and there has been, as Mr. Cumming has indicated, a breakthrough. Women are teaching; women are working in hospitals now. Women are now being recognized. Women are being educated now. There are some schools in Saudi Arabia. The environment there is changing, but it is clear that this law about women being more protected, not working alongside men, is quite clear. To the extent that there was a breach of that by MTX, there is no question, but that would have been in violation of those religious customs.

**MR. CHAIRMAN:** Mr. Scott.

**MR. D. SCOTT:** Thank you, Mr. Chairman.

I've been able to take in most of this debate, or not debate - discussion on it - and I certainly appreciate the prospectus brought forward by Mr. Cumming and the other members.

There are a couple of references which I would like to make and perhaps have Mr. Cumming comment on them. This note to reference in regard to South Africa, in particular, and I guess I'm going to exercise thinking out loud a little bit - sometimes that has risks in this kind of a forum, but I would like to make reference particularly to South Africa.

The reason I believe that most of our citizens feel the situation in South Africa as being so reprehensible is because the people doing the discrimination, in other words, the white residents of South Africa, share somewhat of a common cultural background with ourselves. In other words, we have evolved from a western civilization and, as our western civilization has evolved, we do not tolerate gross discrimination on the basis, in particular, of colour within our societies.

When we see a society, and it's just a very small segment of the overall society, 5 or 10 percent of the

population, that it controls the whole country and treats the majority of the people of that country who they have essentially subdued over time to abject poverty and to a life with no civil or human rights, I think that is what we find reprehensible. We do not state the same when we are dealing with other African countries that have control of their own governments where they are not subjected to a group of people who have moved into the country over many generations now, over a couple of hundred years in South Africa's case, where the tribal differences are certainly very great and there is a tremendous amount of discrimination that goes on between them.

Also, I think one has to look at the cultural diversity in the world and the reasons why cultures have evolved very differently than our own culture, and a great deal of that has to do with, once again, the evolution as we have evolved in western societies, but also the environmental factors. You will not find that many people in desert cultures with as liberal an attitude that we have towards individual rights and the evolution of the sexes within those cultures. For us to blanketly say that those cultures shall have no interaction with our culture, I fear, isolates both ourselves from them and also isolates them from us and the benefit of interaction and cross-cultural exchanges.

So it is, as many people have termed this whole field, a real mine field. There is no simple yes or no. It is very difficult for us, I believe, to exercise a form of what could be interpreted, and certainly we have, as Canadians, accused the U.S. of some deal of cultural imperialism in the past in their regard to us in our trading arrangements when, under the Diefenbaker Government, trade was wanted to continue between Canada and Cuba and they were trying to force American-controlled companies within this country not to trade. We rejected that. It wasn't simply on the issue of human rights. There, moreso, it was a political difference, but differences do arise.

In relation, again, into the Middle East, just last spring there was a significant debate in the House of Representatives, I believe, in regard to the discriminatory practices by the State of Israel to a number of Arab Americans who attempted to go and visit the country. Some were allowed in, others were not allowed in, and there was an intervention in that case by the United States Government to Israel in protest of those people who were not allowed into the country.

So I don't think any of us, and Canadians included, we have basic values and principles and laws that do not allow certain people to come to this country, although our laws are exceptionally liberal compared to most any others. There are health reasons that people are not allowed into Canada if they carry in potentially contagious diseases. Is that a discrimination against an individual on the basis of health? It certainly is. But we have that and that is an accepted standard even in our very advanced society.

And I have some difficulties with us who are in a society that seems to be evolving more towards a multicultural society; at least some people are certainly wanting to move far, far more towards a multicultural society within the country, and yet we say internationally that we will not accept other cultures, and yet we must and we should respect other cultures as they come

into this country. So I see a direct conflict within the principle.

I have no doubt in my mind that we shouldn't be assessing the country at risk when we want to go into another jurisdiction or another country to conduct business, especially in Crown corporations; and certainly, we must include in that risk assessment issue that we consider discrimination in our country and in our society, being on the basis of sex or religious discrimination, political beliefs, in a number of other areas that are covered within our human rights legislation.

So it's, as Mr. Cumming has appreciated in his report an exceptionally complex issue and probably when you go down any particular road, you're going to end up with roadblocks.

I'd like Mr. Cumming, if he could, and I'm admitted thinking out loud on this issue and trying to draw some other points, perhaps, if he could respond to some of those basic ideas and thoughts, I should say, more than ideas.

**MR. P. CUMMING:** Mr. Chairperson, let me say this in brief in response to Mr. Scott. He referred to the South African example, and different references have been made. It may be a good example in the sense that the different conclusions to dealing with South Africa as opposed to Saudi Arabia, if the different conclusions are made, is rationalized.

It's arguable, and I'm not answering the question but it's arguable and clearly the Federal Government has implicitly, or explicitly again, come to this conclusion. It's arguable that in dealing with Saudi Arabia in terms of extending one's business there, that the tendency will tend to be to break down the Saudi value system in terms of their treatment of women; that is, they tend to be westernized. One can make that argument without answering it.

In terms of South Africans, and this is the point that I raised, one can certainly make the other argument that is, to maintain investment and increase investment in South Africa tends to reinforce the apartheid system and certain Nelson Mandela and Bishop Desmond Tutu and the black leadership would make that argument. Given that the black leadership makes that argument and they're the ones most directly affected, together with other South Africans, by a disinvestment policy, it has an awful lot of force.

All I'm saying is, and I'm not trying to rationalize it but I'm saying one can make the argument on South Africa in that manner, that you have to have sanctions or your actions are reinforcing the apartheid system. One can argue that in terms of Saudi Arabia, by doing business with Saudi Arabia, you're tending to westernize Saudi Arabia in terms of values.

**MR. D. SCOTT:** Just very briefly - I'm sorry Mr. Mansness. I fully accept that. I know how much resistance we have in Canada to having our values interfered with through electronics from the U.S. That's the whole debate centering around free trade now with cultural protection for Canadian culture. Certainly the western culture and the values, an awful lot of it, has made it through to the black population in South Africa. Unfortunately, they haven't made it through to the white

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population, at least the majority of the white population in that country.

In the South African situation, I think it is very worthwhile for us to recognize part of the abhorrence of the regime is that of the cultural history of the people who are the perpetrators of that system of apartheid have links to our own evolution as a society from the West and from Europe in particular.

