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Legislative Assembly of Manitoba

STANDING COMMITTEE

ON

PUBLIC UTILITIES AND NATURAL RESOURCES

Chairman

**Mr. Warren Steen
Constituency of Crescentwood**



Thursday, May 31, 1979 10:00 A.M.

**Hearing Of The Standing Committee
On
Public Utilities and
Thursday, May 31, 1979**

Time: 10:00 a.m.

CHAIRMAN: Mr. Warren Steen (Crescentwood).

CHAIRMAN: I call the meeting of the Committee on Public Utilities and Natural Resources to order. We are to review the 1977-78 Annual Report of the Manitoba Telephone System. We will begin with the Honourable Minister responsible for Telephones.

McGILL: Mr. Chairman, I'm again pleased to introduce Mr. Gordon Holland, the Chairman and General Manager of Manitoba Telephone System, who will make a preliminary statement with respect to the Annual Report that is before the Committee, and in doing so, I believe, will introduce supporting staff who are here this morning.

MANITOBA TELEPHONE SYSTEM

GORDON W. HOLLAND: Thank you very much, Mr. Chairman, Mr. Minister. MTS is represented this morning by Glover Anderson, Vice-Chairman of the Board and the Assistant General-Manager; Gordon Backhouse, Director of Marketing and Administration; Mr. Dennis Wardrop, Director of Corporate Development; Bob Vannevel, our Director of Finance; Oz Pedde from Western Region, General Manager of Western Region; Ed Peterson, Director of Operations; Ken Beatty, our General Counsel; and Jim Chalmers from Manitoba Data Services.

With your permission, Mr. Chairman, I should like to make a few comments on the 1977-78 Annual Report, and on the current year's activities, and then endeavour to answer any questions which the Committee may have. The report was mailed to all members last fall and tabled by the Minister at this Session of the Legislature.

A brief examination of the financial statistics in the Report shows the total Revenues increased 12.7 percent; total Expenses increased by 15 percent; Net Income for the year was \$6,878,000 (down by \$2,369,000 from the previous year).

Capital expenditures during the year amounted to \$94,146,000 and by the end of the year, the System had a total of 640,253 telephones, an increase of 31,092 during the year.

Gross investment in telephone plant reached \$618,977,000 at the end of March, 1978, an average investment of \$966 per telephone, up from \$655 ten years earlier.

It has been customary to supplement information contained in the Annual Report with information concerning recent and current activities. May I, therefore, comment on the System's major programs and activities for the period from April 1, 1978 to the present.

The System applied to the Public Utilities Board of Manitoba for increased telephone rates on November 17, 1978. The increases were seen by MTS as essential to prevent a deterioration in the System's financial structure. There had been substantial increases in the cost of servicing foreign debt issues as a result of the drop in the relative value of the Canadian dollar.

Following public hearings in Winnipeg, Thompson, Dauphin, Brandon and Morden, with the latter heard in Winnipeg, the Public Utilities Board issued an order on March 9 authorizing MTS to implement rate changes, effective April 1, as follows:

1. an increase in rates for residence and business service of 12 percent,
2. a revision in the intra-toll structure with a decrease in rates charged in the first three mileage bands, that is from zero to 25 miles, and an increase of about 15 percent in other mileage bands,
3. increases in service connection, WATS and foreign exchange service.

Even with these increases, MTS rates will generally continue to be the lowest in Canada and we have prepared a table of comparative rates for distribution, and I believe it's attached to the back of your statement.

Over the three-year period ending March 31, 1982, these changes should generate about

of the increases in revenue requested by the System.

Annual debt charges have increased from \$22.8 million in 1975-76 to nearly \$43.0 million 1978-79.

A large part of this increase is due to the significant increase in the cost of servicing foreign bond issues. In addition, when these issues mature in the period 1983 through 1993, the repayment cost will substantially exceed the issue value due to the decline in the relative value of the Canadian dollar.

As reported previously, the MTS Board has established a short-term target under which the debt ratio would not exceed 85.0 and hopefully show a trend towards a gradual reduction. This is considered highly desirable to assure MTS' financial strength in anticipation of continuing rapid change in economic and technological conditions and business uncertainties facing the telephone industry. In the three year plan advanced to the Public Utilities Board, debt ratios were projected as 85.1 percent in 1979-80, reducing to 83.6 percent in 1980-81 and to 82.7 percent by March 31, 1982. With the recent decision of the PUB, if the tariff continues at this level over the three year period, it is estimated that the debt ratio in the years ending 1980, 1981 and 1982 would be 85.8 percent, 85.4 percent and 85.6 percent respectively.

It is quite possible then that the present authorized tariff will not produce revenues sufficient to allow the System to deal with the rising cost of foreign debt and to achieve improvement in its debt ratio over the three year period. All analyses which we have studied indicate that we should not expect any significant recovery of the Canadian dollar against foreign currencies in the foreseeable future.

Rapidly changing economic conditions, the economic uncertainties facing the telephone industry as well as the continuing rapid pace of technological change, all reinforce the Board's concern which led to the establishment of a target reduction in the System's debt ratio.

The System's net income for the year ending March 31, 1978 was \$6,878,000.00. For the year just ended, with full reflection of current currency levels, we experienced a deficit of approximately \$5 million, subject to final audit.

Total revenues for 1978-79 were \$176.2 million, and operating expenses, \$123.4 million. The rate of increase and operating expense was the lowest of any major telephone company in Canada last year. Debt servicing charges increased by 26 percent, from \$34.4 million to approximately \$55 million.

During the year ending March 31, 1979, there was a net gain of 23,199 telephones, bringing the total number in service to 663,452.

For the year just ended, capital expenditures totalled \$68.591 million, bringing the total value of telephone property to \$668 million plus, an average investment of over \$1,000 per telephone.

The Rural Service Improvement Program continues to receive high priority. The Program has two elements, each with a 1981 completion date. Under one element, multi-party line loadings are being reduced to no more than four per line, with an average of 2.6, benefitting about 44,000 customers.

Between March 31, 1976 and March 31, 1979, average line loadings were reduced from 5.1 on the average, to 3.78. And the percentage of lines with more than four subscribers decreased from 60.4 percent to 25.65 percent.

About \$4,600,000 will be spent on this portion of the Program during the 1979-80 fiscal year, improving service to a further 7,300 customers, and bringing average line loadings down to 3.15.

Under the other element of the Program, individual line service is being extended to 13,400 customers in 170 communities, which previously have had multi-party service. About \$2,100,000 will be spent on this element of the Program in 1979-80, benefitting more than 2,200 customers.

It is estimated that almost \$34 million will have been spent on the Rural Service Improvement Program by its completion in 1981.

Means of future improvements of rural service are expected to be demonstrated during a field trial of a rural fibre optic distribution system which will begin shortly in the Elie area. The trial will provide 150 subscribers with single party service, cable television and FM service. This trial is unique in Canada.

The Elie project will cost about \$6.3 million, of which 85 percent is being funded by the Government of Canada, the Canadian Telecommunications Carriers Association and Northern Telecom Ltd.

We believe that the trial will assist MTS in the future in providing high quality telephone service and other services to rural subscribers in the most economical manner.

The System's major Northern service program has been completed. This program, which began

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1971, brought expanded and improved service to about 18,000 residents of 37 communities at cost of about \$18,700,000.00. All of these communities received toll service and many also received gular dial exchange service as well.

The extension of radio relay facilities into Northern Manitoba has made it feasible to arrange r the provision of network television throughout the area. Through the use of System microwave cilities, network television was provided to Manigotagan and Dawson Bay in 1978, in addition the 35 communities previously served as the microwave was extended.

Last November, an electronic long distance switching machine was placed in service at the stem's Thompson building to meet service growth requirements in the North. This enabled stomer dialing overseas and Zero Plus calling to be introduced for the benefit of the System's ompson customers.

One noteworthy aspect of MTS performance in recent years has been the Directory eration.

In the early '70s, faced with rapidly increasing costs, MTS Directory operations seemed to be aded towards a financial loss position. However, a promotion of directory advertising services d effective cost management have reversed this situation so that Directory operations now make significant contribution to MTS revenue requirements.

The telephone directory is viewed as an important advertising medium and as a valuable reference ument throughout the Province. The importance of these functions explains, in la ge measure, a high degree of public interest in developments in directory size, print, and coverage.

Because we are anxious to ensure that the MTS telephone directories are of maximum usefulness all subscribers, we take care to consult with users to obtain their views on planned changes, d this advice is a valuable input into the evolution of the Directory format.

Direct Distance Dialing, which is now available to more than 97 percent of Manitoba's teeephones, I continue to be extended to additional communities in the new fiscal year.

Direct Dialing Overseas was introduced to Winnipeg exactly one year ago and since then, the rvice has been extended to Brandon and eight other Western Manitoba communities as well as Thompson.

On April 9, six countries were added to the roster of overseas nations which can be reached dialing direct, bringing the total number to 33 countries.

Since 1908, when the Province of Manitoba purchased the Telephone assets of the Bell Telephone mpany in Manitoba, communications services in Manitoba have been provided within the mework of a public utility, acting as a common carrier responsible for providing communications ilities that are accessible to all users. Rates charged by MTS for access to these communications es are regulated by the Public Utilities Board of Manitoba.

Cable television is regarded as another service to be carried over the communications lines of S. The coaxial cable can be used to carry services other than television. Ownership of this coaxial ble network by the Public Utility assures access to the services by any businessman or individual hing to use the network.

During 1978-79 provision was made by Order-in-Council for referral to the Public Utilities Board MTS rates at the initiative of the customer. During the past year MTS completed construction networks to permit extension of cable television services to Brandon, Portage la Prairie, Selkirk d Carberry. Tiis network is also being used for other occasional broadcast services to and from ise communities. Extension of this service to several additional licensed communities is anticipated ring the current fiscal year as part of the system's overall plan to extend this service to some licensed Manitoba centres.

