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THE STANDING COMMITTEE ON PUBLIC UTILITIES AND NATURAL RESOURCES

Thursday, 1 May 1980

Time — 10:00 a.m.

MR. CHAIRMAN, Arnold Brown (Rhineland): We will call this meeting to order. At the last meeting, when we left off, the Member for St. George, who isn't here this morning, was questioning Mr. Holland. Have we any further questions?

The Member for St. Vital.

MR. D. JAMES WALDING: Thank you, Mr. Chairman. I expect the Member for St. George to be here a little later this morning, but I did have just one or two questions for Mr. Holland. I wouldn't like all of the staff to have come down this morning and us not to have any questions for them.

Can I ask Mr. Holland for his reaction to the headline in the Free Press yesterday, MTS Supplies Unlicensed Firm.

MR. CHAIRMAN: Mr. Holland.

MR. A. E. HOLLAND: Mr. Chairman, if my recollection is correct, that refers to our client in northern Manitoba.

MR. WALDING: Yes. Mr. Chairman, I won't read it all, but there is apparently a new company being set up in The Pas to pick up signals from an American satellite for cable transmission to people in The Pas and Flin Flon areas.

MR. HOLLAND: Mr. Chairman, that applicant has filed for licensure with the CRTC and has confirmed with us that he will follow the terms of licensure when that is issued.

MR. WALDING: The story indicates that MTS is renting the receiver discs already to the company, and hence allowing them to go into business before getting their licence. Does MTS see this as being improper, or does it see some impropriety in encouraging a company to start supplying its customers before it has licence from the CRTC?

MR. HOLLAND: Mr. Chairman, MTS traditionally does not get involved in the programming or content side of out-programming. We have established that he has formally applied for licensure and that he intends to abide by the terms of the licence that is ultimately issued, so we are in the role of providing those transmission services that he has requested.

MR. CHAIRMAN: The Honourable Minister.

HON. HARRY J. ENNS (Lakeside): Mr. Chairman, I don't wish to interject on the questioning of Mr. Walding, but I do want to indicate to the committee that the subject matter Mr. Walding is questioning about was raised by management with me and I certainly want to indicate that management at MTS has the concurrence of government in this action. The

question of additional channel selection, television service in the north, is of considerable concern to the government. The recognition that there is a very substantial debate taking place in Ottawa, current hearings are being held on the broad subject matter of additional channel selection, pay TV and how that it is to be brought about throughout Canada, there is, I think, some justification for some feelings of frustration on the part of individual companies, in this case the group that was formed to serve Flin Flon, The Pas, some section of Thompson. And I simply interject at this time to indicate that while in a technical sense there is a degree, if you like, a problem by not having the operator fully licensed, on the assurance by MTS management that the licence, the proposed licensee whose application is before CRTC, their willingness, and certainly MTS' willingness to abide by whatever judgements or rulings CRTC, the federal regulatory body, makes, will be abided with, on that basis, the management at MTS made, what I believe the correct decision to speed up the delivery of additional channel selection, TV viewing privileges that northerners have waited for for some time.

MR. WALDING: Mr. Chairman, I wonder if Mr. Holland can tell us in a little more detail of MTS involvement in this matter. Is there a dish, and is it being rented or has it been sold to the company, and what other facilities have been put into place by MTS to enable this company to go ahead?

MR. HOLLAND: Mr. Chairman, an earth station is either in the area or will shortly be in the area. It will be leased from MTS, maintained by MTS. As well, the construction of the local distribution coaxial network is under way and will be done this season and as quickly as possible. As I understand the business plan, the applicant intends to go on to provide service to his customers as quickly as possible at no charge to them, pending completion of the network and presumably action on his formal licence.

MR. WALDING: Mr. Chairman, I understand there is a company in Winnipeg that has approached the system to install a closed circuit television system to hotels in Winnipeg and that there is apparently some agreement by this system to accommodate this man. He tells me that agreement was reached some six months ago but the matter has not proceeded with and that there is apparently some difficulty with CRTC as to whether this is or is not pay TV. It would appear that pay TV is a federal responsibility and closed circuit television is a provincial responsibility. Why is there a difference in the treatment of these two companies, one in which MTS has gone ahead before any licences have been granted and in the other case they have not gone ahead.