I guess I leave that point and turn the floor over to Mr. Manness. I think that explanation to some degree gives more support for us to impose sanctions to change the situation in that country.

**MR. C. MANNES:** Mr. Chairman, my concerns include but extend beyond those that have just been expressed over the last hour-and-a-half. They extend to those employees now employed within Saudi Arabia. Therefore, I would ask the Minister if he could call forward to the table some individual of the Manitoba Telephone System who can give me answers specifically with respect to employees of Manitoba Telephone System who are now resident in Saudi Arabia.

**HON. A. MACKLING:** Mr. Chairperson, I would call Charles Curtis, who is Acting CEO of MTX, to respond to the concerns. I don't know whether Mr. Curtis, who is sitting back there, heard the question. The concern, Mr. Curtis, is in respect to the status, well-being of MTS-MTX Manitobans in Saudi Arabia.

**MR. C. MANNES:** Mr. Chairman, I ask the question: specifically how many Manitobans who are in the employ of either SADL or Datacom are now resident in Saudi Arabia? And can Mr. Curtis indicate whether those employees, each and every one of them, have been fully apprised of the situation as to, first of all, the decisions that have been made by the Minister and the government with respect to the major firings of senior corporation staff of the Manitoba Telephone System, and indeed of MTX?

**MR. CHAIRMAN:** Mr. Curtis.

**MR. C. CURTIS:** Mr. Chairman, we did, in fact - at least I did - send them a copy of the material that had been initiated with the report that the Minister had prepared, to them, and have since had conversations with two of the managers over there. So I think they're pretty well apprised of what's happening here.

I know they have indicated to me a concern about their future and their role and how they will be functioning and when they will return, because they are aware that the intention of the government is to wind down the operation, our participation there. So there is a concern.

**MR. C. MANNES:** Mr. Chairman, Mr. Curtis indicates he sent a memo to - I take it staff in totality, not just the managers there. Is that correct, or indeed has it just been a memo to managers? Because I suppose I have some concern, some unsubstantiated, however, that indeed all of our staff do not know that in fact MTX is to be wound down in an orderly fashion, that in fact they may be coming home more quickly than their contracts and their terms of employment may spell out.

Are we sure that those memos that went through the mail system, or indeed however they may have been delivered, in fact have been received by our staff there?

**MR. C. CURTIS:** Just to clarify, when I sent the information to all of the three areas where there are staff, I directed it to all staff, but through the managers of each area. I understand they've all had access to that information. I think there is perhaps a little concern or confusion on their part just exactly what the wind-down or the pulling out of the operation means to them individually. I have recently, as a matter of fact today, received a telefax message from one of the managers stating that there is a concern on the part of staff as to what their specific timing will be, and we'll be responding to that question.

**MR. C. MANNES:** Mr. Chairman, I ask Mr. Curtis whether there will be any risk attaining exit visas for any of the individuals or their dependants. I'm aware of a situation where wives indeed are there. If there is any potential risk, are there contingency plans in place by either the Manitoba Telephone System or some arm of the Federal Government to expedite the orderly exit of all our employees?

**MR. C. CURTIS:** Mr. Chairman, not myself personally, but we have been in touch with the External Affairs Department of the Federal Government who, in turn, have had discussions in Saudi Arabia. They've indicated to us that, from their point of view, there will be no problem.

I've also had discussions with Tariq Bassam, the son of our partner, who is quite definite in his view that there is no reason for our being concerned about our staff.

**MR. C. MANNES:** Mr. Chairman, it would seem to me that, in a situation like this where MTX is being wound down, the government's affairs in Saudi Arabia are being wound down, our highest-ranking official, in this case Mr. Curtis, would go to Saudi Arabia in some respect to help wind down that operation for some period of time or at least initiate that wind-down. I would ask Mr. Curtis whether he has attempted to visit Saudi Arabia and, if he has, whether or not that wish on his part has been accepted by that government.

**MR. C. CURTIS:** Well, there are some time constraints in obtaining visas into Saudi Arabia, I understand. So the meeting that we did have with the son was in Bahrein, which is very close to Saudi Arabia. I understand there is a visa now being processed for myself.

**MR. C. MANNES:** Mr. Chairman, is Mr. Curtis then saying that he will attend personally to some of the wind-down procedures in place, specifically in Saudi Arabia?

**MR. C. CURTIS:** It'll likely result, yes.

**MR. C. MANNES:** Can Mr. Curtis tell me whether any of our employees who are now resident in Saudi

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Arabia have been offered employment by Sheik Al Bassam in any of his wholly-owned Arabian companies, given that some expertise will be pulled out by the decision to wind down and, in some respects, will be required? Can Mr. Curtis indicate whether any of the staff there now have been offered any employment?

**MR. C. CURTIS:** Mr. Chairman, not to my knowledge. In the discussions that we've had with the son - we have not as yet had direct meeting with the sheik. But in the discussions that we've had, we've indicated that, as part of the wind-down scenario, it would be logical for us to assist in the training of Saudi nationals to take over the roles and functions presently being performed by our Manitoba members of the staff plus others who are employed from other countries. I have no idea how many of the non-Manitobans might be interested in staying on in Saudi.

**MR. C. MANNES:** Mr. Chairman, the other day or I believe we discussed it in committee and I think it was also indicated within the Coopers and Lybrand Report that some of the new strict criteria by which sales would be allowed after the Minister indicated that there would be no further sales, one of those criteria specifically dealt with a 45-day limit with respect to credit offered on sales. I would ask Mr. Curtis whether this has changed, whether the 45-day limit changed at all from that which has been in place for some period of time by MTX.

**MR. C. CURTIS:** With respect to any shipments - and we haven't made any shipments for some period of time - I think our intention certainly would be to require either a positive commitment for payment or payment in advance.

**MR. C. MANNES:** Mr. Chairman, I remember the Minister dwelling on the fact that there were new stringent credit policies in place requiring the 45-day maximum credit extensions. I remember Mr. Curtis dwelling on that point also. Yet, Mr. Chairman, I read again in this MTX Telecom confidential report, the internal audit report, that indeed those were the same tough, stringent credit policies that were in effect, I believe, all the way through 1985. Has there been a material change with respect to the credit policies - I'm talking about specifically the dates - and offer credit at all?