The Winnipeg cable television system is governed by the "Coaxial Cable Distribution Sstem reement" between the Manitoba Telephone System and Greater Winnipeg Cablevision Limited d Winnipeg Videon Limited. This agreement signed in 1967 for a term of 12 years provided for ension of the agreement for further periods of five years.

During negotiations related to renewal of the agreement, the cable operators endeavoured to uses which granted MTS the right to change out amplifiers and purchase subscriber house drops oved. The Manitoba Telephone System could not agree to changes, as these clauses were seen us as being paramount in order to preserve the system's capability to reconfigure this system general common carrier use as the need arose. As a result of these discussions, the agreement s renewed to 1984 without any change in those clauses which dealt with change out of amplifiers d purchase of drops.

The telecommunications industry in Canada is in the throes of a massive expansion and change ight about by developments in telecommunications technology and the resulting explosion in ducts and services and market demand.

If MTS is to keep abreast of these developments, it must change with the markets and with hnology and move from the role of a traditional telephone supplier into fulfillment of a broader

role as a telecommunications common carrier.

This involves the ability to supply communications transmission systems for an ever-increasing variety of services such as fire and burglar alarm, energy management, the Telidon information systems and others. Provision of these services requires the ultimate integration of the MTS Winnipeg coaxial cable network with other MTS telecommunications transmission facilities.

In 1977-78 Manitoba Data Services entered its second full year of operation since its format in September, 1975. The year was marked by significant progress in the rationalization of computer servicing the Manitoba public sector. Further, 1977-78 saw the completion of a number of important technological enhancements.

The year was one highlighted by substantial growth in operating revenues. Total revenues \$9,142,000 represented an increase of 45.8 percent over the previous year. The attainment of significant milestones in the rationalization of government computer services was a major contribution to this growth. In particular there was the completion of the migration of all in-house computer operations at MTS to the MDS site, thereby allowing for the removal of installed equipment at MTS as well as the conclusion of an agreement with Manitoba Hydro wherein MDS assumed responsibility for the operation of its computer facilities.

A major development in the rationalization process was the conclusion of an agreement with the Manitoba Health Services Commission for the replacement of its in-house computer operations in favour of the use of MDS services. This conversion to MDS has since been completed and previously installed computer equipment removed.

In line with the forecasted three-year investment program required to develop the business, MDS reported an operating deficit of \$1,212,000 for the year. An important segment of this development program was the completion of a major new computer operating system. This project yielded substantial benefits in the areas of operating efficiency and service reliability. This new operating system has resulted in productivity improvements in the installed computer equipment in the range of 30 percent.

Of particular significance were the improvements in privacy and security instituted by MDS during the year. Installation of a comprehensive fire detection and suppression system assures a high level of protection for clients. A second important development saw the installation of a resource allocation control facility program, which provides levels of data security and privacy comparable to the highest available in the industry.

In the area of system development a new system was completed for the Attorney-General's department for the personal property registry system. This new on-line computer program was successfully implemented in the summer of 1978.

In the fiscal year just ended, there were a number of significant developments at MDS. In the area of computer operations, two computers were replaced by an IBM 3033 computer. This transition resulted in improved economies while at the same time providing a substantial increase in processing capacity. More recently, a mass storage system was successfully installed. This new piece of computer equipment is projected to yield lower data storage and operating costs for MDS and its clients. Work has proceeded on activities directed toward the migration of Manitoba Hydro computer services to the Norquay site with completion expected during the coming months. This is the last major component of the computer rationalization process.

Revenues continued to grow in the year just ended, although at a lower rate. This has led to lower than forecast revenues for MDS during the year. In addition, MDS has been faced with high interest rates. These unanticipated developments have had an adverse effect. As a result, a deficit of approximately \$600,000 was experienced in the year ending March 31st, 1979.

The system opened an additional phone centre store in the past year, located in Fort Garry. It serves some 30,000 customers in south Winnipeg.

The system's sixth phone centre store will be opened in Portage la Prairie this year. We plan to convert residences in that community to phone centre-style jacks and plugs in 1979.

About 160,000 residences in Winnipeg, or 75 percent of the total, have been converted and it is our hope to complete the conversion by the end of the current fiscal year.

In Brandon, 10,000 residences — 80 percent of the total — had been converted, with completion of the work expected by this summer.

During the current fiscal year, the System will begin providing Phone Centre-style jacks and plugs to communities within a radius of 20 to 25 miles of Winnipeg and Brandon.

Our customers continue to endorse the Phone Centre concept as they recognize that this new approach in customer service permits faster service, lower service charges, and an overall reduction in operating costs for MTS.

Despite the rapid growth of the System in recent years, the number of employees has remained fairly constant. There are currently about 4,700 employees of MTS.

The demands for improved service, and the impact of chronic inflation on our operating costs

ave forced the System to pursue measures to control costs and improve productivity.

Mechanization of procedures, improved managerial effectiveness and control, the adoption of technological change where it is cost-effective and beneficial, and the development of new concepts, such as Phone Centre, have allowed MTS to control costs and to improve overall service standards.

Our success in this regard is evidenced by the fact that MTS operating costs per telephone are the lowest of major Canadian telephone companies, while service standards are among the best in Canada.

In its most recent decision, the Public Utilities Board of Manitoba indicated that, and I quote, "The System has demonstrated that it has substantially achieved economies consistent with an efficient service."

Mr. Chairman, may I express the hope that employees of MTS continue to merit the support of this committee in our efforts to carry out our mandate to provide high-quality service to all of Manitoba at the lowest possible costs. We believe that the progress achieved by the System would not be possible without the outstanding motivation and skill of our employees.

IR. CHAIRMAN: To the members of the committee, just before we start to deal with the Annual Report, what is the wish of the committee? To deal with it on a page-by-page basis, or deal with it on a very general basis, and then pass it in its entirety at the conclusion of the questions and answers to either the Minister or the General Manager?

Mr. Doern, do you have any thoughts regarding how we should deal with it?

IR. RUSSELL DOERN: Well, Mr. Chairman, I'd suggest we perhaps have a general discussion first, or another alternative would be to follow this Report, which I don't think exactly parallels that. But I would prefer a general discussion to begin with, and then perhaps we could go page-by-page.

IR. CHAIRMAN: Is that the wish of the committee? Mr. Doern is the first person who has indicated he has questions or comments, followed by Mr. Walding.

Mr. Doern.

MR. DOERN: Mr. Chairman, first of all, a welcome to the Chairman of the Board, Gordon Holland, and his members of the Board. I had the privilege, I guess about ten years ago, of serving for a year or two on the Board, and found the Corporation very well run, which I believe it is still continuing to be done.

I'm particularly interested at the beginning, Mr. Chairman, about the Financial Statement made by Mr. Holland, and I wanted to ask him in general — because we're apparently confronted with a 12 percent rate increase; I assume that will be going into effect, or it is in effect right now — was wondering if the Chairman could provide us with some general information based on the last 20 years as to the number of rate increases there have been, going back to the late 50's — if he could give us either the years and the percentages, or the number, some sort of information that regard.

IR. HOLLAND: Mr. Chairman, there was a general tariff revision in 1955. Another revision in 1975 and 1976 as a result of another review by the Public Utilities Board of Manitoba. And the most recent general tariff revision, which takes effect April 1 of this year, so that it has been implemented.

IR. DOERN: And, in the foreseeable future, the next few years — and I don't know if you can see as far as five or ten years down the road — do you anticipate a requirement for some additional rate increases?

R. HOLLAND: Mr. Chairman, the application to the Public Utilities Board was a three-year projection and forecast, commencing with the 1979-80 year, and our rate proposals were geared to see that financial plan fulfilled over a three-year cycle. The Public Utilities Board did not approve it of our request. At this stage, we will be awaiting the revenue results of the new tariff. We shall be watching closely the performance of the Canadian dollar against other currencies, and general utilization of our customers.

There is another factor that I had mentioned in the earlier comments, is that our Board has a very strong objective that the debt ratio should not exceed the 85 figure, and that in fact it should be gradually reduced over a considerable period.

So, these are all the major considerations that we'll be following closely. I think we can conclude

that the new rate schedule and utilization patterns by customers will certainly see us through the next two years without difficulty.

So, by two years, or three years down the road, depending on all factors and so on, it may be necessary, and it certainly would be possible, if the statistics were there, to apply for another rate increase.

MR. HOLLAND: Our Board is provided with up-dated three-year forecasts at all times, and they generally are sufficiently accurate to signal the need for any tariff adjustments. It will be watched very closely.

MR. DOERN: Could you give us an indication, or maybe it's contained in this Report, but how many millions of dollars do you have in foreign borrowings?

MR. HOLLAND: Something over \$100 million.

MR. DOERN: \$100 million. And you mention in your report that there have been, of course, substantial increases in the cost of servicing foreign debt issues as a result of the drop in the relative value of the Canadian dollar; so I assume that some of those borrowings were initially taken close to par, or close to 100 cents, as compared to 85 or 86 cents now. Is that what has happened?

MR. HOLLAND: Yes, Mr. Chairman. The calculations done in October of last year, before my appearance at the Public Utilities Board, showed that we had U.S. and off-shore issues, which at the time of issue were valued at \$171 million Canadian and which at that time according to the then relative value of the Canadian dollar, would have required \$288 million to retire. The current levels of course fluctuate regularly and will be shown in our Annual Report as of March 31 this year at the currency levels on that date.

MR. DOERN: So that at present you have \$100 million approximately owing abroad?

MR. HOLLAND: I suppose, Mr. Chairman, to be accurate, we should say that in October there was a potential liability of an additional \$116 million to be repaid on maturity and that ranges over the period 1983 through 1991.

MR. DOERN: Is that last October?

MR. HOLLAND: Yes.

