

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

Tuesday, 12 August, 1986

TIME — 10:00 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. S. Ashton (Thompson)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Doer, Plohman, Hon. Mrs. Smith
Messrs. Ashton, Dolin, Enns, Filmon,
Manness, Orchard, Parasiuk, Scott

APPEARING: Hon. Mr. Mackling

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

Mr. Don Plunkett, President, MTX

Mr. Mike Aysan, MTS Employee

Mr. Maurice J. Provencher, Director of
Finance, MTS

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

MATTERS UNDER DISCUSSION:

Annual Report of Manitoba Telephone System

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MR. CHAIRMAN: If the Public Utilities Committee will come to order, first off, I understand the Minister has a statement.

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

Mr. Chairperson, since this committee last sat, a number of issues have arisen relevant to its proceedings. Additionally, I have taken in the House a number of questions as notice, to be answered before this committee. That information will be made available to members of the committee today.

In addition, I'd like to announce some immediate action to be taken by the government concerning the current and future operations of the Manitoba Telephone System, wholly-owned subsidiary, MTX.

Canada is a trading nation and Manitoba is a trading province. International trade is important to this nation and this province. It means business opportunities for Manitoba companies and jobs for Manitobans. We, as a province, have much to offer the international community and we have gained much by our long and historically-active participation in trade on an international level. Provincial, national, and international economic realities make it clear that this trade is not only important today, but will become increasingly important in the future.

As Manitoba companies, be they private or public, involve themselves in international business dealings, they invariably are affected by legal, cultural, religious and traditional factors foreign to Manitoba and to Canada.

Those different business and cultural practices can have an impact on business operations, as well as employment practices and standards. While it is important to respect the laws and customs of nations you do business with, particularly when that business is located in a foreign country, it is also important that you are continually satisfied that your employees are not open to unfair or discriminatory employment practices and that your investment is as secure as you can make it.

The government has concerns in both of these areas regarding MTX's involvement in Saudi Arabia and other foreign countries. Manitobans and the Manitoba Government have long demonstrated their abhorrence to discrimination. There can be no question as to this government's position on human rights, equality of women, minority rights, or discrimination on the basis of religion, race or colour. Indeed, Manitoba has been a leader in many of these areas.

There has, to the knowledge of this government, been no direct discrimination on the part of MTS or MTX in the hiring or assigning of staff to work in Saudi Arabia. A condition of Cabinet approval for MTX's involvement in Saudi Arabia was that there be no discrimination in the hiring or assignment of staff to Saudi Arabia.

Just as in Canada, in Saudi Arabia, the final decision on admission to that nation for any reason, including work, is that of the local government. Laws and customs governing the behaviour of individuals are likewise determined by the host country, in this case, Saudi Arabia.

The grounds for admission, the laws and customs of many countries may contradict those we accept in Manitoba. Clearly, there are laws and customs in Saudi Arabia that would be not acceptable in Manitoba, just as there are such laws and customs in effect in many countries around the world.

While recognizing the religious, cultural and political autonomy of peoples around the world, this government also believes that all people have a right to basic human rights, to live and to work free of discrimination based on sex, religion, race or colour. We believe the world community has responsibility to promote these values, and to take such action as is necessary, practical and timely. Indeed this is a course followed by the United Nations, and one that we support.

The Premier recently announced that it is our intention to take such action as is necessary to ensure that Manitoba companies operating abroad do so in a manner consistent with human rights legislation in this province. It is our intention to ensure that Manitoba companies do not knowingly and actively operate in a discriminatory fashion anywhere in the world.

As more private and public corporations based in Manitoba become involved in international trade, it becomes increasingly important that a clear policy in this area be developed. In the case of MTX, not only is it involved in foreign countries, but it is involved in a highly competitive, high-risk area of technological development and sales.

It is clear that operations in Saudi Arabia have been adversely affected by a number of factors, one of which is the downturn in the Saudi economy resulting from the current state of the international oil industry. MTX has already down-sized its operations in Saudi Arabia to reflect the downturn in the Saudi economy. This is, however, only one factor of MTX's many operations. It has become necessary to assess all of the factors involved in the operations of MTX world-wide.

I will, therefore, be contracting an independent, world-wide management consulting company with international expertise to review in its entirety the operations of MTX. It is my intention to contract this work as quickly as is possible and to have an initial report completed within 60 days of the commencement of work. It is also my intention to make this work public, except where commercial confidentiality is required.

Upon receipt of this report, the government will make decisions regarding the future operations of MTX. Those decisions will be made quickly and in the best interests of the telephone ratepayers and taxpayers of Manitoba.

The Manitoba Telephone System is among this province's and this nation's best Crown corporations. Manitobans have for years enjoyed the benefits of having a strong and efficient publicly owned Telephone System. This government is committed to not only maintaining that but enhancing it.

Now, Mr. Chairperson, I'd like to move on to specific questions that were taken as notice in the House and in this committee pertaining to MTX. I'll ask the Chief Executive Officer of the Telephones to lead off in respect to those responses.

MR. CHAIRMAN: Mr. Holland.

MR. G. HOLLAND: Mr. Chairman, there were questions on a consulting contract with the Tokyo group and questions on some Timeplex equipment. I'd like to ask Don Plunkett, the President of MTX, if he would respond to those questions.

MR. CHAIRMAN: Mr. Plunkett.

MR. D. PLUNKETT: Mr. Chairman, questions were asked on the Pan Pacific Hotel and World Trade Centre contract that MTX fulfilled. On Wednesday, August 6, the Minister took as notice, questions regarding our involvement.

The project consisted of providing consulting services to Tokyo Canada Corporation to assist them in providing appropriate telecommunications and CATV facilities for the Pan Pacific Hotel and World Trade Centre. The project was divided into phases. The first consisted of performing a needs analysis, developing a conceptual design and creating suitable requests for quotations for both the telecommunications PABX systems and the CATV network.

The second phase involved the analysis of the responses to the request for quotations and the

system's selection. Resulting from these analyses, contracts were awarded to two private sector companies for the PABX systems and for the CATV system.

The third phase involved the implementation of the systems. MTX provided supervision, project management and vendor building scrutiny. It is important to mention that throughout the project, Tokyo Canada used MTX as their advisor on a wide range of telecommunication technologies and issues.

During the course of the project, it was necessary to employ seven professionals for various lengths of time from MTS.

The total amount billed to Tokyo Canada Corporation was \$122,000 for labour and \$71,000 for expenses. The labour covered 3,497 man hours and all bills have been paid, both to MTS and the various suppliers. MTS has billed MTX Telecom Services a total of \$99,123 for the time spent by the various professions. The gross profit on this project was 13.6 percent.

Mr. Chairperson, on Tuesday, July 29 and Wednesday, July 30 and Thursday, July 31, the Minister took as notice a series of questions regarding Timeplex equipment currently being held in a bonded warehouse in Winnipeg. This included a request for information surrounding the circumstances of the equipment returned to Winnipeg from Saudi and it subsequently being held in a bonded warehouse.

In addition, the following specific information was requested: The per diem cost of keeping the equipment in the warehouse; whether there was any more equipment being held in bond or accepted back following rejection in Saudi Arabia; how often major orders have been cancelled; and the nature of security on equipment orders; the Saudi partner's responsibility in these losses; if MTS-MTX executive committee approval is required for purchases over \$50,000; if MTX guarantees equipment purchases for MTX; and how could it be that the Chief Executive Officers of MTS and MTX could be quoted in the Free Press as saying they knew nothing about the equipment?

In 1984, Datacom entered into a contract with the Saudi Arabian bank to provide a data communications network between the bank's regional offices and its branches. The contract was structured such that the technical specifications were firm but orders would only be placed as required by the bank.

The bank was to issue purchase orders three months in advance of when it wanted the equipment delivered. Given that the lead time for the type of equipment to be supplied was four to six months, the decision was made to order equipment in advance of the purchase orders, to avoid penalty clauses for late installation, contained in the contract.

As of September 25, 1985, Datacom had installed the Timeplex equipment in 36 of the 120 branches of the bank. Total value of the installations was \$1,488,000, at a profit margin estimated at 40 percent.

During the fall and winter of 1984, the bank discharged its communications consultants from the U.S. and hired their own permanent staff.

In September, 1985, the new staff reversed earlier decisions regarding the network and the bank decided not to proceed with any further installations under the contract.

Subsequent attempts to sell the equipment to other Saudi accounts failed and Datacom asked MTS to

review its requirements and determine whether they could use the equipment in their network.

MTS reviewed the equipment list and identified the equipment they thought they could use. The equipment was subsequently returned to Winnipeg on April 3, 1986 and placed in storage on April 18, 1986.

In MTS, purchases in amounts greater than \$60,000 require executive committee approval. Purchases greater than \$120,000 require MTS board approval.

The MTX board of directors approves the terms and conditions for supplier contracts for joint venture and project equipment purchases. The president of MTX has the authority to approve purchase of equipment under the MTX board-approved supplier contracts. All other purchases not covered by board-approved supplier contracts over \$100,000 for MTX project completion are approved by the MTX board of directors. Purchases under \$100,000, not covered by board-approved supplier contracts, have to be approved by the managing director and president of MTX Telecom Services.

The chief executive officer of MTS would not normally be notified of transactions of this type. They are considered to be part of the normal business operation and only in extraordinary circumstances would he be notified.

I, as chief executive officer of MTX, was fully aware of the equipment and the circumstances surrounding its return and storage in Winnipeg. Quotes attributed to me in the Winnipeg Free Press have been confirmed as inaccurate.

MR. CHAIRMAN: Mr. Holland.

MR. G. HOLLAND: Mr. Chairman, there have been a number of questions on the caning incident, which is now more than three years ago. In order to provide a complete description of that incident, Mike Aysan has agreed to - he was the officer in charge on site in Saudi Arabia at that time - he has agreed to describe for the committee the sequence of events that occurred that April.

Mike was employed from July '66 to October '74 in the Provincial Civil Service. From October '74 to '78 he was an MTS department head in the Information Systems area. He left MTS for several months in '78 and returned in November '78 as Manager of External Contracts. He went in August, 1982 as the General Manager of Datacom and returned in July, 1985 as a department head at MTS. So perhaps Mike would describe the event.

MR. CHAIRMAN: Mr. Aysan.

MR. M. AYSAN: I have been requested by the individuals involved that their names not be made public, so I will attempt to describe the incident without divulging the names of the individuals involved. That was a personal request from them.

In Saudi Arabia there is a local religious ruling that states that all trading must stop during prayer hours. There are five prayer times per day, three of them directly affect the business hours. The first one is at sun-up which does not affect the business hour and another one is late at night, after business hours. The

rule applies to all trading establishments such as jewelry stores, grocery stores, banks, anybody that's in the trading business.

After we established our initial presence in Saudi Arabia, a number of my employees asked the question whether we should be closed during prayer hour. I went to my boss, who was a Saudi, and I asked him whether we had to close our offices. My boss instructed me that it only applied to trading establishments. Since we were an office, there was no requirement to close.