Thursday, 1 May, 1980

MR. HOLLAND: Mr. Chairman, there are a number of businessmen interested in providing closed circuit programming services over the coaxial cable networks. MTS as the common carrier considers that it should be made available to them at equitable prices and prices that are subject to review by the Public Utilities Board if our client chooses to have them referred. However there is a Canada/Manitoba Agreement and it is also incumbent on MTS to ensure that such programming conforms with provincial policy in this area, so that we're in the process of clarifying with our Minister that it would not offend any established agreements or policy in this area.

MR. WALDING: Mr. Chairman, perhaps I should readdress the question to the Minister since he told us in the case of The Pas that MTS had proceeded with the blessing of the government and since the case in Winnipeg it would seem that there had been agreement between the applicant and the telephone system. Is it the case then that it's the government that has not approved the proceeding in Winnipeg as they have in The Pas and if that is the case would the Minister explain why this difference in policy in two different parts of the province?

MR. CHAIRMAN: The Honourable Minister.

MR. ENNS: Mr. Chairman, this is a question that has room for a considerable amount of discussion and lack of clarity in coming to full agreement as to the appropriate jurisdiction. The government is currently considering the whole question. There's questions of the reaction and the concern that the government has to keep in mind that federal authorities have in this field. There is room for some dispute, I suppose you could call it, as to which regulatory body or which jurisdiction has the final authority in this matter, as for example the current licensed cable operators believe that their interpretation of the regulations require Ottawa or CRTC regulation in this field. Under the Canada/Manitoba Agreement there is also an interpretation that closed circuit in-province transmission of a service of this kind that does not go beyond our borders, or is not on our microwave system, is a totally provincial matter for control and regulation, and these are the questions that are currently before government.

I am aware of the concern by those who are, as Mr. Holland has indicated, who have contacted the system, indicated their readiness and their willingness to supply additional services. We are hopeful that we will be able to resolve these questions relatively soon.

MR. CHAIRMAN: Mr. Holland.

MR. HOLLAND: I didn't point out in answer to the member's question that there is a difference in the two situations. In northern Manitoba the basic cable television franchise has not yet been granted to any one party. In Winnipeg the franchise is for basic services, these do exist, and I think that MTS has been very concerned that this service be extended beyond Winnipeg as quickly as possible and as soon as it was economically feasible and hence we have

started construction of networks and taken certain other steps pending licensure so that the situation in the north is not that different than western Manitoba for instance.

MR. CHAIRMAN: The Member for St. Vital.

MR. WALDING: I thank Mr. Holland for that information. I believe it was Mr. Holland who told the committee on Tuesday that CRTC is most reluctant to grant licences to take signals from American satellites and it's their policy that it's Canadian content that go across the country. I believe he also told us that there is no Canadian programming over Canadian satellites at the moment so there would seem to be some considerable doubt as to whether CRTC will in fact licence this company in The Pas. But aside from that, the Minister really didn't answer my question as to why the government has encouraged MTS to go ahead in this particular case, but has apparently not given its approval in the case of the closed circuit company in Winnipeg. What I am trying to get at is why there is this difference.

MR. ENNS: I believe Mr. Holland provided that answer. The difference lies in the sense that in the Winnipeg area, we are dealing with two licensed operators and there is a question of whether granting additional service of this kind falls fully within the powers of the province to grant, or whether or not that is a matter that is subject to some regulation by CRTC. In the north, that kind of situation does not prevail. The only company that has come forward with a proposal to MTS and to the northern communities involved, and has applied for a licensure with CRTC, we feel that there is a sufficient difference in those two situations to, on the one hand move ahead, while here in Winnipeg we are still giving the matter consideration.

MR. CHAIRMAN: Mr. Holland.

MR. HOLLAND: Mr. Chairman, CBC signals, and I believe the House of Commons Question Period, are carried now on the Canadian satellites. There is a new phenomena, however, and that is that there is a proliferation of Earth Stations being used to capture signals from the U.S. satellites, despite the fact that it has been a consistent national policy to encourage use of the Canadian satellites and certainly to promote the use of Canadian programmings. So there are certainly 60 or 70 communities, and perhaps many more than that, that do have Earth Stations that are not licensed, and this new phenomena has certainly occurred in Manitoba.