MR. DOERN: \$116 million; so that if the government decided in its wisdom or generosity to knock out the variation in the 86-cent dollar and the 100-cent dollar — going up to 87 now — (Interjection)— New optimism in the country, Mr. Chairman. And if the Manitoba Government decided to eliminate that discrepancy then it would be 13 or 14 cents on a dollar times \$116 million which might be \$15 million or \$16 million — \$20 million, which would eliminate that difference. . . .

MR. HOLLAND: Well, Mr. Chairman, the Manitoba Telephone System is regulated by the Public Utilities Board of Manitoba, so that obviously we have presented and discussed these figures together with the Public Utilities Board, and provision has been contained both for the higher interest costs and the eventual redemption, so that MTS will be portraying in its Financial Statement for the year ending March 31, both the increased interest costs and an amortize provision for meeting the issues. And that situation, as I mentioned, has resulted in about a one-half million dollar deficit for the past year and then our new rate tariff takes effect April 1 this year.

MR. DOERN: But I read in your report on Page 2 that you read before the committee, that analyses which we have studied indicate that we should not expect any significant recovery of Canadian dollar against foreign currencies in the foreseeable future. I am sure that you probably look with some envy at Manitoba Hydro, where some 30-odd million dollars is being provided to the Hydro to hold their rates in the next fiscal year. You have not been given such a similar offer of trust.

MR. HOLLAND: Well, I think, Mr. Chairman, I can only say again that our best advice is that

should not expect any dramatic or significant improvement in the relative value of the Canadian dollar, and for that reason, we have made full provision to ingest this currency change in our planning.

MR. DOERN: I would then ask the Minister, if my calculations are right, assuming \$116 million left and about 14 cents devaluation, that it would be about \$16 million. Hydro was provided with about double that amount — is going to be provided with double that amount in the next fiscal year to stabilize rates. I was just wondering whether the Minister felt that in terms of the Telephone System, that he would be prepared to make a similar recommendation to his colleagues on the Executive Council either right now or when required in an attempt to treat both public utilities fairly; this is sauce for the goose then presumably it's sauce for the gander.

MR. MCGILL: Mr. Chairman, the Member for Elmwood is attempting to relate the government policies announced in the Budget with respect to the Manitoba Hydro rates and the likelihood of increases during the next five years and the decision of the government to freeze those rates. That decision was taken, that policy determined for reasons which were peculiar to the position of Hydro. He's asking me also if I would be able at this time to give him some indication of what policy might be with respect to Manitoba Telephones. And of course I can't give any indication to him of what any future policy determinations may be. But I would point out that the circumstances are clearly much different in respect to the Hydro and to the Manitoba Telephone System. The rates of Telephone System being pretty clearly very comparable and in most cases lower than any other in the country. They are not facing the kinds of surplus production positions that Hydro now has, Hydro being a very fundamental part of costs of production in industry as the producer of energy which is part of almost every business and every industry in our country. The circumstances are much different but let me just say that again, I am not able to give the member any indication of what future policy may be with respect to Manitoba Telephone System.

MR. DOERN: Mr. Chairman, I have some difficulty in reading the financial figures. For example on page 3, superficially it looks as if there is a gross profit of \$52 million; you give Total Revenues of \$176 million and Operating at \$123 million, and so on and so on. And then you have Capital Expenditures, on the first page, year under review, you have Net Income for the year was \$6.8 million, etc. To the layman, in the past year of operation, did you show a profit or did you have a loss of how many millions?

MR. HOLLAND: Mr. Chairman, the 1977-78 figures are displayed on page 8 of the Annual Report. That shows Net Revenues for that year of \$6,878,000.00. The preceding year the Net Revenues were in excess of \$9 million.

MR. DOERN: And your 12 percent rate increase — how many millions will that bring in?

MR. HOLLAND: In the '79-80 year? The projection is \$10 to \$12 million of additional revenue. That again is subject to the utilization patterns by our customers.

MR. DOERN: Mr. Chairman, again I intend to attempt to draw a parallel with Manitoba Hydro and the Chairman's figures are accurate; he indicates that \$10 to \$12 million in revenue — I direct this to the Minister — Mr. Holland indicates that there'd be, with a 12 percent rate increase, that will bring in some \$10 to \$12 million in additional revenues for MTS; and I'm saying to you, Mr. Minister, that if you also adopted the same policy and position you are taking with regard to Hydro, namely to eliminate the "devaluation" of the Canadian dollar, then on the foreign borrowings of \$116 million based on 86 or 87 cent dollar, if you provided the System with \$16 million — gave them \$16 million, in the same way that you are prepared to give Hydro \$30 million plus — then you would be able to eliminate the 12 percent rate increase. If you just did it on that basis, they would have \$16 million; they would have an additional amount of money to use in the System to invest, and there wouldn't be any need for a rate increase this year, and presumably in the next couple of years. I'm sure that, you know, using the same approach, you can fix the telephone rates for the next five years as you could in other areas as well.

So I want to draw this to your attention, Mr. Minister, that there's no magic here. If you're going to provide additional funds for whatever purposes, you would also be able to eliminate the proposed rate increases for telephone users in the province for the next three years.

R. CHAIRMAN: Mr. McGill.

MR. MCGILL: Well, Mr. Chairman, I appreciate the member's advice. He builds a rather interesting speculation based on a number of hypotheses — if certain things do occur then it would be possible for the government to prevent certain other things from occurring. However, I think we will have to make those decisions as the universe unfolds, as we face the financial positions from year-to-year and make the determinations based upon currency levels and the projections of the cost of servicing the debt as it now exists.

So again, these determinations will certainly not be made at this time. They will be all part of future government policy decisions, and again I thank you for your advice. We appreciate your comments.

MR. DOERN: Thank you. You can see why, Mr. Chairman, that this Minister is one of the favourites in the House. It's because he is a gentleman and we do respect him for that.

I want to also point out that the consequences of doing so, there would be advantages in doing so in that telephone rates are a cost to business, to all the businessmen in the province, to telephone consumers — nearly everybody has telephones — and then ultimately, I suppose, to telephone taxpayers.

I have one other general question, Mr. Chairman, and then I will defer to some other member of the Committee before raising some other points. In the Budget — I'm now talking about the general Budget, and I direct this to the Minister again — in the Budget the government talked about reviewing the operation of other Crown Corporations: The Liquor Control Commission, with a view to possibly establishing private stores or dismantling part of the Commission; and reviewing the operations of Autopac, perhaps with a view to initiating some more private competition or with a view to dismantling that Corporation.

I want to ask the Minister in regard to the Telephone System, which has been with us some 71 years, whether the Minister was receptive to a study or to a program by which more competition would be introduced with the Telephone System, as in the good old days when there were some 100-odd telephone companies in the province, according to one article that I have? Is the government interested in either studying MTS with a view to introducing more competition, or with dismantling or selling the Telephone System?

MR. MCGILL: Mr. Chairman, I believe the Member for The Pas asked essentially the same question last year in front of the Committee, and the answer is the same. There has been no consideration of any action of the type the member describes with respect to Manitoba Telephone Systems. It has been a Public Utility Telephone Company for about 70 years in Manitoba; there is no present consideration being given to any change of its status.

MR. DOERN: I would just ask a final question here, Mr. Chairman, and discuss it in greater detail a little later on the approach of the government to Cable Companies. There's been some debate and discussion in the province about this matter and I suppose there's essentially two positions. One would be a position taken by the Telephone System that they should have a strong content in this area, and I suppose another one would be a position more favourable to competition. Can I take it for granted that the Minister is behind and in full agreement with the general position of the Telephone System in regard to Cable Companies in the province and some of the disputes that have arisen?

MR. MCGILL: Well, Mr. Chairman, the role which the Manitoba Telephone System is fulfilling in the province with respect to Cable is that of a common carrier and has many similarities to the role as a common carrier for telephone communications. We support the principle and there should be an electronic highway available to as many private companies, as are likely to apply for a channel capacity to deliver programs presently available or programs which may in the future become — or services perhaps I should say, rather than programs. But in general, we see the role of the Telephone System as that of a common carrier in this field, as well as in the field of telephone communication.

MR. CHAIRMAN: Mr. Holland.

MR. HOLLAND: Mr. Chairman, I'm not sure that I answered Mr. Doern's question exactly. He made reference to the fiscal year ending March 31st, 1979, revenues \$176 million; direct expenses \$70 million. From that are the debt charges and from that is the provision for foreign exchange amortization, which produces a \$.5 million negative net income. But our new rate schedule takes effect April 1; we're projecting net revenues of at least 8.8 million for the year that we're in, and that has been achieved with the rate schedule that I think you will agree compares very favourably

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with any other major telephone company. So I did wish to underline that MTS is in good financial health.

R. CHAIRMAN: Mr. Walding.

R. WALDING: Thank you, Mr. Chairman. I had a few questions to ask of Mr. Holland and I don't think they will be long, and I say partly for the benefit of my colleagues that we hope to complete the consideration of the report in one morning, as distinct from last year, when I believe it took two or three mornings. The reason for that is that we are looking forward to interviewing Hydro, considering its report in the very near future.

R. HOLLAND: Excellent idea.

R. WALDING: I'd like to ask Mr. Holland first of all, how much notice he was given of the meeting this morning?

R. HOLLAND: Mr. Chairman, I'm sorry, I can't recall whether it was yesterday or the day before that it was confirmed. Just say we have been keeping a watching brief and trying to make our own observations as to when the work of the various committees would make it possible for us to come. But I believe it was — I think it was yesterday, that we had final confirmation.

R. WALDING: Would it have been in the morning or the afternoon?

R. HOLLAND: In the morning it was probable and in the afternoon it was for definite. I think it's accurate.

MEMBER: Well, you probably had a pretty general good idea that at some time you would be appearing before the Committee.

R. WALDING: Like about about 12 months' notice.

MEMBER: Perhaps before.