In addition to that, the three years that I spent in Saudi Arabia, I have never been in an office that has been closed during prayer hours, including the Canadian Embassy and Ministries. However, on the date of the incident, the Matawa, which is the English term for them as the guardians of the faith, which have been referred to in the media here as the religious police, they really are not a police force, they are not an agency of the government, they are a society interested in protecting the faith in the nation.

They decided to raid our street and they started on top of the street and they were specifically after our neighbouring businesses which were a butcher, a produce store and a bakery who were ignoring the religious laws and they continued down the street and came into our office, subsequent to having grabbed the butcher, the baker and the produce store employees.

At the time they came into my office. My wife wasn't in her proper Saudi attire, in her abaya (phonetic), getting from me some Saudi exchange in order to go to the supermarket and the Matawa asked who the woman was, because he only had two concerns. According to their local rules, a single man being with a single woman is implied adultery, so he was very concerned whether she was a single woman or someone other than my wife. He was told that she was my wife and he was told that she was there to get some money to go to the grocery store. He was quite satisfied with that and then he grabbed six of us, myself, four of my employees and one engineer from a client who was dropping off some drawings.

We were walked down the street from our office to the Suburban, which they used as their combination of vehicle and paddy wagon, put us in the Suburban and took us to their converted headquarters which was a large house. We were put into a bedroom for a period of about one hour while they were handling the other gentlemen from the butchery and the bakery and the produce store. Then we were called into the room and the room was set up similar to this room with chairs along the perimeter, a table at the head of the room and the Matawa, one by one asked the employees what nationality they were and what faith they were, like Indian, his religious orientation.

Then when they came to me, they asked me what my nationality was. I said Canadian. He did not know that Canada existed as a nation and he accused me of lying. He said you are an American, why are you lying? So finally we sorted that out and agreed that I was an American. Then he said, Christian? - and I said, no, that I was a Muslin, and I am a Muslin by birth. Then he asked me to sit down and they went to the last employee who was an Arab national, and they asked him what his nationality was, and he said that he was a Christian Arab, and they gave him a very hard time, that he should take an example from me, the American,

who had seen the light and had converted, etc. Then they proceeded to take our names down, one by one, and they said that we're warning you now, that if you repeat this infraction for the second time, we will administer public flogging. And when they were writing our names down, we noticed that they couldn't even write our name; they were illiterate people.

I tried to discuss with the Matawa that we were not a trading establishment, that we were an office environment, couldn't get through to him. Then he said, "As a warning, I'm going to administer three canes to each one of you, except the American, who is a Muslim; he's very special." Upon that I went up to his table again and I said, "Well since I am responsible for the office and since I am a Muslim, I will take the full responsibility for it and I would like you to administer three canes per employee on me and I would appreciate if you would release my employees and not punish them, because they had nothing to do with it."

He wouldn't buy that, so then I tried one more route with him. I told him that I was a Chafe, who are considered as the scholars of the religion, and I told them that based on my understanding of the faith, what he was doing was contrary to the teachings of the Koran and the teachings of Mohammad. Then they got very angry at me and three of them jumped up and grabbed me. They threw me out of the building. I made one more attempt at crashing through the door to get my people out of there and they strong-armed me again and my employees were pleading with me just to shut up and leave it alone, we'll take our three canes and get out of there.

Subsequent to that, the employees, we went back to our home and discussed it. Everybody felt that this was an embarrassing thing, the threat of a repeat offence. Regardless of the ruling that applied to the office, we decided that we would implement very rigid procedures henceforth of the office being closed. On numerous occasions we had Saudi customers who came to the door, who were angry at us for being closed at prayer time, because they felt the ruling didn't apply to us. In spite of that, we maintained very rigid procedures to keep it closed.

Subsequent to the event, also we all agreed that this was an embarrassing situation, a situation that no one in Canada or in our homelands - wherever we came from - would understand that it was a private matter among the employees and everybody asked to remain anonymous and that we don't discuss the subject any further.

About two or three months - I can't remember the exact duration - later I received a phone call from Mr. Ward of the Winnipeg media, who had heard of the incident who, prior to talking to me, I had phoned Dwight, the Canadian Ambassador, to check on what the Matawa was and what the ruling was, and asked me if an incident had taken place. I said yes. However it's the type of a thing that will bring more anguish to our families back at home and to our private lives that I pleaded with him that it was personal anguish to us and that we really didn't want it published.

I said to him that if you want ink, we'll give you a lot of human interest stories, there are some interesting things; that didn't work. I also told him that if too much of this is made, it will be more difficult for us to do business in Saudi Arabia; that didn't cut any ice with

him either. Then he asked me, was there any further action contemplated on us, and I said no. He asked me if I had been flogged, I said no; and I hung up the phone on him. I said, I don't want to talk to you anymore.

Relative to discussing it with MTS officials, the day of the event, Maurice called me - Maurice Provencher - as he normally did, and I described to him what had taken place and requested from him that the incident be left as a private matter.

The employees involved all have said that they're prepared to go in their respective countries and the United States, and wherever they are today, and sign an affidavit to this effect in front of the Canadian Ambassador and forward them here. One of them is prepared to fly up here to confirm the story. This is a very embarrassing situation for me, and it has turned my private life into a zoo. I really don't want to discuss it again. Thank you very much.

MR. CHAIRMAN: Mr. Holland.

MR. G. HOLLAND: Mr. Chairman, I fear this may be somewhat anti-climactic, but on July 15th we were asked to provide illustrations of overtime for the first six months of 1986 at MTS. We measure overtime as a percentage of regular hours and the monthly overtime for plant personnel throughout Manitoba, as a percentage of regular hours, January through June: 13.73 percent, 13.73 percent, 8.10 percent, 8.71 percent, 6.90 percent, and 7.51 percent.

On July 31st and August 6th in the Legislature, a number of questions were asked about the employment of Theresa Aysan. One question was whether she is currently employed by MTS and the specifics of that employment. Mrs. Aysan is currently employed by MTS as a senior analyst in the customer systems group in our business communications area. The salary is \$33,768 annually and the employment commenced in February, 1986.

Mrs. Aysan has a Bachelor of Science Honours Degree, a Master's Degree in Business Administration and Finance and experience in information systems, office automation and finance and accounting.

There were a number of further questions relating to MTX, Mr. Chairman, so perhaps I could ask Mr. Plunkett to return and answer those.

MR. CHAIRMAN: Mr. Plunkett.

MR. D. PLUNKETT: Mr. Chairman, at the last Public Utilities meeting a question was asked on the aged arrears listing as of March 31st. Information is now available.

In the 1-30 day category, there are \$3.7 million of outstanding accounts receivable; in the 31-60 day category, there is \$1.4 million; in the 61-90 day category, there is \$1.6 million; the 91-120, \$816,000; and 121 and up, \$3.5 million. The total value of the receivables at that point is \$11,088,000.00.

There was a question related to the IBM computers that were sent back from Saudi Arabia and the question as to whether they were put into use in MTS. No, MTS did not need nor use the computers which were returned. New equipment was returned on a consignment to MTX for resale on the used market in North America.

There was a question on how much of the cost of sales of \$8.6 million in 1984-85 would represent employee costs. There was \$783,376 of employee labour and travel included in the \$8.6 million cost of sales in 1984-85. In 1985-86, the amount was \$1.146 million. There were 78 different MTS employees working on MTX projects, including Saudi Arabia, during 1985-86.

What percent of the \$8.6 million cost of sales was sold directly to the 100 percent Saudi company and not SADL? It's previously pointed out, all sales to Saudi Arabia must go through the 100 percent wholly owned company, as only a wholly owned Saudi company is allowed to import goods. As a result, all shipments are made to the wholly owned Saudi company which then supplies and bills SADL for goods and services used to complete the projects. The billings to Saudi amounted to \$7,859,000 or 91 percent of the \$8.6 million.

A further question on how long has Cezar Industries Ltd. been in existence. Cezar Industries Ltd., CIL, was incorporated as International Video Corporation, a California corporation, in March, 1966. In June, 1977, International Video Corporation, IVC, filed for protection under Chapter 11 of The Federal Bankruptcy Act in the United States.

In April, 1982, it entered into a merger with our Cezar International Ltd., RCI. Subsequent to the merger the surviving corporation, IVC, changed its name to Cezar Industries Ltd. Those are the questions from PUC.

A further question in the House from Mr. Filmon, the Leader of the Opposition: "Please provide a summary of the services that MTS has provided to MTX in the last fiscal year and what was the monetary value?"

The services provided by MTS to MTX include legal office space and telephone services. These services are charged to MTX on a lump sum basis negotiated annually. The charge for 1984-85 was \$144,000; and for 1985-86, \$135,000.00. The reason for the decrease was that MTX took over full responsibility for the accounting and personnel function during 1984-85.

The other services relate to MTS employees used in MTX projects. They are charged to MTX, based on actual salary, plus direct employee benefits and any other direct costs, such as travel. During 1984-85, these charges amounted to \$783,376; and \$1.096 million during 1985-86.

There was a further question on the goods and services transferred back and forth between ourselves and Saudi Arabia. As I mentioned previously, SADL, as part of our joint venture, must import its goods through Datacom, the wholly owned Saudi company. MTX only acts as a purchasing agent for that company in North America. As such, we do not transfer assets nor loan assets over them.

MR. CHAIRMAN: Mr. Holland.

MR. G. HOLLAND: Mr. Chairman, there was also a question about Theresa Aysan's employment with MTX and Maurice Provencher, who was then the Chief Operating Officer of MTX, has that information.

MR. CHAIRMAN: Mr. Provencher.

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

The financial and administration function for Datacom is an Al Bassan responsibility. The MTX Saudi Arabian partner appointed an individual to the Datacom financial and administration position who did not have adequate technical background to set up the micro processor systems for the Datacom financial and internal control systems.

At that time, I was the MTX Operating Officer and requested, with the approval of the Saudi Arabian partner, that Mrs. Aysan, on a month-to-month basis, set up and administer the Datacom financial and internal control systems and to fully train the Saudi appointed Datacom financial and administration manager.

Mrs. Aysan's assignment with Datacom was for the period September, 1982 to November, 1983. The total payments from MTX amounted to \$45,900.00. The assignment period was originally estimated by myself to take three to six months. However, the initial development of procedures for the Datacom administration functions associated with equipment, custom clearances, visas, work permits, local procurement of inventory and office equipment, lease negotiations for the head office facilities and the translation of documents to Arabic took longer than expected by the Saudi appointed financial and administration manager, and he was not fully trained to take over the financial administration function until November, 1983.

Mrs. Aysan was also requested to provide consulting services for Al Bassan International. This consulting assignment took approximately 250 hours during the period November, 1983 to June, 1984, and Mrs. Aysan received consulting payments of \$9,375 from MTX. Total MTX payments to Mrs. Aysan for the period September, 1982 to June, 1984, amounted to \$55,275.00.