MR. CHAIRMAN: The Member for St. Vital.

MR. WALDING: Mr. Chairman, I think my colleague had a question or two on this topic before we moved to something else.

MR. CHAIRMAN: Before we go to the next member, Mr. Holland has some answers to some questions that were asked the previous time, so I think we should maybe give him the opportunity to answer those questions and then we will recognize the Member for The Pas.

Thursday, 1 May, 1980

MR. RONALD McBRYDE: Mr. Chairman, I wanted to follow up on the questions that the Member for St. Vital just asked, so maybe I could ask those couple of questions and then we could jump back to . . . before I change subjects.

MR. CHAIRMAN: Very well. The Member for The Pas.

MR. McBRYDE: Mr. Chairperson, to the Minister, I want to thank the Minister for his concern with our television viewing in northern Manitoba. He is one of the few Ministers in this government that indicates that kind of concern for the northern area of our province.

I am wondering, from the Minister, sort of what kind of communications or what kind of pressure came from northern Manitoba in terms of getting MTS, in allowing MTS to proceed as quickly as possible with the installation of the system in The Pas?

MR. ENNS: Mr. Chairman, I can't describe it as pressure. I think MTS reacted to an application in its normal manner. The whole question of providing northern Manitoba with additional service is one that has concerned government, as I am sure it has concerned management at MTS. In that general way, I suppose you could describe it as pressure. I am acquainted through other associations with one of the principals involved, but in direct answer to the Honourable Member for The Pas' question, my office has not been lobbied, if you will, by this company for this service. Any arrangements that have been entered into thus far have been made by the company in question and MTS personnel.

MR. McBRYDE: Mr. Chairperson, then the matter came to the Minister's attention solely through MTS and not through any contact with the company itself or any principals in the company?

MR. ENNS: That is the case, Mr. Chairman.

MR. McBRYDE: Mr. Chairperson, I wonder if the Minister or Mr. Holland could indicate, was there an exceptional effort made in the case of The Pas above and beyond the call of MTS duty? At the last committee meeting, I was not here for the last 15 minutes because I had a constituent in from The Pas and he said, Boy, I have never seen MTS move so fast in my life. So I wonder if there has been a special effort made in this particular case.

MR. ENNS: Mr. Chairman, all I can say to the Honourable Member for The Pas is just state the obvious, a new government, a new Minister.

MR. McBRYDE: Mr. Chairman, I don't see what's obvious about that. As I contemplate what is obvious about that, Mr. Chairperson, I'll ask another question.

I would take it from the Minister's comments and from Mr. Holland's comments that the other company that has applied for a licence has not had any contact with MTS, because I think the Minister and Mr. Holland are probably well aware, there are two applications that have gone in to CRTC, one

from the company that MTS is moving rapidly to put in cable and to lease the dish to, and another company, I assume, that is buying its dish separate from MTS and is going to broadcast using decoders, or scramble the signal and sell decoders. That's how they will pay for their operation as opposed to the cable installation.

I am just sort of curious. Is the quick action of MTS and the fact that one operation now is in the process of installing its equipment, will that affect, and I don't know CRTC that well in terms of how they operate, will that affect the merits of the two applications before the CRTC?

MR. ENNS: Mr. Chairman, the Member for The Pas, in raising the question, points out some of the questions that obviously have to be resolved. As a general matter of policy, the government, one that we would expect MTS in its role as a common carrier to follow is one to allow maximum competition in this field.

MR. McBRYDE: Mr. Chairman, I wonder if the Minister or Mr. Holland, in their experience with CRTC, could tell us if the actual installation by one company will affect, in their experience, the application to CRTC.

MR. ENNS: Mr. Chairman, I would defer to the Chairman, but I think we should all appreciate that we are talking about a multiplicity of types of service, some that call for CRTC regulations, others that we believe, under the Canada-Manitoba Agreement, fall entirely within provincial jurisdictions, and therein lies some of the policy questions that still have to be resolved.