R. WALDING: You say for Mr. Holland's benefitting case, it sounds like an odd question. The position was advised at 4:30 yesterday afternoon that we would be dealing with this matter this morning. We were a little annoyed at the short notice. We were curious as to whether you were given more notice than we were. That's the least . . . —(Interjection)— We brought up at last year's meeting the matter of the report on the Task Force, Mr. Holland, and I recall at that time when I was asked questions about it, you said that, well, it was rather new and the Board was still thinking at it and that he didn't really have a position on it at that time. I'd like to ask him now, whether the System or the Board of the System has reviewed those recommendations and do they have a position on each of the recommendations contained in there, having to do with Crown corporations generally and specifically with the Manitoba Telephone System and Manitoba Data Services?

R. HOLLAND: Mr. Chairman, each of the recommendations of that report were analyzed by our staff and reviewed with the Board about one year ago, and that would be, I believe in May of '78. So, they were looked at very carefully.

R. WALDING: Mr. Holland, is there a written response to those suggestions that you can give this Committee? Are you prepared to tell us what the Board's reaction to them was?

R. HOLLAND: There was both verbal and written material provided to the Board as I recall and I would think there would be no objection to providing members of the Committee with that analysis.

R. WALDING: I'll just ask on a couple of specifics. One of the recommendations is that as far as Crown corporations are concerned, that the office of the Chairman should be separate from that of the Chief Executive Officer. I ask what the Board's reaction to that particular recommendation was?

HOLLAND: Yes, the Board concluded that since the Chairman and all members of the MTS

board are named by the Lieutenant-Governor-in-Council, that that was not a recommendation which appropriately should be considered by our Board, that it is a matter of government policy.

MR. WALDING: I'd like to ask a follow-up question or two, from what Mr. Doern was asking about the — now, first of all, the debt equity ratio and it's mentioned in the Task Force Report. I recall it being discussed at meetings of the Board in the past and you have mentioned it in your report today. The Task Force had recommended that an interim target of 70-30 for that debt equity ratio should be adopted. You said that in your application to the Public Utilities Board, that you had wanted that reduced to 82 percent, I believe, if the full increase had been granted over the next few years, but that the increase granted by the Board would leave it at something like 85 percent over the same period of time. Can you tell us what the Public Utilities Board's reaction was in that regard, whether they saw a necessity for decreasing that debt equity ratio or whether they consider that somehow irrelevant to the increase itself, whether that was incidental to granting you a certain increase in rates?

MR. HOLLAND: Mr. Chairman, we'd be pleased to provide copies of the published decision of the Public Utilities Board. They do not specifically deal with their policy or attitude to the matter of debt equity and debt ratios. I think that we would surmise from the decision or at least could fairly conclude from that, that the Public Utilities Board is not particularly concerned about the debt ratio factor, whereas they are concerned that MTS should be able to methodically take care of its outstanding debt and the currency shifts and without abrupt or traumatic changes in our rate pattern. Those would really be my assumptions from the decision.

In my earlier comments, I made mention of the increasing cost of debt charges, and I think I used two years to illustrate they had gone from something like \$23 million to about the \$43 million level. The only way to keep that figure contained, because, of course, it's a first call on the revenue of MTS, is either through depreciation or net earnings from operations; and the depreciation figure is largely governed by industry, counting conventions and standards and so on. So we are anxious to produce higher net incomes in order that our borrowings will be reduced or contained.

MR. WALDING: Yes, when this matter of the debt equity ratio came up last year, I asked you at that time what the effect on the System's rates would have to be in order to go immediately to a debt ratio of 70-30. You were not able to give me any accurate figure at that time and I was half expecting that we might do a calculation, or someone in the System might do a calculation and send it to me. I didn't receive anything like that. I'm wondering now if that could be done, that we could see what that effect was. I realize that rates across the country are not set by Montreal and that this would have to be reflected in rental rates and perhaps, long distance rates within the province. If I can have an indication of what percentage increase would be needed in the rates, to achieve a debt equity ratio of 70-30, I would appreciate that.

MR. HOLLAND: Mr. Chairman, a key factor there would be the target period over which that reduction occurred. Would you think 10, or 20 years, for illustrative purposes? It's a very large sum of money, and it would have to be over a period of time. We could illustrate it over, say a 10 year period, or a 20, or a 30 year.

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MR. WALDING: The Task Force Report says, and I quote, "We suggest further studies be carried out to establish long-term policies leading to an appropriate debt equity mixture." I'd like to ask you whether that has been done.

And it also continues, "In the interim, a target of 70-30 should be adopted." That would suggest in the very near future, if not immediately.

MR. HOLLAND: Perhaps five and ten years — on a topic of that sort, that would be a short-term target period.

MR. WALDING: I see.

MR. HOLLAND: Would that be suitable?

MR. WALDING: Yes, I believe it would. I wonder if you could also give me an update on some figures that I had asked for in the past from MTS, and that was the percentage of expenditure that . . . up of the annual debt charges — in other words, debt charges to expenditures each year. I recall it was running somewhere around 20, 21 cents. I am wondering if that has gone up recently or if it is showing an upturn in the next few years. If that could be provided, I would appreciate

IR. HOLLAND: We'll obtain that information.

IR. WALDING: Mr. Chairman, Mr. Holland refers in several places in his report to us today about foreign debts and the exchange on bond rates. I am wondering if that is because the situation has changed dramatically over the last year — because I don't recall it being mentioned in last year's Report — or whether it's because of the recent announcements that have been made with regard to Hydro, that you mention that on this year.

IR. HOLLAND: Mr. Chairman, I think that the significant changes started occurring about late August of last year and sort of escalated through the end of October, roughly — and in fact, of course, there has been improvement, some improvement, through to the end of March. I would say that with the financial data becoming evident in August-September — and, of course, there has been a great deal of public discussion on it — we immediately prepared much information for discussion and review by the Public Utilities Board, before whom we were appearing about November - November-December.

R. WALDING: So, are you telling me that there has been a serious deterioration of the position since the time that you were appearing before the Public Utilities Board?

R. HOLLAND: Yes, Mr. Chairman.

R. WALDING: I would read, on Page 12 of the Annual Report, that this amount of deficit on foreign exchange is \$73 million, halfway through the paragraph Translation of Foreign Currencies. Can you confirm that that is the difference as of March 31, 1978 — the difference in Canadian dollars and in the currency in which those debts are payable?

R. HOLLAND: That would be the figure as at March 31, 1978, based on a detailed calculation at that time, and would include the U.S. borrowings in our portfolio.

R. WALDING: Can you then give me the same figure for March 31, 1979?

R. HOLLAND: I have not yet seen that figure, and it has not been audited. The Director of Finance says that it is around the \$100 million level.

R. WALDING: I'd like to ask you if you've had any conversations with the Minister of Finance or any of his senior staff, concerning the effect or the cost to the government of assuming this deficit and what the effect on MTS would be of leaving it with only repayment in Canadian funds, the same way that Hydro has been treated?

R. HOLLAND: Mr. Chairman, the Minister of Finance is our agent in the market, so that we're in constant touch with him and his officials, discussing our borrowing times and our borrowing requirements. We also discussed with his officials the accounting practices that we propose to adopt, or to our application to the Public Utilities Board, and those were used, of course, in our multi-year projections before the Board. So that I would consider the Minister and his officials are quite familiar with our basic financial policies and plans.

R. WALDING: Mr. Chairman, I note that the Provincial Auditor has audited the accounts of the Manitoba Telephone System and the Manitoba Data Services. I'd like to ask Mr. Holland whether it's a statutory requirement that he has.

R. HOLLAND: My understanding of the Legislation, Mr. Chairman, is that the Lieutenant-Governor-in-Council designates the external auditor, by Order-in-Council.

R. WALDING: It is not a part of The MTS Act, then, that the Provincial Auditor must audit the books?

R. HOLLAND: My recollection is that it's part of The Manitoba Telephone Act, that the Lieutenant-Governor-in-Council shall designate the external auditor. Then, I presume, the Provincial Auditor, by his Legislation gives him a purview over all practices.

MR. WALDING: I seem to recall, Mr. Holland, that an Order-in-Council was published a short time ago that designated another auditing company — a private auditing company — to audit the books of MTS and MDS in the future. Can you confirm this, and can you tell me which the company who has been selected to do this work?

MR. HOLLAND: Mr. Chairman, yes, I can confirm that a new external auditor has been designated and they are completing the audit for the year ending March 31, 1979 at this time. The name of the firm is Thorne, Riddell and Company.

MR. WALDING: Is that the same company that is auditing MDS books?

MR. HOLLAND: No, Mr. Chairman, there is a different external auditor designated in the case of MDS, and that firm is Arthur Andersen and Company.

MR. WALDING: Can I ask the Chairman how much MTS paid to the Provincial Auditor for the year under review, for auditing the System's books? And a separate figure for Manitoba Data Services, if you have it.

MR. HOLLAND: I would have approximate figures, Mr. Chairman. Mr. Chairman, the fee for the year ending 1978, when the external auditor was the Provincial Auditor, was \$28,900.00. We only have an estimate for the new auditor at this time. It's estimated at approximately \$10,000.00 higher.

MR. WALDING: The figure of \$28,900, or the estimate for that year, was that for Manitoba Telephone System only, or did that also include Manitoba Data Services?

MR. HOLLAND: Just the Manitoba Telephone System.

MR. WALDING: Do you have a figure for the MDS?

MR. HOLLAND: Again, Mr. Chairman, I'd like to have an opportunity to confirm these exactly, the audit fee for the year ending March 31, 1978 for MDS was about \$7,500.00. And the estimate for this year, which is not validated by actual experience, would be about \$10,000.00.

MR. WALDING: I'd like to ask Mr. Holland, Mr. Chairman, whether the System or Manitoba Data Services was consulted in the selection of the outside auditors?

MR. HOLLAND: Mr. Chairman, I can't recall having been consulted, no.

MR. WALDING: I'd like to ask Mr. Holland whether the System or Manitoba Data Services in any way dissatisfied with the services of the Provincial Auditor?