MTX billed and received payments from Datacom and Al Bassan International for the full amounts of the contract payments by MTX to Mrs. Aysan. To the best of my knowledge, Mrs. Aysan carried out her responsibilities from her home across the street from the Datacom offices.

Thank you, Mr. Chairman.

That's all the questions that we had.

MR. CHAIRMAN: Mr. Mackling.

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

Yesterday in the Legislature the Honourable Member for Pembina, presumably in accordance with a strategy to make as much as he can out of whatever he has, accused this member of misleading this committee; and I indicated that in answer to his questions that he'd placed earlier and taken as notice, that I did not know for certain whether or not the business plan in respect to MTX proposals with respect to Cezar Industries, had accompanied a submission to the ERIC Committee. I checked and have confirmed that the business plan did not accompany that submission. The business plan had never been presented to me as a Minister. I had received an overview of the MTX-Cezar Industries proposal and the overview was contained in the ERIC submission.

I am further advised that the document I have now seen - and when I answered the honourable member the other day I had spent a considerable time over the

weekend looking at all of the relevant documentation that had been obtained from MTS and MTX in respect to all of MTX operations - I had seen a document which, from my perception, was a business plan. I'm advised that it is not a business plan, it's a business case, but that is the document that I have seen. I saw that subsequent to the sitting of this committee, and when I indicated to this committee I had not seen a business plan that was the truth.

Now the honourable member has accused me of misleading this committee. I think it's incumbent upon him to withdraw those charges.

MR. CHAIRMAN: First of all, if I could, I'd like to get the will of the committee in terms of how to proceed with the report.

HON. A. MACKLING: Well, I want a withdrawal of those charges.

MR. CHAIRMAN: Perhaps on a point of order.

MR. D. ORCHARD: Mr. Chairman, the Minister has taken that matter under advisement and I trust the Speaker will be ruling on it. No withdrawal will be forthcoming from me at this committee to Mr. Mackling on the charge of misleading this committee.

MR. CHAIRMAN: Once again, in terms of proceeding further, I'd like some indication from the committee on how we can proceed through this report. Is it the will of the committee to treat it as a whole or page-by-page?

Mr. Filmon.

MR. G. FILMON: Mr. Chairman, my suggestion would be we go through the whole. The answers to the questions have raised certain other questions, and we would like to proceed on the overall issue, all of the various questions and answers that are on the table, and we'll deal with it in that way.

HON. A. MACKLING: I concur with the Leader of the Opposition, Mr. Chairperson. I think we deal with it as one item.

MR. CHAIRMAN: Okay, the will of the committee is to deal with it as one item. I have a speaking order. The first is Mr. Filmon.

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

I wonder if I can ask the Minister if he has satisfied himself that the information provided in response to the questions that were laid before either committee or the Legislature and were responded to by various staff members of MTS and MTX, is he satisfied that those responses are factual and verifiable?

HON. A. MACKLING: Mr. Chairperson, I've asked staff to provide full, complete, factual responses to the questions that have been asked. I have no reason to believe that they would provide other than as requested.

MR. G. FILMON: I wonder, Mr. Chairman, if I could ask Mr. Holland if he has looked into the matter

sufficiently to satisfy himself that all the responses were factual and verifiable.

MR. CHAIRMAN: Mr. Holland.

MR. G. HOLLAND: Mr. Chairman, I've reviewed all of the responses and I have no reason to believe that they are not accurate and factual and complete.

MR. G. FILMON: Mr. Chairman, I wonder if I could ask a little bit about the establishment of MTX, the lines of authority and responsibility. In so doing, I wonder if I could ask Mr. Holland, when MTX was created in 1982, if that was a project that he supported and recommended to the Minister responsible.

MR. G. HOLLAND: Mr. Chairman, I believe that MTX had its origins in the Spectrum Management project which began to be discussed in I believe 1980 and was pursued through 1981. That was an invitation from the Government of Canada to participate in a multi-million dollar consulting project in Saudi Arabia. As this committee is aware, we did actually go into a form of partnership with a subsidiary of Alberta Government Telephones and a subsidiary of Bell Canada and pursued that unsuccessfully.

The other events that were taking place were that since 1977 or 1978 we had been participating in the Bell Canada contract. Many of our employees had participated.

Also, in the 1981-82 period, we had substantial decreases in workloads and work volumes and there was an economic recession at that time. It seemed to be meritorious to try to create alternatives to layoffs which MTS dislikes as all members here know. So all of those factors considered, and a great emphasis on job creation throughout, I would have to say that I supported that sequence of events.

MR. G. FILMON: So in effect - and Mr. Holland can correct me if I'm wrong - MTX's origins were as a job creation project to respond to the decreases in work volumes and avoid layoffs by the corporation in about 1982 - (Interjection) - no, no, no. MTX was formed in 1982, as my understanding is, and really wasn't legitimized until the amendment to the act in 1983.

MR. G. HOLLAND: Mr. Chairman, that was, I suppose, the major rationale. Another one was that MTS does not have a research house or a manufacturing. We're not vertically integrated. The trends in technology required that our computer specialists and engineers do have opportunities to develop their expertise. We did that in a number of ways, taking full advantage of Telecom Canada assignments beyond our normal quota.

Again, the committee will be aware that we undertook modest research projects known as Elie-St. Eustache and Project Ida, which again gave our people tremendous learning opportunities, the latter of which produced external grants of almost \$4 million so that we did that cooperatively with all of the major Canadian telco's and major suppliers. So that was another reason for it, that we do have a good deal of expertise and talent at MTS and many things that we do extremely well and that are of interest to other companies.

MR. G. FILMON: I wonder if we can just establish for the record, MTX, as an entity, was started in '82 and was legitimized by the legislative change in '83. Is my understanding correct on that matter - either the Minister or Mr. Holland?

MR. G. HOLLAND: Mr. Chairman, subject to John McGuire, it was authorized by an Order-in-Council, as required under the legislation, on January 4, 1982, and formally recognized in the act in '83.

MR. G. FILMON: Did we establish that Mr. Holland, on behalf of the board of directors, did indeed recommend this to the Minister responsible and that's how it initially came into establishment?

MR. G. HOLLAND: I'm sorry, I missed part of the question.

MR. G. FILMON: Did you, Mr. Holland, on behalf of the board of directors of MTS, recommend the establishment of MTX to Cabinet, who proceeded then by Order-in-Council on January 4, 1982 to establish MTX?

MR. G. HOLLAND: It certainly had the support and approval of the MTS board. I'm not certain how that was conveyed and approved. I would have to check that.

MR. G. FILMON: I wonder, Mr. Chairman, if either the Minister or Mr. Holland could indicate what MTS representatives sit on the Datacom board of directors.

MR. G. HOLLAND: What MTS represented?

MR. G. FILMON: Representatives who sit on the Datacom board of directors.

MR. G. HOLLAND: We hold three seats, as does our partner, and those seats are held by Glover Anderson, Barry Gordon and Maurice Provencher at this time.

MR. G. FILMON: Have there been any recent changes?

MR. G. HOLLAND: Can I ask Maurice Provencher to respond to that?

MR. CHAIRMAN: Mr. Provencher.

MR. M. PROVENCHER: Mr. Chairman, the initial SADL board members, as indicated by the FIRA approval for the joint venture, were Mr. Anderson as vice-chairman of the board, Mr. Oz Pedde as a member, and myself as a member. Subsequent to Mr. Pedde's resignation from the Manitoba Telephone System, Mr. Barry Gordon was approved as a board member for the joint venture SADL.

The current board members from MTS, Mr. Anderson is the vice-chairman, myself and Mr. Gordon.

MR. G. FILMON: With respect to the operations in Saudi Arabia, did all of the SADL employees report to Mr. Aysan as general manager?

MR. M. PROVENCHER: The corporate structure in Saudi Arabia is that basically Mike reported to the president who was a Saudi appointee. On day-to-day operations they would have reported to Mr. Aysan.

MR. G. FILMON: Who was the Saudi president? Mr. Aysan referred to him, I think, as his boss earlier today. Who was that individual?

MR. M. PROVENCHER: Mr. Chafe Abou Richeh.

MR. G. FILMON: How is that spelled, the last name?

MR. M. PROVENCHER: A-b-o-u, and I believe, subject to correction, R-i-c-h-e-h.

MR. G. FILMON: What was his responsibility in the operation of the corporation?

MR. M. PROVENCHER: He was the president of the corporation.

MR. G. FILMON: Did he have any operating responsibility or was that all Mr. Aysan's responsibility?

MR. M. PROVENCHER: Mr. Aysan would have the day-to-day operating responsibilities.

MR. G. FILMON: Did the president have any operating responsibility?

MR. M. PROVENCHER: He met with Mike on a daily basis and discussed all facets of the operation, including marketing, sales strategy, installations, inventory levels, and there was constant communication, to the best of my knowledge, between Mike and that president.

MR. G. FILMON: Would it have been Mr. Aysan who reported to you, or Mr. Abou Richeh?

MR. M. PROVENCHER: I'd like to clarify "reported." Under what connotation?

MR. G. FILMON: When you were the chief operating officer of MTX.

MR. M. PROVENCHER: Mr. Aysan reported to the SADL board of directors and not to myself directly as MTX operating officer.

MR. G. FILMON: You're saying, then, that when you went out to Saudi, or discussed with Mr. Aysan the flogging incident, it was just for advice or was he reporting to you at the time on the incident?

MR. M. PROVENCHER: I was almost in daily communication with Mike Aysan because it was the initial start-up of Datacom. I did phone Mike on the day of the incident and he did tell me what happened.

MR. G. FILMON: What were, then, your responsibilities, Mr. Provencher, for MTX operations?

MR. M. PROVENCHER: I was the operating officer and had total responsibilities for MTX Telecom Services. I

reported to Mr. Anderson who was then the president for MTX Telecom Services.

MR. G. FILMON: Did you take your advice and information from the board of SADL or directly from Mike Aysan?

MR. M. PROVENCHER: I'd like to clarify in relation to what?

MR. G. FILMON: In relation to most of the operating decisions of the company SADL.

MR. M. PROVENCHER: I did not discuss day-to-day operations with Mike. That was his total area of responsibility. I reviewed them as a board member of SADL on the same basis as the other board members.

My responsibility in MTX was to purchase such equipment as was necessary for the joint venture during that period of time. There would have been purchase orders that would have been sent to Canada and authorized by the president and general manager of SADL at that time.

MR. G. FILMON: If that's the case, why were you in daily communication? Were you purchasing equipment every day?

MR. M. PROVENCHER: During that initial period of time, while I was operating officer, it was a start-up operation and basically there was equipment for the initial start-up, they were the suppliers, the agreements that we had to negotiate from Canada, which I had to get approval from the Saudi President or through Mike who then communicated and got that approval from the Saudi President. There was furniture and equipment which we had to provide from Canada for both our office facilities in Saudi Arabia and also for the office apartments which were in Saudi Arabia. There was a lot of material that we had to provide for the Foreign Investment Review Agency filing in Saudi Arabia.

MR. CHAIRMAN: Mr. Filmon.