MR. HOLLAND: Mr. Chairman, I can say that we have been in discussions with our client in the north for some two years, studying the situation, studying the economics, and ways and means of providing service in that area. I have heard, informally, that there may be a second applicant for the franchise in that area. We will provide him full information on the network, the rates and so on, in conjunction with his application if he chooses to proceed. The plant being installed is owned by the common carrier, MTS, so that it would not compromise CRTC in its choice of applicant.

MR. McBRYDE: Maybe, Mr. Chairperson, then Mr. Holland could bring me up to date. My understanding is that the coaxial cable is also being installed at this time, and that there will be a considerable expenditure and a network put in place, and I'm assuming that the business will be in considerable difficulty if approval isn't given, having made those kind of expenditures.

MR. HOLLAND: I think that I mentioned earlier that MTS has proceeded with construction of local distribution plant in a number of Manitoba centres anticipating licensure, and we certainly expect that there will be a licence granted in this area of the province, so it's on that basis that we're proceeding with the local plant.

MR. McBRYDE: I would take it then that the MTS risk is fairly low, that is, in his past experience, these kind of applications have been approved, or the fact is that with the distribution centre, the client puts up most of the money so the client is the one that's sticking their neck out, and with the dish, if their application fell through, MTS would be able to lease that dish somewhere else. So that the risk on the part of MTS isn't very great in this case?

MR. HOLLAND: Well, Mr. Chairman, we do have a letter of intent from our client to proceed, so we do know there is an interested applicant, and yes, the earth stations are leased and could be used elsewhere.

MR. McBRYDE: Yes, Mr. Chairman, Mr. Holland didn't fully answer the question. The risk to MTS then, is just that the — maybe you could tell me about the Letter of Intent. Does the Letter of Intent says that a person intends to proceed, provisional upon CRTC approval? What is the legal nature of that kind of agreement?

MR. HOLLAND: Mr. Chairman, the Letter of Intent generally indicates his intent to complete a formal agreement for lease of certain portions of the coaxial cable local distribution plant in the northern centres. It also signifies that he has undertaken to apply formally to CRTC and obtain a licence.

MR. McBRYDE: So Mr. Chairman, then there is considerable risk on the part of MTS, because MTS is installing the distribution network, and if this application fell through, then it's MTS that would be stuck with the distribution network, or is it the client that would be stuck with the distribution network?

MR. HOLLAND: I think I can only say, Mr. Chairman, that there appears to be considerable interest in providing this service in the northern centres. We're quite satisfied on that score. It seems very unlikely that the CRTC would continue much longer to refuse to license anyone in that area, so that it doesn't strike me that the risk factor is that high.

MR. McBRYDE: Mr. Chairperson, the other company has made formal application to CRTC, and their proposal doesn't include a distribution network. Their proposal is to scramble and sell unscramblers, so that they will be using the air as their carrier. And so, I don't know if Mr. Holland and MTS wasn't fully aware of that application having been formally made — I'm assuming, and I don't know CRTC that well, that both applicants would have sort of an equal chance of having their proposal accepted, and there is a slight tendency in the community to believe somehow that signal through the air is going to be better than signal through cable.

So I don't know if that means that — I don't know what these companies do now, if they go around and get people to sign up that they favour their proposal over the other company's proposal, or what they do in terms of presenting their case to CRTC, but what I hear Mr. Holland saying is that there is, in fact, MTS has the risk, there is some risk involved in this

particular expenditure of MTS funds. I just wondered if he could . . .

MR. HOLLAND: Mr. Chairman, we keep well informed on licensure requirements of the Department of Communications and their practices on spectrum management, their policies with regard to off-air broadcasting, the general policies of CRTC, and that includes regular consultation with their authorities, and I think we're satisfied that our proposal meets those normal procedures and practices of the federal agencies.

MR. McBRYDE: I wonder if Mr. Holland could advise me whether, because of the Minister's concern in terms of getting this kind of service into the north, and the strong desire of the people up north, whether in fact MTS did sort of make exceptions and push ahead a little more quickly than usual.

MR. HOLLAND: Mr. Chairman, there are other instances in the extension of the coax network, where we have moved very quickly at the behest of a client, even to the extent of getting signals on air before they are fully tested and engineering certified and so on, in order to meet the client's requests. I think there were special circumstances here, by the nature of cable television, it is a franchise. The basic services are granted to one individual, therefore the interested businessmen have the greatest interest in ensuring that they were the successful applicant and that the franchise was going to be available to them. And I can only say that we responded quickly to the requirements and requests of our client, and will do so if there is another client.