MR. HOLLAND: Mr. Chairman, MTS has had considerable years experience, both with external auditors who are not the Provincial Auditor, and with the Provincial Auditor, and I think Mr. Vannan could confirm that our staff have worked easily and comfortably and co-operatively with both arrangements. So that I think our view would be that we don't anticipate any difficulties under either arrangement.

MR. WALDING: Can you tell us when the staff of Thorne Riddell first began looking at the books of MTS and working on them for its 1979 audit?

MR. HOLLAND: Mr. Chairman, I would have to get those dates exactly. When their announcement was confirmed, one of the principals paid a courtesy visit to MTS — which I wouldn't regard as really the start of the official audit — but I could get that data and provide it to Mr. Walding.

MR. WALDING: Thank you, Mr. Chairman. I'd like to move to a little different subject, now, ask Mr. Holland — and I assume that as a former Civil Servant he is familiar with the Manual of Administration of the government — I'd like to ask him now whether Manitoba Telephone System uses that same Manual of Administration, or does it have its own version of that?

MR. HOLLAND: Well, I hope, Mr. Chairman, that Mr. Walding will recognize that I've just passed my fifth anniversary at MTS, so that I'm becoming increasingly hazy on my years with the Inte-

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Service. MTS has administrative practices, and an Administrative Manual, which are widely disseminated through the System. They are developed and published by MTS, and normally they are produced after close consultation with other Crown agencies, with the departments of government, and other large businesses. But they are uniquely MTS practices.

MR. WALDING: I'd like to then ask Mr. Holland whether that Administrative Manual covers the matter of memberships in outside organizations by Manitoba Telephone System staff?

MR. HOLLAND: Mr. Chairman, I think I can confirm that it does contain provisions for membership and the circumstances under which MTS participates. I think I can also report that there are draft practices under study at the moment.

MR. WALDING: I'd like to ask Mr. Holland whether the Manitoba Telephone System pays the subscriptions of any of its senior staff members in fraternal or social clubs in Manitoba, in Winnipeg, such as the Manitoba Club, Carleton Club.

MR. HOLLAND: Well, Mr. Chairman, I was about to say yes until Mr. Walding qualified it by saying "such as the Manitoba Club". MTS has a historic practice of encouraging its employees throughout the province, and they are located permanently in some 62 centres, to participate in local community undertakings and events and so on. And there are procedures by which MTS will contribute to that practice, and that includes Chambers of Commerce and local undertakings of a variety of types. It does not include the Manitoba Club.

MR. WALDING: Does it include any organizations of a similar nature to that in Winnipeg?

MR. HOLLAND: In Winnipeg?

MR. WALDING: Yes.

MR. HOLLAND: I think not, Mr. Chairman. I can describe my own memberships, if that would be useful.

MR. WALDING: Perhaps it would.

MR. HOLLAND: MTS is an institutional member of the Winnipeg Chamber of Commerce and I am one of the listed roster permitted under that membership as a member. I'm a member of the Canadian Club; the Manitoba Electrical Association, although I think that is an honorary award; and I'm a member of the Kiwanis Club of south Winnipeg.

MR. WALDING: Are subscriptions to those organizations paid by the system?

MR. HOLLAND: The subscription to the Winnipeg Chamber of Commerce is an institutional membership, yes, and that would be paid. I think another one is honorary. In the other cases, the annual dues might be paid, which are nominal, and attendance at meetings are not paid. That's the tendency.

MR. WALDING: Mr. Chairman, I note from the Telephone Echo that MTS's staff were very busy and put in a lot of extra work during the flood that we've just experienced. I'd like to know if the system has any estimate as yet of the additional costs involved as a result of the flood damage, both in terms of damage to equipment and additional time that might be put in by system employees.

MR. HOLLAND: Well Mr. Chairman, there was a great deal of work done by our staff of a preventative and restorative nature, and I think the results of that have been outstanding. I think the number of phones out of service was less than 200 during the most severe part of the flooding, and by the way, that flooding was not only south of Winnipeg, it was in quite a number of areas western Manitoba and there were difficulties. We do not have a final figure, although I have heard an informal estimate of something between \$700,000 and \$800,000 of incremental costs.

MR. WALDING: Do you expect that the system will absorb that cost itself, or will the bill be sent to the provincial government to be covered under its flood compensation agreement with the federal government?

MR. HOLLAND: MTS worked very closely with the Emergency Measures Organization. It has filed complete reports of its experiences and its expenditures, so that I assume whatever policy prevails that our expenses would be considered in that total picture. I have not been notified as to what policy will apply.

MR. WALDING: Do you recall what the practice was in previous floods, '74, I believe '76, maybe were flood years? Was it the practice then for the system to absorb these incremental costs?

MR. HOLLAND: My recollection is that it was the practice that MTS bore its own costs of that unusual expenditure.

MR. WALDING: I'd like to move now to the matter of cable television and ask a few questions on that matter. Is the broad band network for Brandon, Selkirk and Portage now in place and completed?

MR. HOLLAND: And Carberry, Mr. Chairman. In the four centres — Brandon, Carberry, Portage la Prairie and Selkirk.

MR. WALDING: Can you tell me whether the population in those centres are now receiving their cable television pictures?

MR. HOLLAND: Yes, Mr. Chairman. Subscribers to the service are receiving service.

MR. WALDING: I assume from that that the agreement has been reached between the operators of those stations and the Winnipeg operators for the setting of rates for those areas and the amount of subsidy that would be levied on Winnipeg subscribers. Would that be correct?

MR. HOLLAND: No, Mr. Chairman. That is not correct. The CRTC, in a decision of August, 1977 approved rates for the three companies, which I believe is around \$10 a month, and with that rate which is roughly double the rate paid in Winnipeg, they were able to proceed that far with the network in order to serve Brandon, Carberry, Portage and Selkirk. Also in the August, 1977 decision, the CRTC ordered all Manitoba licencees to co-operate and develop a price averaging system under which the service could economically be extended to all 29 licenced communities. To my knowledge that has not been achieved.

MR. WALDING: If that agreement for averaging has not yet been reached, how are the rates arrived at for those areas outside of Winnipeg? How do the people know that they're paying enough and not too much?

MR. HOLLAND: In the Winnipeg hearings of the CRTC the applicants proposed a rate structure which contemplated that each of their customers would pay \$1.60 to the cost of the intercity network and that there would be revenue of 50 cents arising from all Manitoba cable subscribers to assist with the extension. The \$1.60 — that was then built into the rate that CRTC approved in 1977 and so they were able to go as far ahead as serving four centres.

MR. WALDING: Can you tell me the extent that Manitoba Telephone System is involved in setting those rates or imposing them upon any of the communities?

MR. HOLLAND: Mr. Chairman, these rates and the licencing process is a responsibility of the CRTC a federal regulatory agency. Our responsibility is in developing rate quotations for the common carriage portion of the service to the licencee.

MR. WALDING: Other than that, you have no say in the averaging of the rate or the setting the rates in these four communities or in Winnipeg or any cross-subsidization that might be effect?

MR. HOLLAND: No, Mr. Chairman. It has been the policy that cable television services should not be subsidized from our other operations. So that I believe all the activities you've mentioned are responsibilities of CRTC.

MR. WALDING: Thank you. I'd like to ask you now about articles that I have read having to do

with the satellite transmission of signals as distinct from microwave. Suggestion has been made that it would be much cheaper to go to satellite and put the receivers in each community that is to receive cable. Does MTS have a position on this matter and would you like to expand to the committee on MTS's side of that dispute, if there is one?

MR. HOLLAND: Well, Mr. Chairman, MTS tries to keep completely familiar with both the technology and the economics of the various transmission media available, whether it be paired wire or coaxial cable or microwave or satellite services. When there is a customer to be served it then becomes the responsibility of our engineers to devise the most economical way of serving that customer. In the case of satellites, quite extensive use is being made of satellite services at this time by the Trans Canada Telephone System for voice and other services. Telesat Canada is a member of TCTS as is MTS, and through joint engineering planning and so on. The use of satellite circuits is increasing all the time. When the decision was handed down by the CRTC in 1977 and in the intervening quotations our engineers have concluded that service should best be provided by a combination of microwave and coaxial cable. And of course another reason is that there are no video signals on the Canadian satellites. I think it's used only for CBC northern programming at this point. The cable customers are primarily interested in increasing their viewing of the NBC, CBS and ABC and the Public Broadcasting System. Those are the services they don't have at the moment and those in which they're most interested in having cable. They are not on either the U. S. satellites or the Canadian satellites.

MR. WALDING: Then has there been any estimate as to when that might happen?

MR. HOLLAND: Well, up until this point, it has been the policy of the Department of Communications that the Canadian satellites should not be used to transmit U. S. signals, that they should be used primarily to enhance Canadian-based culture and programming. It's been a very firm policy of the department. How long that will persist or if it will change, we don't know.

MR. WALDING: Was that the main reason for going ahead with the microwave and coaxial network, the matter of timing, or did it have to do with economic reasons or technical reasons? Which was the main reason?

MR. HOLLAND: It was a combination, Mr. Chairman. We had customers who wished to be served very quickly. People in that area had already been waiting 10 years, 9 or 10 years after Winnipeg had the signals. They received the licence and they were very anxious to see service introduced the following year.

Now, because of economics, technology, the time within which we could serve the customer, the fact that there were no signals available on satellite, all clearly dictated that, in the summer of '78, coaxial cable was the best medium.

MR. WALDING: And you mentioned in your report to us today, something called Teledon. There was a demonstration arranged a few days ago to which members of the Legislature were invited and it was quite an impressive performance. I would like to ask you if you have the System's opinion or assessment on Teledon; whether it is only one of several possible systems and if so, how it compares with other systems, whether you see it as a possible or a viable system to be introduced into Manitoba and if so, when and at what cost? Generally what is MTS' view of Teledon and similar systems?