MR. G. FILMON: I wonder, Mr. Chairman, what Mr. Provencher considered to be the initial start-up period of time that he's referring to when he was in constant daily contact.

MR. M. PROVENCHER: I would estimate the period June, 1982 to June, 1983. May I correct that; August, 1982 to June, 1983.

MR. G. FILMON: I think Mr. Provencher said earlier that he reported directly to Mr. Glover Anderson, the President of MTX. Is that correct?

MR. M. PROVENCHER: That's correct.

MR. G. FILMON: I wonder if I could ask Mr. Holland if he was at all times informed of the activities of MTX and its subsidiary, SADL.

MR. G. HOLLAND: Mr. Chairman, that's a very difficult question to answer. Chief Executive Officer of MTS is

a fairly full-time position. It occupies a great deal of time. I certainly took an interest in being briefed regularly but to say that I was up to date by the hour I think would be misleading if I suggested that.

MR. G. FILMON: Mr. Provencher said he was in daily contact. What sort of regularity were the briefings that Mr. Holland would have received?

MR. G. HOLLAND: My office is next door to Glover Anderson's office and Glover normally kept me briefed on significant aspects.

MR. G. FILMON: Would that be once in awhile?

MR. G. HOLLAND: I would say more than once in awhile but it would be as significant events occurred.

MR. G. FILMON: I wonder what approval authority, in monetary terms, Mr. Aysan would have in placing equipment orders for MTX in Saudi Arabia. What would his limit be for approving equipment, shipments ordered, whatever?

MR. G. HOLLAND: I think Mr. Provencher could respond to that.

MR. M. PROVENCHER: Mr. Aysan's approval was set by the SADL Board of Directors when they approved the final authorization for the joint venture. I do not have the final authorizations with me and I can't specifically state at this time what those authorizations were. But I believe they're very consistent with the current authorizations that are in MTX Telecom Services.

MR. G. FILMON: Earlier I think we were told that the Executive Committee approved anything in excess of \$60,000 and that the Board approved anything in excess of \$120,000 in terms of equipment orders. Now this would be for shipment to Saudi Arabia, I would assume, and are we talking of Executive Committee and Board of MTS or MTX for those levels?

MR. M. PROVENCHER: The authorization levels you have just quoted are the MTS authorization levels. MTX purchases are not approved by the MTX board but are authorized under the MTX final authorization and MTX board or presidential or executive director approvals, as indicated in Mr. Plunkett's answer to the committee.

MR. G. FILMON: Can you review for me what the authority was of the MTX people in approving equipment purchases for shipment overseas to SADL or the Saudi operating company?

MR. M. PROVENCHER: The authorities fell into two categories: one are shipments on approved supplier contracts. All supplier-approved contracts were approved by the MTX Board. Then as operating officer of MTX Telecom Services, I had the authority under those board-approved contracts to purchase and authorize equipment for Saudi based on approved customer service orders received from Saudi. For purchases under \$50,000, I had to obtain the MTX board approval at that time.

MR. G. FILMON: Did that change at some point?

MR. M. PROVENCHER: Mr. Plunkett just read into the record the current authorizations for MTX Telecom Services and I believe that he stated that purchases under \$100,000 need his approval and the Executive Director's approval. That's purchases between \$50,000 and \$100,000 need his approval and the approval of the Executive Director. Purchases under \$50,000 can be authorized by the current President of MTX Telecom Services.

MR. G. FILMON: The only figures that I heard from Mr. Provencher were 60 and 120 so I - sorry, from Mr. Plunkett earlier.

MR. M. PROVENCHER: The 60 and 120 relate to the approval required for Manitoba Telephone System disbursements.

MR. G. FILMON: What approval authority would you have had on behalf of MTX?

MR. M. PROVENCHER: I believe I just answered that question and that was relating to purchases under supplier-approved contracts. I had board authority to purchase under those contracts . . .

MR. G. FILMON: Unlimited?

MR. M. PROVENCHER: . . . provided that the purchases were for fulfilment of obligation under contracts that the joint venture had to fulfill in Saudi. For any expenditures or purchases that weren't by supplier contract, I had approvals up to \$50,000.00. In excess of \$50,000 they had to be approved by the MTX Telecom Services Board of Directors.

MR. G. FILMON: These approvals for contracts; would Mr. Provencher be made aware of and have to approve anything in excess of the 50 or the 100, any major equipment purchases?

MR. M. PROVENCHER: During what period of time would you be talking about?

MR. G. FILMON: I'm sorry, I meant Mr. Plunkett. Would he have to be informed of this?

MR. M. PROVENCHER: I presume the question relates to MTX Telecom Service purchases?

MR. G. FILMON: For shipment to Saudi Arabia, to the Saudi operating company or SADL.

MR. M. PROVENCHER: Any purchases between \$50,000 and \$100,000 must be signed by both Mr. Plunkett and Mr. Anderson currently under our final authorizations for MTX Telecom Services.

MR. G. FILMON: In the course of this, since these are fairly major orders, would the MTS President, Mr. Holland, or the board become aware of these major commitments?

MR. M. PROVENCHER: Purchase orders approved by the MTX board are not referred to the MTS board, but there is a reporting process in place, that's been put in place by our current chairman to report MTX activities to the MTS board of directors.

MR. G. FILMON: How long has that been in place?

MR. M. PROVENCHER: I believe over a year.

MR. G. FILMON: Prior to that, would the Minister responsible be made aware of these major commitments for equipment purchase for shipment over to Saudi Arabia?

HON. A. MACKLING: Since I have been Minister, I haven't been briefed as to any major purchase order, if any did occur. I would expect that if there was any significant risk, involvement, I would be briefed by the Chairperson of the MTS board or the Chief Executive Officer at MTS.

MR. G. FILMON: I wonder if Mr. Holland would have been made aware on a reporting basis of major equipment purchases say in excess of \$50,000 at all times.

MR. G. HOLLAND: Well, I am a member of the MTX board so that I'm aware of the reporting to the MTX board, I'm aware of the procedures in place that were struck for scrutiny. I knew who the supplier, those major suppliers with whom there was a negotiated spy agreement. I know who they were and what the terms were, but I think it's questionable that I would know anything about the ongoing day-to-day transactions that took place.

MR. G. FILMON: But as a board member, having to make approvals for anything in excess of 60 or 120, depending on what - are you on the executive committee, for instance?

MR. G. HOLLAND: Yes.

MR. G. FILMON: So you would then need to be made aware of any purchase in excess of \$60,000.00?

MR. G. HOLLAND: Mr. Chairman, the \$60,000 break is applicable to MTS and I'm on the executive committee of MTS. I had taken it earlier that you were referring to MTX transactions.

MR. G. FILMON: Yes.

MR. G. HOLLAND: The approval arrangements that Mr. Provencher described were: (a) where there is a supply agreement and equipment is required for a customer commitment, that could be authorized by the officers and otherwise any purchase over \$50,000 required approval by the MTX board.

MR. G. FILMON: When equipment orders were being place, what sort of documentation was required by MTX to initiate action on purchase?

MR. M. PROVENCHER: Mr. Chairman, I must apologize, I didn't hear the question. If he could repeat the question, please.

MR. G. FILMON: Did you need a firm contract in order to approve an equipment purchase for MTX in excess of the amounts that were quoted?

MR. M. PROVENCHER: I presume that your question is in relation to equipment purchased on behalf of the joint venture Datacom?

MR. G. FILMON: Yes.

MR. M. PROVENCHER: Mike Aysan had to, at that point in time, indicate which customer the equipment was for.

MR. G. FILMON: That's all? Just which customer, he didn't have to have a contract?

MR. M. PROVENCHER: A lot of the business done in Saudi Arabia is not done on contract. A lot of it is a straight purchase by the customer.

MR. G. FILMON: So you send it over there on speculation, that the customer will purchase it or, in fact, as was the case in a couple of instances, the customer didn't purchase it?

MR. M. PROVENCHER: To the best of my knowledge in that period of time he had a purchase order from the customer.

MR. G. FILMON: But you didn't have to see it to approve it?

MR. M. PROVENCHER: No, because I didn't have direct responsibility for SADL. That responsibility was Mr. Aysan's. I did not manage SADL or Datacom on a day-to-day basis and we just act as a facility in order to provide that equipment. The requirement is to advise which customer or which purchase order it was for. It was controls put on by the SADL board members at that time in order to maintain control over the operations.

MR. G. FILMON: Was Mr. Aysan, as general manager, receiving commission or bonuses as well as salary?

MR. M. PROVENCHER: To the best of my knowledge, Mr. Aysan did not receive any commissions. His salaries were paid by MTX using the MTS payroll facilities. They were the base salaries, plus his uplift as has been previously reported to this committee in previous hearings. I'm not positive, but I believe he was paid a bonus once. I did not approve that payment so I cannot comment on it.

MR. G. FILMON: What's an uplift?

MR. M. PROVENCHER: The uplift is that our employees at that time that were sent to Saudi Arabia for the joint venture received their base salary in Manitoba, plus 50 percent uplift.

MR. G. FILMON: Mr. Provencher, you indicated that Mr. Aysan was paid a bonus once, but you didn't approve it. Who did?

MR. M. PROVENCHER: I believe you'd have to ask the vice-chairman of the SADL board.

MR. G. FILMON: Who is?

MR. M. PROVENCHER: Mr. Anderson.

MR. G. FILMON: Can we ask Mr. Anderson that question?

MR. S. ANDERSON: Mr. Chairman, we did approve a one-time bonus for Mr. Aysan. I believe it's about two years ago, on the basis of getting the company started, the efforts he put in.

MR. G. FILMON: What was the amount of it?

MR. S. ANDERSON: \$8,000.00.

MR. G. FILMON: A question for whoever cares to answer it. Do we have a confirmation that Theresa Aysan was indeed employed in Saudi Arabia by Al Bassan International and being paid by MTX for her professional services there?

MR. CHAIRMAN: Mr. Provencher.

MR. M. PROVENCHER: We've identified to the committee a little while ago the responsibility for the Saudi financial and administration function. It was an Al Bassan responsibility. They appointed an individual at that point in time who was not fully capable of taking a financial administration function. In order to set up the accounts, set up the microprocessor system, set up the branch accounting, set up the product identification, I asked Theresa Aysan if she was willing to set up those accounts on a salary based on a month-to-month basis and to train the Saudi individual to take over that position. As I have previously identified, this took longer than expected. My initial estimate is that it would take three to six months maximum. However, during that period of time, the Saudi-appointed manager had to implement procedures associated with visas, work permits, local procurement for vehicles. He had to negotiate leases for the headquarter building. He had to set up all the procedures for work permits and work visas, and really wasn't available for that training. So Theresa's employment took longer than expected, and I've identified the time period in the amounts previously.

MR. G. FILMON: Why was she working for Al Bassan International but being paid by MTX?