**MR. C. CURTIS:** I would certainly say there has been, Mr. Chairman. The shipments that have been allowed were on old orders that had been placed by particularly good customers who had paid within 45 days historically. It was on the strong advice of our employees there, our Manitoba employees, that we make those limited shipments on those outstanding orders. We did that and, as far as I know, there are no additional orders of that sort still to be requested.

**MR. C. MANNES:** Mr. Chairman, I'm not trying to draw a conclusion as to whether or not the people to whom we've sold over the last few months are better customers or not. I'm trying to determine whether or not there's been any change in the credit policy, because

I quote from Page 5 of an internal document that indeed the policy then, and I quote: "The collection of accounts receivable was not being closely monitored and the condition of sale, i.e., payment due 45 days, was no being achieved." So is this not the fact that the terms have not changed, although obviously the government and through you, Mr. Curtis, are attempting to put them into place and make sure that they're adhered to?

**MR. C. CURTIS:** I have to admit I'm not familiar with that particular document, nor do I know how the former administration allowed its shipments to go out. But we're taking the approach that we're not shipping now unless we have either payment in advance or a letter of credit from the bank.

**MR. CHAIRMAN:** Before proceeding, Mr. Mannes, the hour is 11:30, which is our scheduled hour of adjournment. What is the will of the committee?  
Mr. Orchard.

**MR. D. ORCHARD:** Mr. Chairman, on Friday when we ran into some difficulty with the Minister not having ample time to reply, we extended the committee. It would be my suggestion that we extend it for a few minutes. I doubt if it would go past midnight, but Mr. Mannes has some questions. My leader has a question, and I have three or four questions directed at the Minister which, at midnight if my understanding is correct, the Minister is no longer the Minister responsible and would not be required to answer questions directly about MTS. I would appreciate the opportunity to pose those questions to the Minister this evening, so I would ask for an extension of committee.

**MR. CHAIRMAN:** Mr. Harapiak.

**HON. H. HARAPIAK:** I would suggest that, if it's not going to be too long, we would be prepared to support that.

**MR. CHAIRMAN:** Okay, so we'll continue up until midnight or before.  
Mr. Mannes.

**MR. C. MANNES:** Mr. Chairman, a couple of days ago when we were discussing additional sales being made to other customers, at least Grade A customers, Mr. Curtis indicated that December 1st sort of represented a deadline, the date when credit would run out on some of those sales. It is December 1st today, can Mr. Curtis indicate whether payment has been made and those additional sales conducted over the last few months?

**MR. C. CURTIS:** Mr. Chairman, the account that was due has not been paid. We phoned this morning to clarify the position of it. We were told that they expected the payment - this is from Kuwait Air, a good customer. They expect the payment very shortly and would remit it as soon as received.

**MR. G. FILMON:** Mr. Chairman, I have one question of the Minister which, I suppose, depending on his

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response, could lead to another, but his news release of November 21st in which he released the Coopers and Lybrand Report says, and I'll quote, "the audit also questions the adequacy of information provided to the MTS Board, the Minister, Crown Investments and the Economic Resources and Investment Committee of Cabinet. Based in part on the findings," Mackling announced, "we have requested and received the resignation of Gordon Holland, President and General Manager of MTS and Glover Anderson, Executive Vice-president of MTS." It goes on to detail the three others who declined to resign and have had their employment terminated. So I go back to the statement, based in part on the findings of the Coopers and Lybrand Report, these people were released from their employment. I ask the Minister: what else was it based on?

**HON. A. MACKLING:** Prior to . . .

**HON. G. DOER:** Point of order, Mr. Chairman.

**MR. CHAIRMAN:** Mr. Doer, on a point of order.

**HON. G. DOER:** These individuals, and if one understands potential lawsuits that any individual has, it is very very important that the language used doesn't prejudice our cases. So I hope everybody in the committee understands that in terms of the press release, etc.

**HON. A. MACKLING:** I don't think it was a point of order.

**MR. CHAIRMAN:** It wasn't a point of order.  
Mr. Mackling.

**HON. A. MACKLING:** Mr. Chairman, I was going to point out that when the Coopers and Lybrand Report was received and an evaluation was confirmed in respect to the management, a decision was arrived at in respect to the staff that were either asked to resign or terminated, and then we requested advice from those best in the position to advise as to how to deal with these matters, and followed that advice.

**MR. G. FILMON:** Whose advice did you seek on this?

**HON. A. MACKLING:** Well, the advice that was available to government is from the experience of government in other parallel situations. Now, Mr. Chairperson, the honourable member knows that there may be claims advanced, so I really don't think it's in the interest of the committee or the Manitoba public to pursue areas where there could be claims, I'm not saying there were.

**MR. G. FILMON:** My concern, Mr. Chairman, is, and it has to do with questions that we have continually asked, about other information, other investigations. If, indeed, this particular removal of the top five administrators of the Telephone System was only based in part on the findings of Coopers and Lybrand, and there was other evidence and information available that is not, and has not, been made available to the public or the members of the Opposition or members of this committee, then I say that I am very concerned about

that and that each of the motions that we presented today asking for further investigation and more public accountability as to the role of government in this whole issue, I think, are reinforced. The validity of those motions that were put forward is absolutely underlined by the fact that this Minister acted on more than just the information of Coopers and Lybrand.

**MR. CHAIRMAN:** Mr. Doer, on this point.

**HON. G. DOER:** I think it's very very important that, because these cases have some jurisprudence to them and I think we all know the jurisprudence, and all should be aware of the jurisprudence, that if employee X was terminated for, in part, Y reasons and there are other factors, such as, other behaviour, RCMP investigations haven't been completed, etc., etc., that one would not want to prejudice future court cases with a definitive answer in this area, and I think it's very very important that the committee in its discussions doesn't prejudice potential abilities of the province to respond.

**MR. G. FILMON:** Mr. Chairman, I understand the importance, but that begs an even further concern, that if employees were terminated, perhaps in part because of further RCMP investigations that haven't been completed, it would seem as though the government has drawn conclusions as to what those investigations are going to produce, and that has to be of great concern.