R. HOLLAND: Well, our engineers are quite familiar both with the Teledon product which is a Canadian modification and innovation and on other systems, such as the Vista which Bell Canada is experimenting with. We are very impressed with Teledon. We have been making the technology widely known to potential information providers, potential customers. We don't foresee any severe technical problems; it largely rests with the marketplace and we hope to be able to provide a very good service to any customers that are interested. I think our preference is for Teledon. We're asked regularly to support the Department of Communications in the development of Canadian based technology and industry, even though there are premium costs involved at times, and we try to do that as part of our good corporate practice. So we are impressed with Teledon; we'll likely use it.

R. WALDING: How soon could such a system be introduced in Manitoba?

R. HOLLAND: I think I should ask Mr. Anderson to comment on that from his engineering

MR. ANDERSON: Mr. Chairman, Teledon technology as Mr. Holland has stated, is available now along with other systems such as Vista or Videotec in England, in Britain, and Antiope in Europe. The problem is the development of the Data base information that's required, that Teledon will access, and as far as this is concerned, there is work under way now with various companies to provide the Data base and we expect that some preliminary market trials using Teledon will be undertaken late this year or early next year.

MR. WALDING: Thank you, Mr. Anderson, for that information. I have just a couple of more questions that might be of a technical nature, and that has to do with the transmission of the signals along either telephone lines or coaxial cable. I would like to ask if there is any difficulty, any problem, with these signals going along a telephone cable? Is the coaxial cable better for the transmission of them and how many channels on that cable would be required to carry such signals?

MR. ANDERSON: Well, Mr. Chairman, coaxial cable by its very nature has a much broader band width and has the capacity to produce better signals on Teledon; can produce moving images whereas a telephone pair is very restricted as a voice band, capability, and the images that it produces are in block form. I think you saw that on the Teledon demonstration.

MR. WALDING: How many channels would be required on a coaxial cable to carry the system?

MR. ANDERSON: Well if the Teledon is carried on coaxial cable; it could be carried on a voice channel that might be on coaxial cable which is 3,000 cycles on band width, or it could be carried on a very wide band channel on coaxial cable to give better resolution. So it's really very high.

MR. WALDING: If such a system were introduced in the province, where would you see the compute data bank being set up; in Winnipeg by MDS or in Toronto or Montreal?

MR. ANDERSON: Mr. Chairman, I think the data banks would be established across the country by mainly the private sector. MDS might participate in the provision of certain information, but there is all sorts of information providers right across the country.

MR. WALDING: Do you know if MDS is looking into this proposal, whether it is giving consideration to getting into this business and setting up a data bank?

MR. ANDERSON: Mr. Chairman, they are involved in the project.

MR. WALDING: Thank you, I'll pass to one of my colleagues, Mr. Chairman.

MR. CHAIRMAN: Mr. Walding is through for the time being. Mr. Orchard; you are the next person on my list. Mr. Orchard.

MR. ORCHARD: Thank you, Mr. Chairman. Going through the provision of of Rural Service Improvement Program, it's indicated that over the past three years, the percentage of lines with more than four subscribers has decreased to 25.65 percent of the lines. Is that 25.65 percent spread evenly throughout the rural exchanges or are some rural exchanges further along in their conversion to smaller line loads?

MR. HOLLAND: Mr. Chairman, when we developed the program, we selected priorities for the exchanges. Basically, those that had the heaviest line loadings and those where we had to put through a construction project in any event to embellish service and then these facilities were built in part of it, so that there is a roster for all exchanges and the timings for them and it was based on greatest need situations or where we were going in any event with a project.

MR. ORCHARD: What brought on my question was that, for instance, in my particular exchange at home, the lines do individually vary from, say three to as many as eight or nine, and I wonder if that is typical throughout rural exchanges, where you have that variance throughout party lines in all rural exchanges or are some rural exchanges now at the 1981 goal for the complete rural exchange?

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MR. HOLLAND: Yes, Mr. Chairman, as soon as a project is completed, generally speaking, there is an average of 2.6 or 2.8 people per line. That has happened since 1977-78 as the projects went ahead. What happens after that is that there can be unpredicted growth patterns or new residences and so you can get a gradual build-up in some exchanges.

MR. ORCHARD: But generally, I would take it then that a rural exchange — the objective is — to make the total rural exchange down to 2.6 at the end of a project and some are at that now and others will be there very shortly.

MR. HOLLAND: Yes, and by 1981, we will have done all exchanges.

MR. ORCHARD: Okay. Second question I have: 13,400 customers in 170 communities have now received individual line service as the second phase of the Rural Service Improvement Program. Could you tell me whether those 13,400 individual lines have been primarily to residents of villages and towns within the exchanges or to rural farmsite locations?

MR. HOLLAND: Mr. Chairman, those are the small centres where up until now we've offered multi-party as the standard service. They are the small centres, down I think to 50 customers in many of them. There is a density test there where there, say, is a minimum of 15 per mile or there's a certain density factor that's looked at as well.

MR. ORCHARD: Then I take it that most of the 13,400 that are presently in service as individual lines, are to what would be called town residences and not necessarily to individual farm customers, and likewise, would the 2,200 that are being installed 1979-80, this construction year, likewise be going into villages, etc.?

MR. HOLLAND: Yes.

MR. ORCHARD: Thank you. That, Mr. Chairman, brings me to an observation I guess and a suggestion that I'd like to make to the Telephone System. And it applies specifically to the importance of the Telephone System and the Communications System provided by the telephones has for our farming community. Now the farm community at best is down to somewhere around — well, we take the 2.6 — I would assume that probably the best is two or maybe three on a line to farm customers. Now generally, I think if you take a look at the farmers use of the telephone, I think you'll see quite a few interesting facts come out of that. I believe most of the farmers business will be long distance because of the very nature of the farming business today. It's a large much more complex business than it used to be, and you're finding farmers having to deal at greater distances for their various input requirements and their various selling functions, so that their use of the Telephone System — the Communications System — is primarily long distance. The business over the last five years — the business of farming — has advanced so much that communications and prompt communications are very very important. We have more and more of our producers using the commodity exchange, for instance, to negotiate their product sales by using selling desks of the various grain companies, and you can appreciate the frustration where you have a line of five or six farmers all scrambling for a telephone at 9:30 in the morning so they can have a bid placed before the 10:00 o'clock cutoff at the Commodity Exchange.

And you know we're talking in volatile grain markets, we could be talking the loss of several hundreds of dollars if not thousands of dollars by the fact that the lines are loaded. And, you know, when we talk about the farming business of today, we're not talking small business anymore; sales \$100,000 to a half million and upwards are not uncommon today in the farming community. I think that if we draw the analogy between rural businesses in the smaller towns, quite often you will find many of the farm businesses throughout that same community carry on a much larger dollar volume of business than what many of the businesses in the towns themselves do. Yet these small customers don't have the advantage that their counterparts and business in town have in terms of telephone communication. They don't have the private lines and they are very costly to get. Now I would hope that in the near future, the Telephone System could make available to rural customers individual telephone service, or at the outside, a two-person per line service where we have one farmer on one side, one farmer on the other side, at a very minimum, strictly because of the very important nature of the farming business to the Manitoba economy.

And communications today, as I'm sure you're well aware of, is probably one of the most important business tools that any businessman has and more and more today, farmers are truly businessmen. It's no longer knowing how to grow the crop, it's knowing how to market the crop that makes the difference in survival, and communications are extremely important.

So I would like to see a conscientious effort made to bring individual line service to the farmers. I think, if we took a look at the revenues that MTS were to derive from individual farm customers we'd find them to be considerably higher than what, for instance, a lot of the private lines in the villages themselves generate for the Telephone System. And from that standpoint alone, if the revenues mean anything, I think they would certainly tend to justify private lines to farm customers.

Now, that's a general observation, and I have some specific comments about one community — and it's not in my constituency but it's right neighbouring to it — it's the community of Altamont. Altamont is part and parcel of the Somerset Telephone Exchange, and to date the community has primarily party lines and the very difficult position being that that town has two grain companies and one major garage — it is not a very large community — and these three businesses are on a party line, and that is extremely difficult for those three businesses, the two grain companies and the major garage to operate efficiently. Particularly the grain companies — quite often farm customers, once again wanting to sell before a given elevator cutoff, have difficulty getting through because the line may be busy, not only with maybe the elevator company using it, but being that it is a party line in conjunction with residences, maybe the people are having a tea chat over the phone or something, and it's difficult for these businesses to operate. And I would hope that even this summer some means would be found available to provide at least private line service to those three businesses in the community of Altamont; and I'll be specific, to the United Grain Growers elevator to the Manitoba Pool elevator, and to the Altamont Garage, which is a division of the St. Lewis Co-operative Association. I think those three businesses very much need private telephone line service. They are dealing with a large volume of business; they are trying to service a large customer area; and party line service for the telephones is just not acceptable.

So could I offer that as a recommendation for as quick an action as is possible?

MR. HOLLAND: Mr. Chairman, we'll look into that immediately. I think this is one of the reasons why there is so much interest in the fibre-optics technology, because it has the potential of carrying a great variety of services including individual line telephone service to the residences along with cable television and FM and many other services. We are acutely aware of the importance of communications to the farming community, who are large businessmen. This comes to us frequently all the time, and they require very speedy information, particularly at this time of the year if they are looking for parts or staff or whatever it might be.

We think that the reduction of party lines will be an important improvement. Our Commerce Department tries very hard not to put three very busy customers on one line, they work gradually to try to distribute those so that there is a fair chance of access —(Interjection)— or compete with other customers. So we'll look into the situation at Altamont, Mr. Chairman.

I might add as well that we are putting some additional facilities in with this program, such that we can offer the so-called premium service to selected customers. In some cases it is quite justifiable for the customer to purchase private line service as a premium offering. In others, if he's quite some distance from the exchange, it becomes prohibitive, but that has turned out to be a very important offering, and I notice that we have 45 customers in Altamont and they are scheduled for . . . base rate service in this fiscal year and that will give them private line offerings.