MR. McBRYDE: Mr. Chairperson, as I understand, the cable network, and maybe it doesn't apply as much when you get into smaller and smaller communities, but in terms of business investment, if you are able to get the franchise, my understanding is, it's quite lucrative, and that's why MTS, in the past, has tried to ensure that if there is new cable systems, that they are the carrier, that they provide the service to other companies, rather than people install their own systems, because it is a good market and it is a lucrative market. So I can understand the company being willing to take their risk of their approval proceeding.

With the other cable systems that you mentioned, Mr. Holland, the problem is the other way right now, isn't it, that those other cable distribution systems have CRTC approval, and it's a disagreement between yourselves and the companies in terms of getting on-air. And that the problem is not awaiting for CRTC approval. Is my understanding correct?

MR. HOLLAND: Well, let me say, first of all, Mr. Chairman, that the general policies, I think were fixed, in the mid '60s when the first coaxial cable contracts were negotiated and drawn up, and those are still in effect in Winnipeg. So that there has been quite a consistency of policy in this area since that time. We had, just to illustrate my point, MTS has moved ahead at the request of a customer to get the service in at the earliest possible date. That was done in a number of rural centres. It actually

Thursday, 1 May, 1980

proceeded to the point of where CRTC had approved licencees under terms and conditions that were not consistent with our policy. Re-hearings were held and new licencees were appointed, which did follow the provincial and MTS policy, so that certainly there was similar risks at that time in that we had invested a plant and there were delays in these hearings and re-hearings and so on, but there now is a history of final approval.

MR. McBRYDE: I'm not quite clear, so I'll put the next question, maybe it will clarify it further. Has the MTS proceeded with the installation of a cable system, a distribution system before, where there was not yet CRTC approval, or where there was a competing application for CRTC approval?

MR. HOLLAND: Mr. Chairman, I would say that we have proceeded with installation of plant, where we had a letter of intent from a client, and where the formal license had not been granted.

MR. McBRYDE: Mr. Chairperson, has Mr. Holland, in his official capacity, had direct dealings and direct negotiations with the principals of this company?

MR. HOLLAND: Mr. Chairman, I have met and had brief discussions with the principals, and Mr. Backhouse who is here, has had detailed discussions, negotiations, planning sessions, and so on.

MR. McBRYDE: Mr. Chairperson, would that be a normal procedure, or would it usually be Mr. Backhouse or somebody else in the system that finished and completed these kind of negotiations, or is this a normal type of procedure?

MR. HOLLAND: Mr. Chairman, we do have a broadcast industry group who normally handle all forms of broadcasting services of all natures. They normally negotiate complete contractual arrangements. This tends to be done under Mr. Backhouse's general direction, so that he keeps familiar and aware of them. I think in this case, the request of the client did require special planning and special efforts, and hence Mr. Backhouse was involved personally.

MR. McBRYDE: So there was some special efforts made in regard to this particular client.

MR. HOLLAND: I'm sorry, Mr. Chairman, I didn't hear the question.

MR. McBRYDE: There were some special efforts made, it wasn't the regular routine in terms of this client.

MR. HOLLAND: Mr. Chairman, I would say that there were special efforts made here and many other special efforts by MTS in order to get the service extended. I might say the communities are quite demanding of MTS, they clearly expect us to move quickly, based on our past record of extending services throughout the province. We have had many representations, as has our regulator, the Public Utilities Board, from communities, so we're

verysensitive and anxious to get the service extended.

MR. McBRYDE: Mr. Chairperson, would it be normal or usual for Mr. Holland to meet with the principals of these kind of companies, or would this be sort of a departure from what normally takes place?

MR. HOLLAND: Mr. Chairman, it's normal and usual for me to meet with any customer who requests such a meeting. I think I have met with all of the principals in our cable area, some of them very frequently.

MR. McBRYDE: Mr. Chairperson, I suppose it's sort of knowing one of the principals whose name is fairly similar to mine, it's difficult to imagine that he didn't use every possible route and avenue open to him, including the Minister and the Premier to speed up his particular application. But I won't make any comment beyond that, Mr. Chairperson.