**HON. A. MACKLING:** The honourable member should appreciate the fact that there is precedence that is followed in respect to the wording used. I was very careful in my meeting with Mr. Holland to very carefully avoid allocating a specific response that it is only for the reasons of the findings of the Coopers and Lybrand decision, on the advice of counsel to ensure that the government's position, should there be litigation, is amply protected.

**MR. G. FILMON:** I won't belabour the point, because I know that my colleague has some further questions and we have limited time, but I make the point that publicly the Minister has attempted to indicate that the Coopers and Lybrand Report were the reason. We're now being told, and indeed it's in writing, that there are other reasons, there is other information, and I'm concerned that we have been denied and cut off from all the opportunities for any further public inquiry into these matters.

**MR. D. ORCHARD:** Mr. Chairman, I have some questions for Mr. Mackling. Mr. Mackling, as Minister responsible for the Manitoba Telephone System, did you recommend after meeting with individuals involved in MTX on September 12, 1985, did you take the recommendation for extra capitalization of MTX of \$8.5 million, \$2 million of which was to go to SADL, the joint venture in Saudi Arabia.

Did you carry that recommendation to the ERIC Committee of Cabinet as Minister responsible for the Telephone System?

**HON. A. MACKLING:** Mr. Chairperson, the record is there. I have indicated to the honourable member, I

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have indicated to this committee that the submission was made to me. The proposal is outlined in that submission. I indicated that I would prefer that an evaluation be made and I think the honourable member will find that in the MTS minutes it confirms that I wanted others to make that evaluation, to confirm it, and therefore it did go to the ERIC committee of Cabinet.

The honourable member wants to know whether I was present, whether I made the submission, whether I argued for it. I'd like to accommodate the honourable member, but the honourable member knows then that we're getting into an area where - and I'm not trying to duck or hide - I'm on record as saying yes, I signed it, it went forward, I had received the submission, but I'm not going to get involved and say whether or not I was present, whether or not I argued for it, who was present, what they said. All of those things, as the honourable member knows, gets us down the path of getting involved in discussing Cabinet decisions or Cabinet subcommittee decisions or meetings. I ought not to do that, in the parliamentary tradition, and therefore will not do it, Mr. Chairperson.

**MR. D. ORCHARD:** Mr. Chairman, the Minister has indicated that he signed the request of the ERIC Committee which asked for an \$8.5 million capitalization of MTX, which is over a fivefold increase in the existing capitalization. Prior to making that request, it was \$1.5 million of capitalization from MTS to MTX.

This Minister went forward and requested an additional \$8.5 million, almost a sixfold increase in the capitalization of MTX. Part of that and part of that submission to the ERIC Committee of Cabinet involved \$2 million of that \$8.5 million being used in the joint venture for capitalization of the SADL joint venture in Saudi Arabia.

My simple and direct question to the Minister is: prior to yourself becoming convinced that the \$8.5 million capitalization was necessary for MTX, did you ask for the most recent Arthur Andersen audited financial statement to see the health of the MTX corporation, the financial health of it, before recommending to your Cabinet colleagues that another \$8.5 million should be pumped in? Did you ask for that current financial status?

**HON. A. MACKLING:** Mr. Chairperson, I don't believe that I asked for the current financial report. I was aware of the fact that the Provincial Auditor had looked at the MTX reports, and while he'd had concerns, he indicated that those concerns were being addressed and satisfied.

I had the representation, the assurance from Mr. Holland, I had the assurance from Mr. Chaput, Mr. Anderson and Mr. Plunkett that the Saudi joint venture was going well. I read into the record paragraph four of that submission to me. I had no reason at all to question that things were going well. There was no indication to me of any difficulty in that operation.

**MR. D. ORCHARD:** Having now had the Minister confirm that in MTX asking for an almost sixfold capitalization from \$1.5 million to \$10 million, this Minister did not even ask for the current financial statements of the corporation to which that capital injection would go.

Would the Minister now care to answer, when the request included \$2 million to go to SADL, the joint venture in Saudi Arabia, did the Minister ask the current financial status by Arthur Andersen of the SADL operation in Saudi Arabia before becoming convinced that we should pour another \$2 million in when the maximum capitalization at that point in time, I believe, was under \$1 million?

Did the Minister ask for those financial statements of SADL?

**HON. A. MACKLING:** Mr. Chairperson, again, I've indicated that I had seen the concerns of the Provincial Auditor. The Provincial Auditor's report seemed to indicate that while he had concerns, they were being addressed. I was assured by Mr. Anderson, by Mr. Chaput, by Mr. Plunkett that the problem with MTX from the outset had been that it was undercapitalized; that while sales were growing, that meant that the cash flow demands were greater, they were relying too much on borrowed capital, MTX had been cash starved from the outset and that it was necessary to get an injection of capital.

In addition, they pointed out to me that this would mean that not only would we be putting in more capital but Sheik Al Bassam, through his company, would be putting in more capital, an assurance that this was a good, healthy measure to ensure that the MTX joint venture, through SADL, was put on a good cash flow position. Those are the assurances that were given to me; there was no indication of any difficulties. I have seen the concerns of the Provincial Auditor and those concerns responded to by management and I've read that into the record and I won't repeat it.

**MR. D. ORCHARD:** Mr. Chairman, might I ask Mr. McKenzie a question at this point in the committee?

**HON. A. MACKLING:** Well, ask me first.

**MR. D. ORCHARD:** I would like to ask, through Mr. Mackling, who just told us that he took to the ERIC Committee of Cabinet a proposal for \$8.5 million of additional capitalization, almost a sixfold increase, \$8.5 million of which was to go to the Saudi Arabian joint venture, without asking for current financial statements from Mr. McKenzie, is that considered to be responsible lending, responsible advancement of funds when you do not ask, on an \$8.5 million request, current financial statements to see the health of the company? Mr. McKenzie, would that be an approved accounting practice and good business practice?

**HON. A. MACKLING:** Mr. Chairperson, it is not an academic question that the honourable member asks.

**MR. D. ORCHARD:** It isn't?

**HON. A. MACKLING:** He knows that the sequence of events is that the chief executive officer, the chairperson of MTX, the vice-president of finance of MTS attend upon the Minister and makes a submission. The honourable member knows what I've put on the record and what he understands to be the responsibility of the Minister to accept, certainly anticipate, at least

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that you have confidence in your chief executive officer and the representation he makes.