MR. ORCHARD: That's this summer?

MR. HOLLAND: The construction likely would be during this summer and the offering would be over the winter, but it's scheduled this year.

MR. ORCHARD: Very good. Thank you, Mr. Chairman. What is the equipment requirement, or facility requirement to provide rural private lines or two people per line, two customers per line in the strictly rural areas? What's the equipment requirement; where is the additional expense; what is the bottleneck to providing that kind of service?

MR. HOLLAND: Perhaps Mr. Anderson should explain that again.

MR. CHAIRMAN: Mr. Anderson, could you join us and explain that?

MR. ANDERSON: Mr. Chairman, really the problem is to obtain more cable pairs for 4-party service or 1-party service versus 8-party service or more. And also we have to add some central office equipment, which is one of the main problems because it's a fairly long lead time, up to one year to 18 months, or longer in some cases. So those are the two conditions.

MR. ORCHARD: I don't know how to put this without getting some people mad at me, but is it possible for instance — and I'll use my home exchange, maybe they won't get as mad at me this way — but is it possible to take the available switching equipment which is in Miami, a considerable amount of it is used in private line service to telephone customers resident in Miami, is it possible to take that switching equipment and split off a certain amount of that and use it until you have sufficient capacity on switching equipment — use that to provide single line service upon request to some rural customers? It would mean that you would change town customers from a private line to a 2-party party line or a 3-party party line, and making that service available via the currently available switching equipment to some rural customers? Is that something that could be done?

MR. ANDERSON: Mr. Chairman, that is possible, but there again we'd have to have equipment or have cable pairs in place to provide that service to the rural customer.

MR. ORCHARD: Okay. And if the cable pairs weren't the limiting factor, as I don't know whether they are or they aren't in that particular area, could that be something that would be entertained by the Telephone System to attempt to provide private line service to some rural customers?

MR. ANDERSON: Yes, that could be done, Mr. Orchard.

MR. ORCHARD: The reason why I suggest that is that quite often you'll find the urgency of using the telephone to many residences in a community like Miami are not nearly as urgent as the demands made by a major farming business in the area, and I'm sort of trying to come up with a rational balance whereby you kind of equate the equipment to the greatest need. And also, as I've mentioned before, no doubt to the greatest level of revenue, because these farm customers are spending \$60, 70, \$100, \$200 a month on long distance charges, and the revenue from that standpoint would certainly justify it.

MR. CHAIRMAN: Mr. Holland.

MR. HOLLAND: Well, Mr. Chairman, I think the only comment on that area is that we've found, through many years of experience, that we have to have fair, consistent and equitable offerings on all exchanges right across the province. That is a basic expectation of MTS, so that is the reason why we state that private line service is restricted to the towns and villages — the centres. The facilities are there, and MTS likes to see them used to best advantage, but you are then immediately into the problem of selecting which party gets the private line in the outlying exchange, and which resident of the village gives up his private line service and that, as our Commercial Department will testify, is a very human and difficult task.

MR. ORCHARD: And that's why I indicated that I probably won't make many friends in suggesting that, because I realize those kind of problems. But you know I think there are overriding benefits, which make it something to look at. Because I realize that that was probably the least cost place to go and provide private line service first, there's no doubt about that. But in the utility of the service and the utilization, I think certainly the farm customer in many instances deserves at least an adequate level of service, if not a greater level of service strictly from the amount of revenue generated from that telephone in a farm business.

Mr. Chairman, are the revenues of MTS able to be broken down to give the revenue structure for telephone service rural versus the city of Winnipeg? Is that kind of a breakdown possible?

MR. HOLLAND: Yes, Mr. Chairman.

MR. ORCHARD: Could that be made available to me please?

MR. HOLLAND: Yes.

MR. ORCHARD: Thank you. I would like to see those statistics, because it has occurred to me once again, bearing in mind the importance of communications to business development and business growth, is it possible or is it something that MTS is already actively considering, in establishing something similar to a Watts service for given areas of rural Manitoba. Like, and I'll use as an example, if we took the constituency of Rhineland for instance, which is a compact constituency, and turned that into a Watts area where all businesses in that area would be able to utilize all the telephones in the area without long distance charges. In other words, expanding the direct dial capability in rural Manitoba beyond the Altona exchange, the Winkler exchange, the Plum Coulee exchange, etc., and similarly the Morden-Winkler area — the Carmen-Morden-Winkler area — has that been given any consideration?

MR. HOLLAND: Well, I think, speaking generally the most recent decision of the Public Utilities Board has instructed MTS to develop plans for the enlargements of free-calling areas or exchange size, so that we anticipate as the Rural Service Program nears completion there will be another program moved into place to start the expansion of free-calling areas.

Speaking about Watts, foreign exchange, private line services, we have concern from a number of customers at this point in time that our service packages or offerings are not those most suitable to their business requirements, so that we have a study of this under way right at the moment under Mr. Backhouse's direction to review our packages in this area. We'd be glad to run through that with Mr. Orchard, or any member who's interested.

MR. ORCHARD: I'd certainly appreciate that kind of information because you know the business in rural Manitoba now is no longer within the confines of a town. You know, the whole of southern Manitoba, the whole of the Pembina triangle is one large business area now, and there's a lot of inter-community communication needed, and it would certainly be an excellent enhancement to that business potential in that area if they had say something like Watts, or whatever you might call that service, available. Then all of a sudden your trading area very conveniently turns into 100 square miles instead of 25, etc. etc. I think we'd see rural business definitely benefit from that kind of a move.

Now, if I understood your remarks, that is actively under consideration. Is there any time schedule put on that as to when you might start implementing a greater area of service?

MR. HOLLAND: Mr. Chairman, any change in these rates, of course, would have to be referred and approved by the Public Utilities Board. I think our own review, probably in the next two or three months we should have our proposals completed. Then they would have to be referred to the Public Utilities Board for approval.

MR. ORCHARD: So you might be looking at something in the neighbourhood of starting to provide a larger area of service within a year, or a year and a half?

MR. HOLLAND: Oh, I think I'm confusing two things. One is that the Board has instructed us to develop a plan for the expansion of free-calling areas throughout the province. That will be a longer term project.

The other one is to review our optional toll call planning, foreign exchange, Watts, private line packages. All of those are devised for business to meet their requirements, and they represent really wholesale prices for heavy users of toll. It's the latter one that is under study at the moment and that one I would think we would hope to have decisions by fall.

Mr. Chairman, may I also answer partially a question that Mr. Orchard asked earlier. In the year ending March, 1979, the average customer bill for residents in Winnipeg was \$16.91; and for those outside Winnipeg, \$18.26 — that's residential. And the average bill for business, Winnipeg, \$125.51; outside, \$62.82 — which gives some idea.

MR. ORCHARD: How are direct lines costed in terms of the monthly charge for direct lines, for rural communities to Winnipeg?

MR. HOLLAND: A direct line would be our foreign exchange offering. Those are based on miles from the exchange, and they are intended for that group of customers to give them rates which are probably 20 to 30 percent under the cost of using the DDD network.

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MR. ORCHARD: Are the rate increases of direct lines subject to PUB approval?

MR. HOLLAND: Yes, they're in our tariff.

MR. ORCHARD: There was some complaint stemming out of Morden area on what the customer felt was a dramatic increase in the cost of direct line to Winnipeg from last year to this year, and I think it was a proposed rate increase. Have you received any complaints in that regard?

MR. HOLLAND: Yes, Mr. Chairman, we have received, from a number of centres. That rate in the, say, 65 mile range was \$4.00 per mile per month up until 1975 when it was increased to \$5.00. And April 1, 1979, it was increased to \$6.50, which is comparable to a rate of \$6.00, \$6.23, \$7.70, \$9.06 and \$8.81 in other neighbouring telephone companies.

Those business customers feel that that is a precipitous rise, it is too much of an increase, and even though it compares very favourably with rates in the other provinces, we're taking a complete look, as I mentioned earlier, at foreign exchange, Watts, private line services.

MR. ORCHARD: So that the rate has actually increased by \$1.50 per mile per month — that's the latest increase that's been approved?

MR. HOLLAND: Yes, . Well, the previous rate was in effect from 1955, it was \$4.00 a month, until it went to \$5.00 in 1975, and it's \$6.50. That's in the first mileage band; it decreases per mile after the first 100 miles.

MR. ORCHARD: Okay. Well, that would represent what, roughly a 30 percent, 28 percent increase? And I'm, of course, very keenly interested in making sure that rural enterprise, rural business expansion, receives all the benefits they can get. And I, you know, I think maybe if I was a customer of a direct line, I might have been writing to you and protesting a little bit about a 28 percent increase, because on one hand we're attempting to assure that business has the ability to decentralize in this province and provide expansion and employment opportunities other than in the major centres of the province, and communication is so vital to doing that that any increase can be a detriment to providing business expansion and increased business opportunities in rural Manitoba.

Did the fibre optics that you mentioned . . . I assume because of its wider capabilities, that it's a much more expensive technology than paired wire or coaxial cable?

MR. HOLLAND: Mr. Chairman, at this time, it is more expensive, although the economics are changing very rapidly in that area, in the sense that it has dropped dramatically from a year and a half years ago. But the expectation is that with mass use, and technology developed specifically for it, that the economics will quickly represent a breakthrough, and it would be quite competitive with alternative means.

MR. ORCHARD: Then, would it be fair to ask you if you have any time schedule as to when fibre optics may become the standard cable that's being plowed down in rural areas, etc., etc. — is there something that near on the horizon that you could say by 1981 or '82 you might be switching to fibre optic technology?

MR. HOLLAND: Well, Mr. Chairman, that's one of the real reasons for proposing and carrying out this trial. It is a trial in rural Manitoba, with our soil and our climate and our distances and terrain and so on. We're hoping that it will tell our engineers and others in Canada more about its suitability and reliability and so on. There are other trials throughout the world, and we're trying to follow those closely. But I suppose it's really a matter as to trying to nail down more precisely whether it's 1990 technology, or 1985, or 1983. And that's the real reason that our engineers are very anxious to participate and demonstrate and experiment with it.