MR. M. PROVENCHER: During the initial period, August, 1982, the joint venture was not approved by the Foreign Investment Review Agency in Saudi Arabia. We were operating under the auspices of Al Bassan International Datacom, which is a 100 percent Saudi company. At that point in time, all the employees in

Datacom were Manitoba Telephone System employees under contract to MTX.

Our partner asked us to pay Theresa on the same manner under which we paid the other Canadians and rebill him for her services; we also did that. He also requested that the same procedure be followed for the consulting contract for Al Bassan International, and I identified that there was 250 hours of consulting on that contract which was billed and paid for by our Saudi partner.

MR. G. FILMON: In effect, were all of the MTX employees working for Al Bassan International but being paid for by MTX?

MR. M. PROVENCHER: The MTS staff members at that period of time were, subsequent to August '82, the Saudi-appointed financial manager was hired. He was paid for by Al Bassan International, as well as drivers, typists, some salesmen and other staff members who weren't from Canada.

MR. G. FILMON: At the time of the flogging incidents, Theresa Aysan was working for Al Bassan International but not in the same premises as the rest of the staff?

MR. M. PROVENCHER: To the best of my knowledge, Theresa Aysan did not work in the office. She worked in her apartment which was across the street from the Datacom offices. I can only speak for the time that I was there, Mr. Chairman.

MR. G. FILMON: I'll have some questions later.

MR. CHAIRMAN: Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, I'd like to ask Mr. Provencher, since it has been indicated this morning by Mr. Aysan that he reported the flogging incident in 1983 to Mr. Provencher; Mr. Provencher, did you then pass that information on to your superiors in MTS and MTX? Who were those superiors that you so informed of the flogging incident?

HON. A. MACKLING: Mr. Chairperson, on a point of order.

MR. CHAIRMAN: Mr. Mackling.

HON. A. MACKLING: We don't want to offend the rules of the committee. I think the questions are addressed through the Chair, and then directed to whoever the Minister feels is qualified to provide the answer. Those are the rules of the committee's operations, and I will assume that the question is directed to the Chair and ask Mr. Provencher to provide the answer.

MR. CHAIRMAN: Mr. Provencher.

MR. M. PROVENCHER: I reported the details of the incidents as described by Mr. Aysan to the President of MTX Telecom Services at the time.

MR. D. ORCHARD: Who was?

HON. A. MACKLING: I'm sorry, but Mr. Orchard should direct his questions to the Chair.

MR. D. ORCHARD: Who was?

HON. A. MACKLING: No, I'm sorry, Mr. Chairperson.

MR. CHAIRMAN: I believe the Minister is correct in terms of proper form. The question should be addressed to the Chair.

MR. D. ORCHARD: Who was?

MR. CHAIRMAN: Mr. Provencher.

MR. M. PROVENCHER: Mr. Anderson.

MR. D. ORCHARD: Did Mr. Anderson report that to you, Mr. Holland?

MR. CHAIRMAN: Mr. Holland.

MR. G. HOLLAND: Mr. Chairman, my knowledge of the incident was in the form of a report to the Minister's Office prepared at request from my office to Mr. Provencher. I have a copy of that if it will be of interest.

MR. D. ORCHARD: Mr. Chairman, I think a tabling of that copy would be most important. I presume that copy would have been the answer provided to the then Minister responsible for MTS, Mr. Plozman, who indicated that there were no charges and there was no serious incident in Saudi Arabia.

HON. A. MACKLING: Rather than paraphrase what the document says, I think the document will speak for itself. Then if the honourable member wants to compare that to what the Minister said in the House, fine. But since he makes much of the exactness of things, I think that he should be exacting in his analysis of what happened.

MR. D. ORCHARD: Do you want to read what you said?

HON. A. MACKLING: Mr. Chairperson, I understand Mr. Holland now can provide the . . .

MR. D. ORCHARD: Will that be tabled, Mr. Chairman.

HON. A. MACKLING: Yes, and we'll table it. Mr. Chairperson, do we want it read into the record or just tabled?

MR. D. ORCHARD: How long is it, Mr. Chairman? We only have an hour left, Mr. Chairman.

HON. A. MACKLING: It's one page.

MR. CHAIRMAN: Mr. Holland.

MR. G. HOLLAND: Mr. Chairman, this is an Envoy, our electronic messaging system, dated Wednesday, August 3, 1983, 9:31 a.m. Central Daylight Time, from me to L.C. Kucher (phonetic), Subject: Prayer Time Incident.

"(1) The incident occurred April 21, 1983. There has been no reoccurrence of prayer time violations by MTX contract employees.

"(2) Other companies doing business in Saudi Arabia are reported to have had similar incidents. The April 21 incident also included the local baker and butcher who are located immediately adjacent to the Al Bassan office building.

"(3) MTX contract employees are well-briefed prior to assignments in Saudi Arabia on local regulations and customs.

"(4) The MTX employee contract for foreign service assignments in Saudi Arabia states, quote: 'You will have to comply with the laws, regulations and customs of Saudi Arabia.'

"(5) The incident involved six individuals, two MTX contract employees on assignment with Al Bassan International, Data Communications Division, three Al Bassan International employees on contract with the Data Communications Division, one individual delivering blueprints to Al Bassan International Data Communications division.

"(6) The two MTX contract employees involved were detained at the Matawa's (guardians of the Muslim faith) headquarters for approximately two hours.

"(7) The two MTX contract employees involved have stated that they consider the incident a personal matter.

"(8) One of the MTX employees involved has resigned from the Saudi Arabian assignment for reasons unrelated to the prayer-time incident.

"(9) There is no need for MTX disciplinary action. The Saudi Arabian work permits for the two employees involved are sponsored by Al Bassan International. Under Saudi Arabian law, the Saudi sponsor is held personally responsible for any violations of local customs, rules and regulations by individuals under their sponsorship.

"Al Bassan consider the prayer-time incident as an unusual, isolated occurrence, and want to totally minimize any further publicity. Al Bassan are concerned that further publicity of the incidence could jeopardize the ministry approval of the commercial registration for the joint venture limited liability company, Saudi Arabia Datacom Limited, which was obtained June 7, 1983. Please advise if the Minister wants a briefing session. M.J. Provencher. ccs/A Miller."

MR. D. ORCHARD: Mr. Chairman, I believe I missed within that explanation, the indication that the employees or an employee was caned. Was that not part of the report?

MR. G. HOLLAND: I can reread the report if that would be helpful.

MR. D. ORCHARD: No, that's fine. Was reference in the report that an employee was caned omitted?

MR. G. HOLLAND: Mr. Chairman, the subject is prayer-time incident. The date is August 3, which I believe was after the press discussion, so that it would have been dealing with the public discussion and controversy at that time.

MR. D. ORCHARD: Mr. Chairman, did the report from Mr. Provencher to the Minister responsible indicate that

an employee of MTX was caned as a result of the detainment by the Matawa? That caning was confirmed by Mr. Aysan this morning and by the Minister in the House just recently. Was it omitted from the report to the Minister in 1983?

MR. G. HOLLAND: Mr. Chairman, the whole thing is described as the "prayer-time incident." There is no explicit reference to the caning.

MR. D. ORCHARD: Mr. Chairman, why was that omitted?

MR. G. HOLLAND: I would have to ask Mr. Provencher if he has any comment on that. I would think that Mr. Aysan's presentation this morning might have suggested the reason, but . . .

MR. CHAIRMAN: Mr. Provencher.

MR. M. PROVENCHER: Mr. Chairman, point 7 in the Envoy that was just read by Mr. Holland states that the two MTX contract employees involved have stated that they consider the incidents a personal matter. That was identified to me on April 21 by Mr. Aysan, subsequently confirmed by telephone with the MTX employee that was involved in the incident and reconfirmed when I was in Saudi Arabia during the period July 16 to July 25. I did have a very private discussion with that individual in his apartment. He did relate the incidents as indicated by Mr. Aysan. He told me it was a private matter; it was not a business matter, and he did not want it discussed in Canada.

So, Mr. Chairman, that's why we reported that this was a personal matter. We did not have the authority of the person involved to disclose that matter and he has not to this date given me the authority to release his name.

MR. D. ORCHARD: Mr. Chairman, as Mr. Mackling has indicated earlier on, that when we operate in foreign countries and we violate or do not adhere to the social and religious mores of those countries, that reflects on our operations in that country. It is not a personal matter. It is one in which allegations which have now been confirmed, that an employee was indeed flogged as a result of violating a religious law in Saudi Arabia, and that flogging was omitted by the Minister, by the senior staff of MTS and MTX, and was not provided in response to questions when, in fact, it was known by senior management, Mr. Provencher, that such flogging and disciplinary action did take place in violation of the laws of the country in which MTX employees were operating. Mr. Chairman, that represents to me a serious breakdown in the communication of information by MTX to their political masters.

HON. A. MACKLING: Mr. Chairperson, I don't engage in argument on the issue. I think the concern that the member raises is a valid one about communication, but I think Mr. Aysan has indicated that there was some doubt about the application of the law in respect to the continued operation of the business, which was not a trading business per se, and there was some doubt about that.

So when the honourable member said there was a breach of the religious law, that is not an absolute certainty from the assessment that Mr. Aysan was given by his superior in Saudi Arabia. I recognize that the honourable member has a right to ask why the incident in greater entirety was not reported to the Minister. The explanation that has been given is that there was personal embarrassment and so on. The honourable member is quite right to still insist that full information ought to have been provided to the Minister.

MR. D. ORCHARD: Mr. Chairman, that is an issue of confusion that I don't wish to dwell too much longer on.

Mr. Chairman, I'd like to ask Mr. Provencher what costs are included in deferred development costs in the MTX financial statements?

MR. M. PROVENCHER: Please identify in what period the question relates to.

MR. D. ORCHARD: Mr. Chairman, it appears on the balance sheet in each year that I have analyzed the balance sheet of MTX Telecom Services. The question would apply to all years. What sorts of costs are included in deferred development costs?

MR. M. PROVENCHER: I believe I fully answered that question at previous committee meetings for fiscal years prior to '84-'85. I believe that you would have to direct that question currently to Mr. Plunkett, as the President of MTX Telecom Services.

MR. D. ORCHARD: Fine, whoever can provide the answer.

MR. D. PLUNKETT: Mr. Chairman, the deferred development costs typically consist of those costs associated with projects for which revenues are expected in future periods. Those costs would include such things as salaries, travel, and the like.

MR. D. ORCHARD: A question to Mr. Holland.

Mr. Holland, are you aware of any inclusion in the salary component, for instance, of the deferred development costs as indicated by Mr. Plunkett, whether within that category there are any payments which were made to individuals in Saudi Arabia as finders' fees for searching out potential customers, or any fees paid to agents who may arrange sales on behalf of the related companies, or whether deferred development costs include any remuneration paid to individuals who are in any way arranging for sales to customers in Saudi Arabia?

HON. A. MACKLING: The question is through the Chair. I'll ask Mr. Holland to answer.

MR. G. HOLLAND: Mr. Chairman, no, I'm not aware of any such payments.

MR. D. ORCHARD: A question to Mr. Mackling.