When Mr. Orchard puts to Mr. McKenzie, now would this be a proper evaluation, it is not asking this in an academic form.

**MR. D. ORCHARD:** What?

**HON. A. MACKLING:** Mr. McKenzie is not here to make an evaluation of whether or not the Minister should have asked for statements.

**MR. D. ORCHARD:** I'd like his comment as to whether that's proper business practice.

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

**HON. A. MACKLING:** I'm indicating this isn't a conventional business . . .

**MR. D. ORCHARD:** You don't want the answer, do you?

**HON. A. MACKLING:** Well, I think, Mr. Chairperson, it is unfair to ask Mr. McKenzie indirectly to make the evaluation - in the answer to Mr. Manness he gave. You're asking Mr. McKenzie to make an evaluation of a political decision or political judgment. Clearly, he has said it is not normal for us to pass judgment on the political process.

The political process was that a Crown agency came to the Minister and asked the Minister to endorse that process. The Minister, while giving furtherance to that request, required that it go to ERIC. Now, you're wanting to ask Mr. McKenzie whether or not the Minister should have asked for the statements. If not the Minister, should ERIC have asked for the statements? Who should have asked for the statements? You want to pursue a question of political accountability. That is not a question that Mr. McKenzie should be answering. I have answered those questions.

**MR. D. ORCHARD:** Mr. Chairman, I don't want to debate with the Minister, so I will ask a hypothetical question of Mr. McKenzie as the chief author of the Coopers and Lybrand Report. Would you consider anyone making a recommendation for a sixfold increase in capitalization, from \$1.5 million to \$10 million without asking or receiving or seeing the financial statements of the company to which the capitalization was put? Is that a good business decision, no matter who makes it? Is that responsible?

**HON. A. MACKLING:** Mr. Chairman, the Member for Pembina is now doing what he does in the House, time in and time out. I've indicated that question is a question that is unfair.

**MR. D. ORCHARD:** What are you ducking it for, AI?

**HON. A. MACKLING:** I am not ducking it.

**MR. D. ORCHARD:** You are ducking it.

**HON. A. MACKLING:** I am not ducking it.

**MR. CHAIRMAN:** Order please, order please. I've recognized Mr. Mackling.

**HON. A. MACKLING:** I have answered those questions, Mr. Chairperson. While I've tendered my resignation as Minister for MTS, I have attended these meetings and I've answered the honourable member's questions. I've put up with his finger pointing; I've put up with his invective. I've put up with his insolence to me, his personal comments to me, but the honourable member is trying to do by the back door what he can't do by the front door. Those questions, I have responded to.

**MR. D. ORCHARD:** Mr. Chairman, I believe that we're being stonewalled and disallowed from having Mr. McKenzie ask that basic question of good business practice and responsible business practice. So I want the record to show that when this incompetent Minister of Telephones asked and approved \$8.5 million of additional capitalization to MTX, he did not ask for recent financial statements which were available to him should he request. He did not ask for recent Arthur Andersen analysis of SADL in Saudi Arabia, which was available as of May 1985, three months prior to his taking that request to committee.

Since he will not allow a professional accountant to comment on the competency of any Minister or any businessman or any head of an organization who would do that without seeing the financial statements, I have no other conclusion to make on behalf of the people but to conclude that this Minister and indeed all members of the ERIC committee of Cabinet were totally incompetent in their handling of the additional capitalization which left the people of Manitoba \$8.5 million, \$7 million of which is currently at risk in addition to the \$15 million that was there already. This Minister and the ERIC committee of Cabinet squandered in September 1985 another \$7 million of taxpayer money, and this Minister wants to hide behind the guise that I don't have to answer this because it's a Cabinet document.

He is stonewalling. He is hiding from the truth as he has tonight when we asked for a judicial inquiry, when we asked for Coopers and Lybrand to further investigate, when we asked for additional hearings. The people of Manitoba are being denied the truth by this Minister, by this Cabinet, and by Mr. Pawley, and I want the record to show that, Mr. Chairman.

**HON. A. MACKLING:** Mr. Chairperson, first of all, I want to indicate to the honourable member that I have, as an honourable member, given . . .

**MR. D. ORCHARD:** You aren't honourable.

**MR. CHAIRMAN:** Order please, Mr. Orchard. I've warned members about comments made whether they are on or off the record. I would remind you and other members that we follow the same procedures as we follow in the House with regard to referring to other members, and that all members are honourable members.

Mr. Mackling.

**HON. A. MACKLING:** Mr. Chairperson, I will choose to disregard that comment by the Honourable Member

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for Pembina, but I want to indicate that in all of my answers to members, including the Honourable Member for Pembina, I have endeavoured and I have been as full and frank and complete and honest as I can be as a member of this Legislature in providing information to this committee. I resent very much the fact that the Honourable Member for Pembina has continued to imply otherwise.

**MR. D. ORCHARD:** I resent you squandered \$25 million.

**MR. CHAIRMAN:** Order please.  
Mr. Mackling.

**HON. A. MACKLING:** Mr. Chairperson, I reiterate again that those same senior officials that the Honourable Member for Pembina had full confidence in during his tenure as Minister responsible for Telephones, those same senior officials were advising this Minister. Those same senior officials were assuring and reassuring not only this Minister but this committee of which the Member for Pembina, Mr. Orchard, is a member, reassuring this committee that, while those concerns existed, they had been addressed, those same senior officials who were present and acted for him in which he had full confidence when he was Minister.

Now, the record has shown that Mr. Orchard as Minister was apprised of misdemeanours, if we can call it that . . .

**MR. D. ORCHARD:** Such as?

**HON. A. MACKLING:** Well, a \$500,000 loan that the Member for Lakeside, Mr. Enns, didn't recall, didn't know anything about.

**MR. D. ORCHARD:** Say it when he isn't here, Al. Be a hero.

**MR. CHAIRMAN:** Order please.

**HON. A. MACKLING:** I have put that on the record while he was here.

**MR. CHAIRMAN:** Once again, I would warn members about comments that are made off the record or on the record. It is not parliamentary to make reference to lies in this committee, and I'm not going to tolerate it. We're into the last few minutes of the committee. Surely we can keep control of ourselves for a few more minutes longer.

Mr. Mackling.