MR. ORCHARD: Is the Elie trial in operation right now, or when is it in operation?

MR. HOLLAND: The Elie trial is not in operation at this point in time. The detailed design of the project, the specifications for all of the components, designation of the various services that will be offered; CRTC has announced hearings to license cable carrier for that experiment. All of these things have started to progress. But it has not got to the point where we're burying fibre optic cable.

MR. ORCHARD: Will that come this summer?

MR. HOLLAND: It's scheduled for 1980, yes.

MR. ORCHARD: A couple of other comments. I have to compliment you on your rate schedule. That's an impressive rate schedule when you compare the cost of telephones. There's only one province that comes anywhere close to us, and that's Saskatchewan. I'm almost wanting my cake and eat it too. When I complain about the high cost of a direct line, even though it is the lowest rate in Canada, I can't help but think that upon occasion, the Telephone Company, the Telephone System, MTS, is capital-starved, possibly. Like, no doubt if you had another \$10 million every year you certainly could put that into capital facilities providing private lines, etc., etc., if you had that kind of money. And it makes me envious when I see that we're so much below many other communities, and that, if we were even equal to the next lowest utility, it would certainly provide quite an injection of needed funding to MTS. But I assume that the Public Utilities Board won't give you any greater increase than has been approved already; they won't allow you to nudge up a little faster?

MR. HOLLAND: Mr. Chairman, I think that perhaps it boils down to judgments as to how much should be invested how quickly. I mentioned earlier that the extension of service throughout northern Manitoba has been completed. That was a very expensive and a very exciting program, and we felt that that was a basic requirement that MTS must fulfil. That was many many millions of dollars.

That has been followed on by the Rural Service Improvement Program, which, as you know is again many many more millions of dollars without any significant revenue whatsoever from that. We consider that with coaxial cable, and fibre optics, and satellites and so on, that our plant is in a very good position to take maximum advantage of those technologies.

So, I think it's a judgment by this committee, and by our Board, and by the Public Utilities Board as to what is reasonable, and how quickly we proceed. Certainly, I think that our low basic exchange rates is part of Manitoba history. They have always been held at very low levels, and the result is that 96 percent of our households have basic telephone service. So there's a very high accessibility to the network. I really wouldn't want to imply that if we went forth with a meritorious program that the Public Utilities Board wouldn't approve it. I think they would. They had a very good understanding of our service, and our industry and its importance.

MR. ORCHARD: I just have a short question. Are any of the northern Manitoba communities receiving or demanding cable television signals? For instance, Flin Flon, Lynn Lake, Churchill.

MR. HOLLAND: Mr. Chairman, the answer is yes. We've had discussions with spokesmen for most of those communities. They are very anxious to see the service extended at an early date. There are special circumstances at Thompson, as well, that we're following very closely.

MR. ORCHARD: How would signal delivery, cable television signal delivery be accomplished in the northern communities via MTS as the provider of the common carrier service?

MR. HOLLAND: I would presume, subject to Mr. Anderson's correction, that it could be a combination of extension of our coaxial cable plant, which is wending its way through western Manitoba, and microwave, and satellite; if, in fact, it becomes Canadian policy to put American signals on the Canadian satellite.

My understanding is that the communities would like to move ahead even now with the local distribution system, which would be coaxial cable, even if they had to use video tape programming in the interval, until that becomes available live.

MR. ORCHARD: If MTS provides signal delivery via microwave, do you have sufficient microwave capacity in the existing system now to provide cable signal to communities in northern Manitoba?

MR. HOLLAND: The answer to that would be "no", Mr. Chairman. We have all of the infrastructure in place, in terms of towers and central offices and so on, but it would be incremental equipment of that infrastructure to get the signal in.

MR. ORCHARD: Then it would require some additional capital investment, which of course, we bring in my next question. It seems as if in the last year-and-a-half, the satellite signal deliv

technology has really taken off. It's matured tremendously by anything I've seen over the last year-and-a-half and might you foresee the satellite signal delivery and the earth receiving station system being a more economical means of providing signal to the remote communities in northern Manitoba than say, per chance, increasing or adding to microwave and coaxial cable facilities?

MR. HOLLAND: I think that would be almost certainly true. The satellite is being used extensively at the moment for service all over northern Canada, a very reliable service and offshore — that's where the satellite becomes invaluable and it would have a similar application, I'm sure, in northern Manitoba.

MR. ORCHARD: What sort of implications do you foresee on some of the technology advancements on these earth receiving stations? I've heard of roof-mounted dishes available at as low a price as some \$300, which can provide the pick-up of broad band or wide angle satellite signal. What implication would that have on MTS providing the basic infrastructure for inter-community cable signal delivery and then have these come in and usurp your market after you've made considerable investment in conventional facilities? Is that viewed as a threat by yourselves?

MR. HOLLAND: Well, Mr. Chairman, MTS, of course, is a shareholder of Telesat Canada and presumably will benefit proportionately with their financial success. They are also a member of the Trans-Canada Telephone System, which assures I think, that the satellite technology will be used where it is justified and valuable. I think that the things you're mentioning are in the realm of the technologically feasible. Our own Department of Communications is urging experimentation with the rooftop antennae at this time, made possible by the 14-12 gigahertz capacity, if Mr. Anderson will agree with that. On the most recent satellite, the Anik B. It has the advantage that it's not subject to electronic pollution at earth level at that frequency. So, they could come right into downtown areas, downtown buildings or buildings in the remote north and to a rooftop antennae. That is, I think, largely in the demonstration mode but I certainly have read the same information, that the economics there will fall dramatically as mass production takes place.

MR. ORCHARD: I guess what I would be concerned about, if I was in your position would be the rating of satellite signals by unlicensed cable . . . well, you know, if it's down to \$300 for a roof-mounted antennae, I could very easily justify one of those at home and probably many other people could, and you know, there could be a considerable threat to a \$10 monthly cable television fee. You know, in a matter of — well, two and-a-half years, you've eaten up your capital investment and from then on, it's strictly gravy. You know, I'm just wondering if that doesn't have a fairly serious implication to all cable operators in signal delivery systems.

MR. HOLLAND: I think, Mr. Chairman, that's all part of the consideration, concern and study that's turning right at this point in time. The scrambling devices — certainly the retailers of Pay Television service are extremely concerned about it, but ways are being found around those problems.

MR. ORCHARD: One final question, Mr. Chairman. I note in your comments about the Telephone Directory that you take care to consult with users to obtain their views on plan changes, and my question would be, who was consulted on last year's change of moving the community name from the top corner of the book to the centre of the page? That met with considerable unpopular comment from many of the rural subscribers.

MR. HOLLAND: Well, there was a great deal of consultation went on, on the proposal to scope the Provincial Directory regionally. The answer came back very quickly — that Manitobans prefer the Provincial Directory and we desisted and announced it and the resolutions are still coming saying don't divide the directory. We then had concerns, when the size of the Provincial Directory was standardized at the same size as the Winnipeg Directory had been for some time. And that had to do with automated processes for printing and updating the directory. One of the complaints was that the print was too small. Again, even though it was the same size as the Winnipeg book, we increased the size of the print in the most recent directory, and also put the headings for each column out to the right — that is the names that were — it comes out in big black letters on the principle that that would assist our customers in finding the street name. However, that was a change, because previously the exchange had been listed in the top right-hand corner. So, we are indeed, changing back the exchange to the right outside corner putting the other name back in.

MR. ORCHARD: I appreciate that. Thank you very much.

MR. CHAIRMAN: Mr. Orchard has shown quite an interest in northern Manitoba. We have a group of students from the constituency of Churchill. Perhaps we can ask Mr. Cowan if he would like to close off this meeting with a question?

MR. COWAN: Yes, thank you, Mr. Chairperson. Well, first I'd like to extend a welcome to the students and the chaperones from the school in Brochet in northern Manitoba who have sat through much of these proceedings and I'm certain they will come away far more knowledgeable from it than when they entered.

The one question that I'd like to ask and it's something that they had brought up to me, when speaking to them just before entering the Committee room here. I notice that the Report says that the System's major northern service program has been completed and Mr. Holland in his remarks said that the extension service throughout northern Manitoba has been completed, and yet, these students and chaperones have informed me that Brochet is not included yet in a dial service. I was my understanding that the original program was intended to provide dial service to every community over 400 persons and toll service to those communities under 400. I know for a fact that Lac Brochet, Tadoule Lake and I believe Shamattawa are also a number of other communities that do not have any sort of service outside of the radio-phone service. And as those who are familiar with radio-phones will well know, there are some imperfections in that system and they are anxiously awaiting their hook-up into the more modern dial and toll service system and that in many instances, it becomes a life and death problem in remote communities that have limited access to other services. So, I would ask Mr. Holland then, if there is any intention to complete service into those four communities that I have mentioned and if so, when he would expect the service to begin and when he would expect it to be completed?

MR. HOLLAND: Mr. Chairman, Mr. Cowan's points are absolutely correct and well taken, and we've determined to provide reliable service to Brochet, Shamattawa and Tadoule Lake. The problem at the moment is a plain economic one; the use of traditional systems to provide service is extremely costly. Mr. Anderson and his engineers are hoping that satellite will be the answer to that service but we haven't yet discovered a way to provide our usual standard of service to those communities that can be economically justified.

MR. COWAN: Thanks, Mr. Chairperson. I see the hour is late, so I would just indicate that I would like to discuss the matter in further detail, because it is of some urgency, but noting that the hour is late, we'll lay it over to another time.

MR. CHAIRMAN: The hour being past 12:30 and at least six more persons wishing to enter the debate, we'll adjourn and we'll meet again at the call of the Government House Leader.