Is he aware of any such finders' fees, commissions paid to agents who maybe are lining up sales on behalf of the corporation? I pose the question to Mr. Mackling

because a similar question was posed to a previous Minister responsible for MTS.

HON. A. MACKLING: No, not to my personal knowledge, nor have I been briefed by any senior staff of any arrangement like that.

MR. D. ORCHARD: Mr. Chairman, has Mr. Mackling asked specifically of whether there are finders' fees, commission to agents, or payments to individuals? Has he asked those questions of MTS-MTX officials?

HON. A. MACKLING: Not in the full manner in which the honourable member has put the question right now. I have asked whether there are any payments that might be considered extra, without authorization, that sort of thing, and received a negative response to that.

MR. D. ORCHARD: Mr. Chairman, I'd like to ask Mr. Provencher, as . . .

HON. A. MACKLING: The questions should come through the Chair . . .

MR. D. ORCHARD: That's why I said, "Mr. Chairman, I'd like to ask Mr. Provencher" the question. I believe that followed your very rigid order of rules.

Mr. Chairman, I'd like to ask Mr. Provencher whether he is aware of any finders' fees being paid, any fees to agents, any fees to individuals who have arranged for sales of equipment in Saudi Arabia. Is he aware of the existence of any of those kinds of payments?

MR. M. PROVENCHER: Mr. Chairman, I am aware of one payment. I found that when I was reviewing the accounts of SADL. I believe it was about a year ago. I came across an amount with no substantiation. I questioned the administrative officer very intensely. He told me it was a payment that was authorized by the former president of Al Bassan Telecom and SADL, who had been let go by a partner for a similar offence in his 100 percent Saudi-owned company.

I am not aware of any other payments, other than the one that I found when I was reviewing the accounts when I was in Saudi Arabia about a year ago.

Also, I did discuss it - we discussed it at the board and reaffirmed with our partners that unwarranted payments are not allowed and re-emphasized that we do have a code of conduct in MTX Telecom Services and that the joint venture must comply with the MTX code of conduct.

We also asked that the general manager then communicate that message to all employees, both MTS employees and the Al Bassan International Datacom employees.

MR. D. ORCHARD: Mr. Chairman, can Mr. Provencher provide me with when that unusual payment was made and what was the size of that unusual payment that he discovered?

MR. M. PROVENCHER: I believe, and I have not got the details of it available, I believe it was for about 10,000 Saudi rials.

MR. D. ORCHARD: When, Mr. Chairman?

MR. M. PROVENCHER: I do not know the date. All I know is I found it in documentation in the accounts payable file. It was just a piece of paper. There was no date.

MR. D. ORCHARD: Mr. Chairman, where was that 10,000 rial . . .

MR. CHAIRMAN: On a point of order, Mr. Parasiuk.

MR. W. PARASIUK: Could we just get what the exchange is? We don't understand what the Saudi rial exchange is.

MR. M. PROVENCHER: Mr. Chairman, there was 2.65 Saudi rials to the Canadian dollar at that point. It's currently 2.75 Saudi rials to the current dollar.

MR. D. ORCHARD: This entry, then, was found in the accounts payable file. Where was it accounted for in the balance sheet of MTX Telecom Services? As deferred development cost, or would it have been accounted for in cost of sales? Where would it have been accounted for?

MR. M. PROVENCHER: It is not reflected at all in the MTX Telecom Services Inc. financial statements. It was reflected in the Al Bassan International Datacom, the 100 percent Saudi trading company financial statements.

MR. D. ORCHARD: Did it occur at the time when the commercial registration for SADL was not yet through and SADL was operating as a would-be division of Al Bassan International and the payment was made by SADL employees?

MR. M. PROVENCHER: Mr. Chairman, to the best of my knowledge, when I reviewed that transaction, there was no date. It was authorized by the former president, who was no longer the president of the joint venture, or of Al Bassan Datacom. He was not available. I could not discuss it with him. I could not get the details of who was involved, what payments were made, or what dates they were made. All I know is that there is that payment that was made.

MR. D. ORCHARD: Was Mr. Aysan aware of that payment, since he was obviously general manager operating under that president?

MR. M. PROVENCHER: Yes, he was.

MR. D. ORCHARD: Mr. Chairman, did Mr. Aysan indicate to whom and for what purpose that payment was made and would it have been described in American terminology as a kickback?

MR. M. PROVENCHER: I can't comment for Mr. Aysan. You'd have to ask him that question directly.

MR. D. ORCHARD: Where is he? Well, Mr. Chairman, perhaps Mr. Provencher can indicate what Mr. Aysan told him when he inquired of Mr. Aysan the nature of that payment.

MR. M. PROVENCHER: When I found the payment, Mike Aysan was no longer the general manager for the joint venture.

MR. D. ORCHARD: Mr. Chairman, was Mr. Aysan the general manager at the time you believe the payment took place?

MR. M. PROVENCHER: I don't believe I can comment on that because I don't know the date that the payment was made.

MR. D. ORCHARD: Just a minute ago, Mr. Provencher, you told me that Mr. Aysan was aware of the payment. If he was aware of the payment, what did he tell you the payment involved? Surely, if he was aware of the payment, he must have known the details of it, what it was used for, to whom it was paid. Are you indicating to me that you have no knowledge whatsoever of that?

MR. M. PROVENCHER: I do not have any first-hand knowledge and I would not like to comment on it. I was not a party to the transaction, I can't state for sure what the facts are, and I don't want to put anything that's hearsay on the record.

MR. D. ORCHARD: The hearsay being what Mr. Aysan gave you in answer to your questions as to what the nature of that unusual payment was, those are the hearsay that you don't want to comment on today?

MR. M. PROVENCHER: To the best of my knowledge, Mr. Aysan was not a party to that transaction. It was completely done by Chafe Abou Richeh, the former president, and that's basically the details that he gave me.

MR. D. ORCHARD: Was this unusual payment discussed at the board level of SADL and MTX?

MR. M. PROVENCHER: It was discussed at a partners' meeting in Saudi Arabia, separate from the board meeting, and reconfirmed that the unwarranted payments are not authorized by the joint venture or by the Saudi owned company, that the MTX code of ethics fully applied to Saudi Arabia and that all employees of the joint venture must comply with that code of ethics. When we initially started the joint venture, we emphasized strongly to the Al Bassan family that MTX will not be involved in any unwarranted payments.

MR. D. ORCHARD: At the meeting of the joint investors, who was present on behalf of MTX and the Manitoba Telephone System in the Province of Manitoba and had knowledge of that unwarranted and unusual payment?

MR. M. PROVENCHER: At that partners' meeting, I would have been present, Mr. Anderson would have been present, Mr. Gordon would have been present.

MR. D. ORCHARD: Was communication of that unwarranted and unusual payment made to Mr. Holland and other members of the MTS organization?

MR. M. PROVENCHER: I did not communicate it to them.

MR. D. ORCHARD: I should possibly ask, Mr. Chairman, whether Mr. Anderson or Mr. Gordon communicated that information to Mr. Holland?

MR. CHAIRMAN: Mr. Anderson.

MR. S. ANDERSON: Mr. Chairman, could Mr. Orchard repeat the question, please?

MR. D. ORCHARD: Mr. Anderson, Mr. Provencher has indicated that you, Mr. Gordon and himself were present at the partners' meeting at which this unusual payment was discovered and discussed. My question to Mr. Provencher was did he inform Mr. Holland. He said he did not. I am asking you if you had informed Mr. Holland of the nature of that.

MR. S. ANDERSON: No, I did not, no.

MR. D. ORCHARD: To your knowledge, then, Mr. Anderson, neither Mr. Gordon nor yourself nor Mr. Provencher provided that information to Mr. Holland?

MR. S. ANDERSON: No.

MR. D. ORCHARD: Why would that information, if I can be as descriptive as calling it the discovery of the existence of a kickback in your operations in Saudi Arabia, could not have been communicated to Mr. Holland when the questions were posed to Mr. Holland on July 14, 1983 of the existence of those kinds of financial arrangements to secure business. Why would that information not have been communicated to Mr. Holland?

MR. S. ANDERSON: Well, Mr. Chairman, I might have made an inference to Mr. Holland after the fact. I think it was long after the fact that we discovered that this payment was made, and at the partners' meeting we took steps to correct any recurrence of that event.

MR. D. ORCHARD: Mr. Chairman, while I have Mr. Anderson here, can Mr. Anderson indicate that there was no further occurrence of those kinds of kickbacks or unusual payments?

MR. S. ANDERSON: Mr. Chairman, no, to my knowledge, there is no further recurrence of that event.

MR. D. ORCHARD: Mr. Anderson, to your knowledge, does that include a thorough analysis of all of the financial transactions that MTX has undertaken with a full accounting of all dollar outflows from MTX in Saudi Arabia, through all dollar outflows through SADL, the joint venture, to assure that there are no other payments which then, after discovery of unsubstantiated accounts payable being claimed, could indeed have been kickbacks? Does your knowledge include a thorough analysis of the books to assure that did not occur?

MR. S. ANDERSON: You'd have to ask our financial officers. To my knowledge, there has been no reoccurrence.

MR. D. ORCHARD: Maybe Mr. Provencher should come back up to the table, Mr. Chairman. Since he is the

chief controlling officer, he may wish to further answer that question.

MR. M. PROVENCHER: I have not performed a detailed review of each and every disbursement of the company since its incorporation. At the period of time, I was doing a brief review for a very specific short period of time. I did expand it to include the rest of the transactions for that fiscal year and filed nothing further. To the best of my knowledge, as indicated by Mr. Anderson, there have been no further unwarranted payments that we are aware of, and we have subsequently asked our general manager to confirm that at each board meeting. He has confirmed that there are no payments to the best of his knowledge.

MR. D. ORCHARD: Mr. Chairman, that begs the question of Mr. Provencher, since he's offering us that assurance of events since discovery which presumably was within the last year or so, can Mr. Provencher indicate to the committee whether prior to the discovery of this event there were other kickbacks in Saudi Arabia to obtain business?

MR. M. PROVENCHER: Not that I'm aware of, Mr. Chairman.

MR. D. ORCHARD: What analysis did you do, Mr. Provencher, as the chief financial officer, to enable you today to make the statement "not that you were aware of"?

MR. M. PROVENCHER: It has not been brought to my attention by any of our auditors. Arthur Anderson did an overview audit of the joint venture in Saudi Arabia. The total joint venture is audited by the Price Waterhouse representative in Saudi Arabia. They have not brought such a transaction to my attention.

MR. D. ORCHARD: Has there been a complete breakdown of such things as deferred development cost and cost of sales to assure that there are no payments which could be kickbacks prior to the one discovered which was found inadvertently in accounts payable? Has that in-depth analysis been done by yourself, Mr. Provencher?

MR. M. PROVENCHER: Mr. Chairman, costs of sales would involve hundreds and hundreds of transactions. I have not personally reviewed those hundreds of transactions.