MR. CHAIRMAN: Mr. Holland, if you could answer those questions which were asked last week.

MR. HOLLAND: Mr. Chairman, there was a request to provide a three-year history of the growth in our telephone count for the years ending March 31, 1978, '79 and '80. The total figures were 31,092, 22,162, 23,669. Of those, the extension telephones were 18,370, 13,037, 14,080. I do have a copy of this for the Member for St. Vital if he would like to look at it.

The Member for The Pas referred to an editorial in the Opasquia Times. We have since responded to that letter and I would like to provide a copy of our response to Mr. McBryde.

We were asked about the practice in The Pas and Flin Flon in terms of local service versus that which had been centralized out of Thompson. We have collated a number of records in Thompson, such that we have an historical record of each customer's troubles and the response that was given to them. There have been revised managerial practices in order to ensure that our customer requests are met in the order of receipt and with special attention to any special needs. Through to September of last year we had some difficulties in revising those routines, by including accessibility to our Trouble Centre, and the volumes were higher than what we had forecast. I think since September, certainly as far as I am aware, the troubles have been eliminated and the service is very good. Adding to that, we are restudying now the feasibility of providing much more personalized and local service to The Pas and Flin Flon.

MR. CHAIRMAN: The Member for The Pas with a question.

MR. McBRYDE: On that specific item, what I hear in your answer is that the existing system is going to stay in place and I am not sure what other steps would more personalize the service.

It is my understanding that a person in The Pas cannot call directly to their repair person in The Pas, that they have to call Thompson and Thompson calls

Thursday, 1 May, 1980

the repair person. If something simple happens like opening the building, the example that I referred to, to let the person in or if the serviceman comes over and left his screwdriver and they want to phone him up and let him know that he left his screwdriver there or whatever, those kind of immediate personal things, the people in The Pas still have to call Thompson, and go through the Thompson office. Is that correct?

MR. HOLLAND: Mr. Chairman, that generally is the case at this point in time. We have found it essential to, in terms of our voluminous record-keeping, improve our means of doing that and having it more accessible. What we were proposing is that the information in better format, we think, can be made available in The Pas and Flin Flon, and that our local representatives in that area using the information base can respond directly and locally to a large proportion of the calls, and that is the concept that we are looking at at the moment.

MR. McBRYDE: How would you see then, increasing the personalization of the service in The Pas?

MR. HOLLAND: I think that there would judgement taken and probably better judgement by our people in The Pas and Flin Flon as to their prioritization of work, judging special needs and urgencies of them. Our people live in The Pas and Flin Flon, they know a great many people and I think that the more that is handled from those centres, I think that it would be more personalized and individualized.

MR. McBRYDE: So rather than Thompson phoning them and saying, here is your orders for the day, they might now say, here is the request we have had, set your priorities in terms of these orders.

MR. HOLLAND: In the larger centres, yes, Mr. Chairman. Obviously, in many of the smaller centres of the north we do have to rationalize the use of our people and use them to best advantage, schedule their time into the communities if we don't have a permanent resident there and so on, so that part of it would continue. We visualize that much of the interface and managerial day-to-day decisions can be done almost totally in The Pas and Flin Flon.

MR. McBRYDE: Mr. Chairperson, how does this administrative changeover, the centralization of the operation in this manner, affect those age-old problems that we have had up north, especially in communities that received telephone services recently for the first time, within the last number of years. The problems I refer to — one is the problem of party-line listening in, which MTS officials at The Pas have met with people a number of times and I think had to withdraw telephone service from some families because of that habit or tendency on their part.

The other problem that has been more prevalent in the new communities, although I think it happens quite frequently in Winnipeg than anywhere else, is the problem of charging calls to somebody else's number. The last time I was campaigning in a couple of communities up north, I asked people what their

phone number was so that I could get hold of them, they said they had their phone taken out because too many charges had been made against their line that were not theirs. I know that in my own case, if I find one on the bill, MTS is very accepting. I write out the amount that they ask me for less that one that was not made by any member of my family or myself, and they just accept my word for it. I am assuming that somehow maybe they are more trusting of me than they are of some other people in terms of — like I don't know how they normally deal with that. Maybe there is a number of questions in there, how the centralization affects those two programs, does it help or make them worse, or does it make any difference? Secondly, how do you normally handle the people who get a charge on their bill that they say that they haven't made.