**HON. A. MACKLING:** Mr. Enns has put on the public record in the Legislature the fact that he didn't know about a \$500,000 loan by the MTS, that perhaps it was, as management indicated, for research or something. We have the Member for Pembina who becomes Minister, he is fully apprised of the fact that not only was there a loan . . .

**MR. D. ORCHARD:** How?

**HON. A. MACKLING:** Now, the Member for Pembina, Mr. Orchard, says how.

**MR. D. ORCHARD:** By asking questions you didn't ask because you were incompetent.

**MR. CHAIRMAN:** Order please.

**HON. A. MACKLING:** Presumably, Mr. Chairperson, Mr. Orchard was fully apprised. He was a member of the House. He saw his colleague, Mr. Enns, who was embarrassed in the House. He became aware of the fact that that contract, let without tender, was later increased by \$156,000.00.

**MR. D. ORCHARD:** That's not true.

**HON. A. MACKLING:** He knew all of that. Yet what did he do with those same senior administrators which he reposed full confidence? He did nothing. Now he suggests that I was in error in relying upon those same senior management.

**MR. D. ORCHARD:** Mr. Chairman, a point of order.

**HON. A. MACKLING:** Mr. Chairperson, that's another phony point of order.

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

**MR. D. ORCHARD:** Mr. Chairman, I never accused the Minister of being wrong in relying on those people for information. I accused this Minister of not being responsible in asking the questions that a Minister should ask of them. He failed to ask for financial statements which any ordinary human being would ask for when being requested an \$8.5 million loan. That's what I am accusing him of irresponsibility in.

**MR. CHAIRMAN:** Order please. That is not a point of order.

Mr. Mackling.

**HON. A. MACKLING:** Mr. Chairman, it's typical of Mr. Orchard - knows the rules, breaks the rules. Obviously by his actions, he had full confidence in that same senior management, a senior management that later this Minister had to deal with. When we were apprised of the facts, when we got -(Interjection)- will the Honourable Member for Morris just contain himself for a moment?

When this Minister was apprised of the facts, we acted decisively. We acted decisively, and I want to put on the record my appreciation - and I've said this before - I want to underline it - to Coopers and Lybrand and for the staff, Mr. Curtis, particularly, and others, Mr. Edmonds, who have assisted this Minister to bring a part of the information possible before this committee.

I did want to put on record also, and I have certain things to say with the media, my appreciation for the fact that the committee process has worked, that notwithstanding the language that has flowed from across the way, I believe our legislative system is a good one and we have, during this process, uncovered the weaknesses but they have been dealt with in a responsible and decisive way and I thank all the members for that.

**MR. CHAIRMAN:** The hour is twelve o'clock. What is the will of the committee?



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Mr. Harapiak.

**HON. H. HARAPIAK:** Mr. Chairman, I move, seconded by the Member for Kildonan, that the Annual Report of the Manitoba Telephone System for the Year 1984-85 be passed.

**MR. CHAIRMAN:** The question is being called for.

**A MEMBER:** That is a debatable motion, Mr. Chairman.

**MR. CHAIRMAN:** The question has been called. All those in favour of the motion, please . . .

**MR. D. ORCHARD:** That is a debatable motion.

**A MEMBER:** No, but the time is up.

**MR. D. ORCHARD:** That is a debatable motion.

**MR. G. FILMON:** The motion can't be put if the time is up.

**HON. A. MACKLING:** No, it was put before the time was up.

**MR. CHAIRMAN:** Order please. It is a debatable motion. We do have the question of the time once again. What is the will of the committee in terms of the time?

**MR. D. ORCHARD:** Then you can't pass the motion if we're out of time, Mr. Chairman.

**MR. CHAIRMAN:** I asked the will of the committee in regard to the proceedings of the committee. We have to deal with that before we can consider whether we have time to debate the motion.

Mr. Cowan.

**HON. J. COWAN:** As a matter of fact, it is a debatable motion, Mr. Chairperson, and we have extended the time of the committee so that we could deal with some questions that the Opposition members wanted to address, and other members of the committee. I, for one, as a member of the committee, have no objection to continuing the extension of the meeting of the committee to debate the particular motion as put forward.

**MR. D. ORCHARD:** Mr. Chairman, I simply want to put on the record that this is yet another form of stonewalling by the government. This is another form of cover-up by the government in that they are now going to use their legislative majority on this committee to ram this Annual Report through. I'm ashamed of the Member for The Pas for making this . . .

**MR. CHAIRMAN:** Order please, Mr. Orchard. We are not debating the motion.

**MR. D. ORCHARD:** Yes, we are.

**MR. CHAIRMAN:** We are discussing the question as to whether we extend the time. We can debate the

motion if we extend the time. If we don't extend the time, we will not have a debate, obviously.

Is it agreed to continue the sitting of the committee to proceed further with the debate?

**MR. D. ORCHARD:** Mr. Chairman, would you clarify; if we do not agree to continue the committee, then this motion dies on the order table and we do not pass it, right?

**MR. CHAIRMAN:** Essentially, that would be the case.

**MR. D. ORCHARD:** We do not wish to have the Annual Report passed, so therefore we do not grant leave to have it rammed through by closure, Mr. Chairman.

**HON. J. COWAN:** It's really quite incredible that we are now witnessing the continuation of the obsession of the members opposite with this particular issue. It is normal practice at the end of committee meetings for the committee to pass the report.

We, in fact, have had a series of meetings which were negotiated with the Opposition, not last week, not two weeks ago, but at the end of the Session, to hold three meetings to be held within a certain period of time of the receipt of the report. We have lived up to all those obligations.

The members opposite indicated that they needed further time in order to discuss a number of questions which they had. We allowed them that time as a matter of courtesy. It now is time to pass the report of the MTS for the year '84-85. I believe that this committee did not set a time limit upon itself when we granted leave but we did grant leave to continue the discussions.

I see nothing in the rule book that says we have to shut down the committee at a particular time. When leave was granted, leave was granted. If the members opposite wish to debate the motion, that is their privilege to do. We're prepared to sit here and debate the motion. If they want to sit here all evening to debate the motion, we're prepared to sit here all evening to debate the motion.

But the fact is that leave was extended or leave was granted so that this committee could continue its work. I don't see anywhere in the rule book where it would have to shut down at a particular time. There is a motion before the committee.