I did review the deferred development costs associated with the joint venture for the period January 1982 to about June 1983. During that period of time, during my analysis, I found no unwarranted payments. Subsequent to that period, the deferred development costs were of a very insignificant value, I believe, which I would have to confirm, but to the best of my knowledge there was nothing in that period of time even though I did not analyze it because there was nothing, dollar value, that would warrant me to do an analysis.

Also, as a matter of fact, as a board director, it is not my responsibility to do an audit of each and every transaction of the joint ventures. I do not have operating responsibility or management responsibility for the joint

venture. We do rely on the internal control system that's been put in place. We also rely on the audit process that is in place and also rely on the integrity of employees that they will follow the code of conduct that has been approved by the MTX board of directors and which they've been asked specifically to comply with.

MR. D. ORCHARD: Mr. Provencher, you indicated you rely on the internal control system of the company in Saudi Arabia. Was that the internal control system that Theresa Aysan was on contract to set up?

MR. M. PROVENCHER: Yes, and there has been intensive consultations with myself at the time. That system has been subsequently replaced, there is a new system that's currently in, and that was put in with very extensive consultation and advice from Mr. Plunkett. We do believe that the system of internal control is as adequate as any other company that would be operating in Canada under those start-up operations.

Also, the board has put in a final authorization document with specific approval levels for transactions which we expect would be followed. If there are any violations of that, we would expect that the auditors would bring it to our attention.

MR. D. ORCHARD: Mr. Chairman, we have developed an interesting scenario. Theresa Aysan was in Saudi Arabia helping to develop the internal control system under which, presumably, Mr. Provencher has discovered a \$10,000 riel payment which can be, in North American terminology, described as a kickback. Since that time, the accounting system under which that error was presumably was discovered, which was created in part by Theresa Aysan, has now been replaced by another system.

Why was a new system necessary to replace the first system? Was the first system created by Theresa Aysan not adequate to determine whether in fact kickbacks or other payments and finder fees were not properly accounted?

MR. M. PROVENCHER: The first system that was developed by Theresa was using a personal computer base system. The volume of business and business particularly relating to sales, cost of sales, inventory, branch accounting, grew to an extent where the system couldn't handle it. There had been two subsequent systems, a Series 1 System. The Series 1 System then was supplemented by its current system. The unwarranted payments was really under the second system for which Theresa had no direct responsibilities in setting up.

MR. D. ORCHARD: Mr. Provencher, as the chief financial officer for MTX, are you familiar with the name Sonny Birchfield and any payments which may have been made to Sonny Birchfield in Saudi Arabia?

MR. M. PROVENCHER: First of all, I'm not the chief financial officer for MTX. I am the vice-president, currently, for Manitoba Telephone System and also on the board of MTX Telecom Services and on the board of SADL.

The name sounds familiar, I have never met the gentleman and I don't know where he was employed in Saudi Arabia and under what context. It's just that I've heard the name somewhere, but I don't where or under what context.

MR. D. ORCHARD: Mr. Chairman, can I ask Mr. Plunkett if he is familiar with the name Ragiv Baptna? How many operations in Saudi Arabia?

Did I say Mr. Plunkett? I meant Mr. Provencher; I'm sorry.

MR. M. PROVENCHER: I have never heard that name.

MR. D. ORCHARD: Mr. Chairman, I'd like to ask Mr. Plunkett the same two questions, whether he is familiar with Mr. Sonny Birchfield or Mr. Ragiv Baptna.

MR. CHAIRMAN: Mr. Plunkett.

MR. D. PLUNKETT: Mr. Chairman, I am familiar with both those names. Mr. Birchfield worked for one of our clients and Mr. Baptna was the communications director or something for one of the Saudi clients.

MR. D. ORCHARD: Mr. Plunkett, were those two individuals involved in arranging sales on behalf of SADL or the related companies in MTX to their respective clients in Saudi Arabia or employers in Saudi Arabia?

MR. D. PLUNKETT: I'm sorry, did you say through MTX?

MR. D. ORCHARD: Mr. Chairman, we always get into a technical difficulty where MTX can't sell direct in Saudi Arabia, but the basic bottom line is that MTX is providing the equipment which ends up being sold in Saudi Arabia.

My question to Mr. Plunkett is: Was Sonny Birchfield or Ragiv Baptna involved respectively with their employers in Saudi Arabia in arranging for sales by MTX through its Saudi Arabian connections to their respective employers?

MR. D. PLUNKETT: Mr. Chairman, MTX, I repeat, does not sell in Saudi Arabia. Al Bassan International Company and Saudi Arabia Datacom Ltd. are the ones that sell in Saudi Arabia. We are not allowed to; we don't; we have never had contracts there.

To my knowledge, both of these gentlemen were involved with clients of Datacom. I think that's the answer.

MR. D. ORCHARD: Mr. Chairman, can Mr. Plunkett indicate whether any kickbacks were necessary to be paid to Saudi Arabian customs officials for the release of certain products imported into Saudi Arabia to fulfill a sales account?

MR. D. PLUNKETT: No, Mr. Chairman, I am not aware of, nor have ever been made aware of such transactions.

MR. D. ORCHARD: Mr. Chairman, I've raised a number of questions this morning involving the MTX and related company operations in Saudi Arabia. I believe that some

of the answers that we've received are not correct answers.

Mr. Chairman, we have had offered to us by Mr. Provencher this morning the existence of an unusual payment, a kickback if you will, which was discovered in terms of his routine perusal of the accounts in Saudi Arabia. Mr. Provencher just indicated it was not a routine analysis of the accounts. He may wish to expand on his answer.

MR. M. PROVENCHER: I take objection to the term routine. What that basically indicates is that as a matter of course, every time in Saudi Arabia I do a review; I do not.

MR. D. ORCHARD: You should.

MR. M. PROVENCHER: I did a specific review at that point in time because I was doing a cash-flow analysis and was going through all the transactions. That's how I came across this one payment and investigated it further.

In relation to the comment that I should, we do rely on controls, we do rely on audits and we do have two audits done; one by Arthur Andersen, who would have to form an opinion on the MTX Telecom Services, and have their audit firm in Saudi Arabia review all of the joint venture operations.

Also the statements are audited by the international representative for Price Waterhouse in Saudi Arabia. As a board member of SADL, I cannot be expected to review each and every transaction, and would not, under those circumstances.

MR. D. ORCHARD: Mr. Chairman, in Mr. Plunkett's analysis of the financial statements in Saudi Arabia, he uncovered a kickback payment - Mr. Provencher, I mean. Did I say Mr. Plunkett? The names are close. I'm sorry, I didn't mean to say Mr. Plunkett, Mr. Provencher - which he's indicated that he can't provide further information, and Mr. Aysan is not here to provide the answers he provided to Mr. Provencher.

Mr. Chairman, we posed those questions as I say to Mr. Holland on July 14, 1983 and received assurances that to Mr. Holland's knowledge at that time there was no use of finder fees, agents, or any other unusual payment of funds to secure business in Saudi Arabia.

Mr. Chairman, I will table today for committee a sworn affidavit which indicates that since 1982 the MTX operation in Saudi Arabia has been operated in a somewhat questionable fashion and that we have been misled since 1982 as to the true operations of MTX by all to whom we have been posing questions.

Mr. Chairman, this is an affidavit and I will read from the first two paragraphs of the affidavit:

"THAT the within Affidavit is based on my personal knowledge and/or beliefs save where same are stated to be based on information and/or advice received in which case I am so informed and/or advised and to verily believe such information and/or advice to be true.

At all times material hereto, I was an employee of Manitoba Telephone System and was seconded to 100 percent owned subsidiary of MTS situate in Saudi Arabia in 1982."

The affidavit which is 12 pages long lays out a number of allegations, Mr. Chairman, that there are - and I will

table this copy which has been sworn to as a true statement of the individual. I'm prepared to table that, Mr. Chairman.

Among other things in this sworn affidavit, there are allegations of falsified Visa applications by MTX employees, falsified educational qualifications by MTX employees operating in Saudi Arabia. There is the allegation that SADL, the 50-50 joint owned and operated company was operating without proper corporate registration for the first number of months in Saudi Arabia and in fact operated as a division of Al Bassan International, when indeed it was structured to our knowledge in committee to be a 50-50 jointly owned free-standing company and not a division of Al Bassan.

The affidavit further alleges that Theresa Aysan was undertaking accounting work for SADL. That has since been, in part, confirmed with this and I will quote from the affidavit: ". . . Theresa began working on the IBM PC in our apartment. This work was of an accounting nature, doing the company's books, pricing, quotas and sales figures, etc."

The affidavit further alleges that the SADL operation in Saudi Arabia was working in contravention of Saudi religious laws, and I quote from the affidavit: "At the end of September, Mike Aysan instructed us to work through the Haj, the most serious of Saudi religious observances."

It further alleges that: "By February of 1983, Theresa Aysan was working on a daily basis in the offices of Datacom."

The affidavit alleges that there was an arrest of SADL employees, including a Canadian by the Matawa. The affidavit further alleges that charges were laid. Those two charges were working alongside a woman and working during prayer time. The affidavit alleges that punishment was administered. I will quote again, ". . . we were given a suspended sentence and three strokes with the cane-stick . . . Before leaving, we signed papers which, according to our translator, indicated a plea of guilty to both charges above referred to."

The affidavit further alleges that Mr. Provencher flew to Al-Kobar and I will quote: "In or about June or July of 1983, Mr. Maurice Provencher, the Operations Officer of MTX, flew to Al-Kobar for what he indicated to us was to be the preparation of a report for the Board of Directors. He cited the board's concerns about the amount and value of outstanding receivables, cash flow problems and the 'flogging incident'."

It is alleged in this affidavit that payment was made to Theresa Aysan of approximately \$35,000 and a second quarterly payment of \$11,700 of which an attachment of that invoice is part of the sworn affidavit.

The affidavit further alleges that there was a misrepresentation of sales. I will quote: "I have personal knowledge of sales reports that were falsified and issued to the board by Mike Aysan. These reports misrepresented actual sales resulting in commissions being paid out by the corporation for sales that did not exist . . . I verily believe that to cover up and substantiate this false sale, Mike Aysan authorized a commission to be paid to Antoin El Ghossain. Ghossain told me of his astonishment at being paid for a contract that he had never obtained. To the best of my knowledge and belief, no "receivables" were generated by this false contract."

There is a further allegation in the sworn affidavit that a performance payment was made to Mr. Aysan. I will quote: ". . . I was informed in person by Ms. Laura Allan, Treasurer, MTS, that she personally issued performance payments to Mike Aysan for every contract executed by Datacom. I was further informed that these bonuses were issued under instruction from Mr. Don Plunkett, President of MTX." That is at odds with information presented this morning, Mr. Chairman.

There is a further allegation that kickbacks were used to release equipment in customs. I will quote: ". . . when Mike Aysan instructed a Telecom administrator by the name of Ohanas to 'do whatever is necessary' to clear the shipment through customs. I was present when Ohanas said that this could be accomplished with 'bacsheish' or 'kickbacks' of \$12,000 to \$15,000.00. I was present when Mr. Aysan then instructed Ohanas 'to proceed'. The equipment was released and delivered the following afternoon."