**MR. G. FILMON:** Mr. Chairman, I simply make the point, for the edification of the Government House Leader, that when we agreed to the process of three committee hearings, it was for the purpose of dealing with the interim report of the management audit by Coopers and Lybrand. It did not include the passage of the Annual Report of the Manitoba Telephone System. We have, obviously, been dealing with the interim report of the management audit of Coopers and Lybrand and now the government is attempting to introduce something that was not in the motion and not part of the bargain.

**HON. J. COWAN:** I'll read to the Leader of the Opposition a letter dated September 3, 1986, to his House Leader, Mr. Mercier, which was agreed to, signed, "I concur with the above as outlined."

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Point 5 of it, and I'll read the entire point: "The Standing Committee on Public Utilities and Natural Resources will meet at 10:00 a.m. on September 4th and 9th to continue its consideration of the Annual Report of the Manitoba Telephone System. It is also agreed that three additional meetings of this committee, scheduled in consultation with you, will be held within 21 days of the receipt of the interim report of Coopers and Lybrand on MTX to continue its consideration of this matter."

"That's continuation of the consideration of the Annual Report of the Manitoba Telephone System, and that a copy of the interim report shall be provided to the Opposition Leader, and the members for Pembina and River Heights, at least five days prior to the first meeting of the committee."

When we met previously - and the Member for Pembina, Mr. Orchard, I'm certain will confirm this - and it was suggested by the Clerk at that time, and it was a meeting with representatives of Coopers and Lybrand, that we were here to consider the report of Coopers and Lybrand, the Member for Pembina, Mr. Orchard, very categorically stated, and it was agreed to, that no, we are not here to consider the report of Coopers and Lybrand, we are here to consider the Annual Report of the Manitoba Telephone System. Would the Member for Pembina please confirm that so his leader is advised as to exactly what he agreed to as to what the purpose of this meeting would be?

**MR. D. ORCHARD:** Mr. Chairman, the House Leader is correct, and my leader is correct. I indicated we were here because we had no right to do anything but discuss the Annual Report of the Manitoba Telephone System. My leader pointed out to you that there was no agreement to pass the annual report, just to discuss it, and that is what we object to, is you putting closure on discussion of the annual report; it's as simple as that.

**HON. J. COWAN:** Well, the Member for Pembina, Mr. Orchard, once again, is trying to extrapolate far beyond what the actual facts are, using what I believe are somewhat deceptive tactics that are only designed to result in misrepresentations and misunderstandings. What, in fact, he said was that we were here to consider the Annual Report of MTS. We agreed to that. We also, just five minutes ago, said very clearly that we were prepared to sit here as long as it takes to debate the motion which was put forward. That is not a form of closure, that is an open invitation for them to make their comments, for us to hear what they have to say, for them to hear what we have to say in response, and to pass the particular report. We are intent on doing that very act this evening; that is, concluding the consideration of the Report of the Manitoba Telephone System for the 1984-85 year. If the members opposite wish to debate that, please let them commence the debate, but let them not try to misrepresent what is happening here; and what is happening here is not closure, but an opportunity for them to debate, as long as they wish to do so, a motion which has been put before the committee and I believe is now within the possession of the committee.

**MR. D. ORCHARD:** Did you indicate a few minutes ago that you needed leave to put this motion? I believe you did, Mr. Chairman.

**MR. CHAIRMAN:** The question as to the time adjournment can be reached by consensus, obvious but the proper procedure, where consensus has not been arrived, is to put a motion to the committee to extend the hearing.

Mr. Cowan.

**HON. J. COWAN:** So that I understand. My understanding is that when the agreement to grant leave to extend the committee was made there was no time limit imposed upon the committee for consideration this evening, is that not the case?

**MR. D. ORCHARD:** We talked midnight.

**HON. J. COWAN:** Well, the Member for Pembina saying that we talked midnight. I guess my specific question was, and one has to ask specific questions with members opposite, was there a time limit that directly attributable to the extension of the committee and the leave that was granted earlier?

**MR. D. ORCHARD:** We said we would be finished our questions by midnight and we were.

**HON. J. COWAN:** Now the member across the table says that they would be finished their questions by midnight and, in fact, we considered their question until midnight at which time the motion was put. They say it is a debatable motion and we have agreed it is a debatable motion. We are prepared to debate that particular motion and would like to hear from them. They, in fact, wish to carry on that debate at this time. Nothing that they have told me indicates that there was any time limit on the extension of the work of the committee this evening. The extension was granted to them so that they could carry on their line of questioning. As a matter of fact, on numerous occasions, we have extended the work of this committee so that questioning could be carried on and this is another one of those particular instances. There is now a motion before the committee, Mr. Chairperson, and I would suggest that if the members opposite wish to debate it they begin debating it. We would be pleased to enter into that debate and would welcome their comments.

**MR. D. ORCHARD:** Mr. Chairman, a question to the Government House Leader: Is it your intention to raise it through, with your majority on the commission, the passage of this annual report this evening?

**HON. J. COWAN:** No, it is not my intention to raise anything through. We have finished the meetings and negotiated with the Opposition. We believe that it is incumbent now to pass the report of the committee. They have requested additional committee meetings between now and the Session. We have rejected that particular request and we believe that, at this point in time, it would be appropriate for the report to be passed. But, if they wish to debate it we are prepared to debate it as long as is necessary. There is no intention on anyone's part to close off the debate or to ram the passage through. The intention is merely to pass the report now that the work of the committee, as agreed to by members opposite as far back as September

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and as reaffirmed in more recent letters and correspondence and discussions, it is now time to pass the report. If you wish to debate it, please debate it.

**MR. CHAIRMAN:** To facilitate the proceeding of the committee, I would point out that we are presently discussing whether to extend the committee hearings. We are not discussing the main motion. If there is an intention to propose that the committee hearings be extended, it should be put forward in the form of a motion.

Mr. Cowan.