There are further allegations of kickbacks that: ". . . a 'kickback' scheme was designed to obtain a contract with the Saudi American bank in Riyadh. We were told by Mike Aysan to fly from Al-Kobar to Riyadh, and to deliver several white envelopes to Ragiv Baptna, Vice-President of the Saudi American Bank. These envelopes contained \$12,000 in cash . . . On the second of these trips, I was present when Mr. Baptna opened the envelopes and removed and counted out \$6,000 to \$7,000 in cash . . . Mr. Aysan replied that 'kickbacks' of 10 percent of the contract are an accepted, albeit illegal, business practice in Saudi Arabia. 'Bacsheish is the way to secure business, and can be incorporated into the costing of a project.'"

There are further allegations of kickbacks: "I am informed and do verily believe that approximately \$100,000 worth of 'kickbacks' were paid to Sonny Birchfield, an American acting as a technical consultant to the Riyadh Bank . . . Birchfield would stop into the office occasionally, boast to us of collecting his 'holiday money'. After visiting Mike in the General Manager's office. I was informed verbally by Mike that there was no need to worry because 'bacsheish' payments were administered in Research and Development . . ."

"I have been informed by other MTS employees in Winnipeg that my belief that approximately \$100,000.00 worth of 'kickbacks' were paid to Sonny Birchfield is shared by them and further have been informed by the employees last referred to that they are willing to testify before a judicial inquiry if given guarantees of immunity from termination of their jobs by reason of their giving such testimony."

There's a further allegation that the books were cooked. "By this time, it became apparent to me that the accounting procedures implemented by Theresa Aysan, who continued to work after the 'flogging incident' departed significantly from normal accounting procedure in that they did not properly reflect the operations of the joint venture. I do verily believe that MTS was writing MTX equipment losses off against a parent corporation's account. I further do verily believe that MTX's operation expenses, as represented to the Legislature, have been consistently understated."

Mr. Chairman, I will further quote from the affidavit, which points out the need to a judicial inquiry into the whole operations of MTX. "To the best of my knowledge and belief, many of my fellow employees at MTS are

willing to corroborate many of the matters hereinbefore deposed to by me on the understanding that they will be granted immunity from dismissal as a result of their so doing."

This affidavit is signed by Ian Ferguson.

Mr. Chairman, what is needed today is a judicial inquiry into MTX and MTS to determine the full extent of their operations. Only with a judicial inquiry will employees be able to testify without fear of losing their jobs at MTS. The Minister himself has said he has been misled by MTS-MTX officials, and this Minister himself has provided improper information to this committee.

Mr. Chairman, only a judicial inquiry will properly account for the various financial transactions between MTS and MTX. Only a judicial inquiry will determine the extent of our losses in MTX and its Saudi Arabian venture. Only a judicial inquiry will establish senior management responsibility for the operations of MTX in Saudi Arabia. Only a judicial inquiry will establish the responsibility of the Minister in terms of approving operations in Saudi Arabia.

Questions have been posed by myself since 1982 on these operations. These questions have not been answered by MTS or MTX officials. The government, through various Ministers and through this Minister, have not taken my questions nor my concerns seriously to date and have failed and failed miserably to fully investigate MTS operations in Saudi Arabia. Government Ministers have not attempted to determine whether expenditures are properly accounted by MTS to MTX, or whether MTX has operated within its own code of business conduct guidelines.

So many questions are unanswered that only a judicial inquiry will clear the air and provide the truth to this committee and to the people of Manitoba as to what has happened in MTX in Saudi Arabia and as to who is responsible. Only a judicial inquiry will provide the evidence as to wrongdoing so that these individuals can be removed from service with MTS and MTX. Only a judicial inquiry can properly account for the substantial losses incurred by MTS and the people of Manitoba since the creation of MTX in 1982 under the New Democratic Party Government.

Mr. Minister, I urge you today to commit your government to a full judicial inquiry so that MTS staff can testify with immunity from job loss so that finally, Mr. Minister, we can get to the truth in Saudi Arabian operations of MTX.

HON. A. MACKLING: Mr. Chairperson, I think it would be an understatement to say that I am stunned by the contents of this affidavit, sworn by Mr. Ian Ferguson, who I've heard was one of the persons who was in Saudi Arabia as an MTS employee seconded there.

Obviously, the affidavit raises very serious allegations, allegations that this Minister and other Ministers have not heard. I note that it was sworn on August 7. I don't know why Mr. Ferguson or one of the people who is alleged in the affidavit to have further knowledge did not come forward to this Minister or previous Ministers to reveal their concerns about that operation.

Certainly, this is a sworn affidavit, and this matter will be taken very seriously. The honourable member suggests a judicial inquiry. Certainly, that will be one of the options that I and my colleagues will consider

as quickly as we can to determine what course of action is appropriate. Certainly, there are allegations here of criminal breach of trust, criminal misappropriation of funds. They will have to be looked at very quickly, and we will do so.

MR. CHAIRMAN: Mr. Manness.

MR. C. MANNES: Mr. Chairman, I defer my position on the questioning order to my leader.

MR. CHAIRMAN: Well, I have another list of people on the speaking list.

MR. C. MANNES: Mr. Chairman, I defer to my leader.

MR. CHAIRMAN: With the will of the committee, the normal procedure is that people establish a place on the speaking order.

MR. D. ORCHARD: I think the leader would like to say a few words, Mr. Chairman, and I would suggest that you recognize the Leader of the Opposition.

MR. CHAIRMAN: Well, I have a speaking list and he will certainly be added to that to be fair to all members.

HON. A. MACKLING: Mr. Dolin can follow.

MR. CHAIRMAN: Mr. Dolin and Mr. Parasiuk are willing to defer.

MR. M. DOLIN: If I am the next speaker on the list, I would defer to the Leader of the Opposition since I have a reasonably long line of questioning I would put.

MR. CHAIRMAN: To be fair to all members, I will follow the speaking list unless people do defer.
Mr. Filmon.

MR. G. FILMON: Mr. Chairman, my only comments to the Minister are that, at various times in the proceeding, my colleague has asked for witnesses to be subpoenaed to appear before the committee, and the Minister has unfortunately for whatever reason denied that. At other times, the Minister was asked to contact the people who were involved in the flogging incident, one of whom was, as you'll see from the affidavit, Mr. Ferguson. The Minister refused that.

We, at various times, gave the opportunity to the Minister to make this information available. Unfortunately, it has come to this, but the affidavit is there. We believe it has information that calls into question many aspects of the operation of SADL-MTX. We believe that, given this, the Minister obviously is going to have to treat it very seriously, as he has indicated he will, and open a much larger inquiry into the operations than he attempted to portray in the opening statement this morning.

It seems to me, Mr. Chairman, that unless we get an opportunity to be able to make an inquiry under oath into all matters of this operation, we are not going to be able to get the answers to the questions. With the greatest of respect for the Minister, Mr. Chairman, we were attempting to urge him to move towards that

situation, to call employees, to call people before a committee to give them the opportunity to give their information. Because that was consistently refused - and let's be frank about it - employees who are still with the Telephone System, many of whom have called, who have sent information, I might say, to a number of members of the Opposition anonymously, are very concerned with respect to their employment, their continued employment with the Telephone System or its subsidiaries. As a consequence, there has not been prior to this the kind of opportunity that we believe would be afforded by a judicial inquiry. We believe that in response to the information that's been tabled today, nothing short of a judicial inquiry is going to satisfy this Minister, or the previous Ministers, or indeed the people of Manitoba with regard to the operations of MTX and its subsidiaries.

HON. A. MACKLING: Mr. Chairperson, I am incensed by the suggestion by the Leader of the Opposition that somehow exposure of what may appear to be criminal acts was thwarted by this Minister. Mr. Chairperson, at no time did anyone indicate to this Minister, did the critic or anyone else indicate that there had been any wrongdoing on the part of anyone in this operation.

The honourable member has received complete cooperation from me. When he wanted documentation, he got the documentation. Long before the first meeting of this committee when he asked for the financial statements of MTX, I went out of my way to make sure that he had that documentation. I have cooperated fully.

I notice this affidavit was sworn on August 7. We're now meeting on August 12 and no indication was given to this Minister prior to this date, and five days have elapsed in which I believe there should have been a commencement of an inquiry of some kind.

I resent the fact that the Leader of the Opposition is in some way suggesting that this Minister would condone in any way any wrongdoing of anyone. I think that is very improper of the Leader of the Opposition to make that suggestion.

MR. G. FILMON: Mr. Chairman, I remind the Minister that the committee was to have sat last Thursday. We still haven't established why it didn't sit last Thursday and that was the five days that have lapsed since that information was obviously sworn. There was obviously a difference of opinion. Mr. Holland wasn't aware of why the committee wasn't able to sit. The Minister was indicating that he was awaiting further information, all of which seems to have been available.

Perhaps the Minister was attempting with his colleagues to make a determination with respect to future action that resulted in his opening statement today.

But, Mr. Chairman, that isn't adequate as far as we're concerned. The information would have been provided to the meeting had it taken place on Thursday and this Minister would have had the information five days earlier had he called the committee on Thursday obviously, and there it is.

The Minister need not attempt to pick at little details here. The issue here is that there's information that has to be responded to and inquired upon in a total

broad sense. A judicial inquiry is warranted and no amount of picking away at details is going to take the Minister out of his responsibility.

HON. A. MACKLING: Mr. Chairperson, this Minister is going to pick at every detail until all the facts are known.

SOME HONOURABLE MEMBERS: Oh, oh!

MR. CHAIRMAN: Order, order please.

Mr. Mackling has the floor. Other members can seek to speak if they wish, but please do not interrupt the proceedings of this committee - Mr. Mackling.

HON. A. MACKLING: Mr. Chairperson, this affidavit was sworn on the 7th day of August. As late as the other day, the Honourable Leader of the Opposition and the critic were asking further questions of this Minister for this meeting of the committee.

SOME HONOURABLE MEMBERS: Oh, oh!

MR. CHAIRMAN: Order please, order please.

HON. A. MACKLING: Mr. Chairperson, as late as this morning, I reviewed with staff the ability to fully answer

questions, particularly respecting equipment that had been returned to Canada which the Honourable Leader of the Opposition had asked about. What was the total amount of the order that had been placed initially? That information still hasn't been obtained by this Minister because it's an involved question about inventory over there. I undertook to provide complete information.

I'm still not satisfied that I have all the details to the questions that I would have expected would flow from some of those answers that were given. But I still had questions from the Honourable Leader of the Opposition as late as the other day in respect to this operation. Yet this affidavit, suggesting very serious charges may be warranted was sworn on the 7th day of August.

I believe the Leader of the Opposition and the critic should have brought this information to me as soon as they had it available to them.

MR. CHAIRMAN: Order please.

It's approaching 12:30. What is the will of the committee?

Committee rise.

COMMITTEE ROSE AT: 12:30 p.m.