**HON. J. COWAN:** So that the record is clear, I also want to again confirm that we are here to deal with the Annual Report of the Manitoba Telephone System and, as well, to indicate to members of the committee that it was anticipated that there may be some outstanding issues which could not be considered within the context of these three meetings, and it was the Member for Pembina himself who suggested, and I'm reading from a letter from myself to him dated November 26, 1986, that, as per your specific suggestion, some outstanding issues can be addressed in the consideration of the Annual Report of MTS by the standing committee during its normally scheduled meetings during the Session. So he knew full well that when we went into these committee hearings that there was a time limit and that any questions or issues that were outstanding could in fact be addressed during the consideration of the Annual Report of MTS by the standing committee during its normally scheduled meetings during the next Session. That opportunity is still available to them, it is still open to them. There is nothing that says the line of questioning stops with this particular committee meeting, but what we are saying is that there was an agreement between the members opposite and myself and our caucus that there would be three meetings of the committee. There have been three meetings of the committee. If they wish to extend this meeting further in order to debate the issues, we're prepared to do that. However, we believe that it is within the tone and tenor of the agreement to pass the annual report at this particular time, and that's why that motion was moved.

**MR. D. ORCHARD:** Mr. Chairman, there was, quite simply, no place in any agreement that the Government House Leader could indicate that it was the intention to pass the annual report at these three meetings. There was never that intention expressed, implied or written and he knows that. Tonight he has put a motion on the floor, after the deadline of 11:30 p.m., after even the extended midnight deadline and, in asking the simple question of: does he intend to ram through, with the majority on the committee, the passage of the annual report, he skillfully tries to evade that question but, clearly, Mr. Chairman, it is his intention to ram it through tonight. We are not going to be part of any of that ramming it through; we wish to have, as we proposed earlier on, the 1984-85 MTS Annual Report considered at the next sitting of the Public Utilities Committee. That is what we desire, where we can approach this, having seen Hansard from tonight, having further reviewed answers that have been given over the last two days.

We do not, in any way, shape or form intend to have the government ram this through with their majority tonight and, if leave is denied, if that is what it takes to stop this government from putting closure on the Annual Report, then we will withdraw leave, if that's what it takes, Mr. Chairman. And I would trust that you answer that, or give me an indication of that, because we will not grant leave to this government to ram through the passage of the report in a manner of closure. We wish to discuss it at the next sitting of the Public Utilities Committee.

**MR. CHAIRMAN:** Mr. Harapiak on this point.

**HON. H. HARAPIAK:** Mr. Chairman, very clearly I was a member of this side who agreed to sit beyond 11:30 p.m. and I did not mention the hour of twelve o'clock, there was no hour mentioned. So, I believe, there is a motion on the floor and I believe we should deal with that motion.

**MR. CHAIRMAN:** Is there any further discussion on this point. I have Mr. Dolin next on the list.

Mr. Dolin.

**MR. M. DOLIN:** The Member for Pembina is obviously trying to take a position that somehow we are going to force through something by closing debate which he is closing. What the grantor of leave just stated is that he did not specify, in order to allow the opposition free and open time to question, as long as they saw fit. The Member for Pembina has now just stated that he said that it should only be a half hour and should be ended at midnight. He says he said that. I have never heard of a situation where the person who requests a granting of leave cuts off his own granting of leave while the grantor does not, and I think that is the situation we are in here.

What the member is now saying is he's going to cut off his own granted leave, and then accuse us of having closed. I think that is one of the most absurd situations I've ever heard of. I think, if the member wishes to debate the issue of the annual report, we have been doing that it seems since before the flood. Let him do it; let him debate and make his points for the seventh or eighth or ninth time if he wishes to do so, but I think, Mr. Chairman, I would like a ruling. If the grantor of leave did not specify a time, the requestor is saying he specified a time, I don't think that is relevant, whether he said, I only want a half hour. Leave was granted for an indeterminate time and, Mr. Chairman, I suggest that debate continues as leave was granted.

**MR. CHAIRMAN:** Mr. Scott.

**MR. D. SCOTT:** Well, there is another member of the committee that hollers another time, as well, of 12:30 a.m. and I don't accept that. I don't know if you will pick it up on the record or not, but it was one of the members sitting down here, one of the opposition members. I don't accept any - when you extend time without having any kind of a formal agreement as to what the time will go, then you have an open end. The Member for The Pas, who accepted the notion of extending the time of the committee did not put any

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kind of a limit on it from our side. So, this whole exercise is an exercise of foolishness as far as I'm concerned of playing games over time.

I wish we would get on, debate the motion to accept the report and, if you don't want to debate that, then we should call the question, Mr. Chairman, and be done with it.

**MR. D. ORCHARD:** Mr. Chairman, I simply want to know, because you did indicate earlier on, about 15 minutes ago, that leave needed to be granted to deal with the motion put by the Member for The Pas. If that is the case we are not prepared to grant leave to allow the passage of the Annual Report of the Manitoba Telephone System; that ends the debate and committee can rise.

**HON. A. MACKLING:** Mr. Chairperson, I'm not on the committee, but I can, as an MLA, comment on the procedure. Now, as I understand it . . . -(Interjection)- Well, Jimmy you just find your own way. As I understand it, the committee had discussed allowing some further questions to accommodate the Member for Pembina, the Member for Tuxedo, the Member for Morris; that accommodation was given. There was a discussion about extending the time to a time, and a suggestion of twelve o'clock. That's what I understood.

However, the committee didn't cease functioning, it was still here after twelve o'clock, and this committee is still here after twelve o'clock. The Chairman is still here and after twelve o'clock the committee does not

cease to exist, and an honourable member of the committee put a motion, and the Chair had recognize that member, the member made the motion and the motion was received by the Chair. Now there is objection being taken to the motion. There is an interpretation there has to be leave before he can discuss the motion. The motion is on the floor; the motion has been accepted by the Chair; the committee is still functioning and the committee can deal with the motion.

**A MEMBER:** You need leave.

**HON. A. MACKLING:** No, you don't need leave.

**MR. CHAIRMAN:** I'd like to thank members for the advice. I think we've had a fairly extensive debate on this question. I would indicate that we set a time for adjournment at 11:30 p.m. There was discussion of an extension, there was reference to a twelve o'clock period. We've checked the tape and I specifically referenced continuing until twelve o'clock or before. If the question had been called the vote would have taken place prior to the adjournment of the committee. However, the question was not called, therefore, since there was no motion prior to that time to further extend the committee, and since leave has not been granted I would have to rule that the committee has to rise at the effective hour of twelve o'clock.

Meeting adjourned.

**COMMITTEE ROSE AT:** 12:00 a.m.