MR. HOLLAND: Mr. Chairman, those are problems that are not peculiar to northern Manitoba, they extend to many areas of the province. The problem of multi-party use and abuse is one that has been with the telephone companies since Mr. Bell invented it, I suppose. Our answer to it has been to reduce the number of parties per line quite dramatically, such that no line will have more than four parties on it, and an average of about 2.7. Beyond that, our Commercial Department receives these requests and occasionally it is possible to reconfigure the parties on the multi-party line, reassign them to other areas, put two brothers each with 7 teenagers on the same line, so that they can work it out between them. There are some rather ingenuous solutions to it, but it is an ongoing problem.

The volume of denied toll calls also is high and it is an ongoing problem. Our normal practice is to accept the customers information and act on it and then follow up in due course to find out whether or not there was clerical error involved or whether our operator might have taken a wrong number or whether in fact the call was a valid one, and if it is it goes back on the bill. That in very general terms is the practice.

MR. McBRYDE: So I'd better keep my eyes open then, Mr. Chairperson, on each future bill to make sure that particular call doesn't appear again. I have some trouble when we talk about the centralization and the personal service, as Mr. Holland called it, applying it to this case. Because I am assuming now if a person has a complaint about multi-party, someone listening in on somebody else's calls, that the person has to now phone Thompson and Thompson phones back. I can't see it as being more effective. I could see the person in The Pas before saying, look Mary I warned you twice before that you are not to listen in on your neighbours calls and if you do you are going to lose your telephone; whereas the people in Thompson don't even know that's Mary that's listening because they just got the complaint from somebody else. I wonder if Mr. Holland or MTS has noticed any difference in that kind of situation or problems dealing with the centralization. Has the centralization helped or hindered that kind of problem?

MR. HOLLAND: I find it difficult, Mr. Chairman, to answer that question in specifics. Certainly I would

Thursday, 1 May, 1980

say that the calls and letters that I received on the subject have almost disappeared as the proven program goes into effect in each community. It has had a dramatic effect, but it still continues and there is no obvious solution that will eradicate it totally.

MR. McBRYDE: That's all for now, Mr. Chairman.

MR. HOLLAND: Mr. Chairman, I believe the Member for The Pas had raised the general topic of traffic operator working conditions and I was informed that in addition to our own employee management consulting groups which are laid on regularly, we have done a special study at MTS surveying our staff and their supervisors. Generally speaking there are concerns. One of them, interestingly enough, is that our employees are uncertain as to whether or not they leave the customer satisfied because the computer does a major portion of the interface and they find that they miss the interpersonal relationships with customers. This was a fairly thorough study here and Dow Northern Research is doing research in the area with Bell Canada. Our consultation with them was delayed due to their recent strike, but we will be pursuing that with Bell Canada and if the member has a special interest I'd be pleased to provide him with information on the findings.

MR. McBRYDE: Mr. Chairperson, I don't think the situation or the problem that I was outlining was particular to MTS. I think it's sort of the situation that pervades probably in most telephone operations and it's sort of a feeling I picked up of sort feeling dehumanized in the process which is a common problem in industry. But that was the feeling of some traffic operators that I talked to and I guess it's sort of that kind of personal contact, one with customers, but the other is sort of the personal management relationships and the style of management which makes the person feel just part of the machine or dehumanized in the process and I am glad that MTS is looking at the problem and I hope that they might try some experimental or unique ways in improving the job conditions and the feelings of satisfaction on the part of the traffic operators.

MR. HOLLAND: Well, Mr. Chairman, I wouldn't want to leave the impression that we had done nothing in this area. Certainly their environment has been improved in almost every case. Their working conditions, their salaries have been maintained at very good levels. We have regular consultation with the different offices. We have certain basic requirements that are necessary to meet customer needs and expectations but portions of that can be modified and adapted according to the preference of the group at each office and that has been done. They in effect design their own practices as to what happens if they want to get a replacement for a certain shift, or what are their practices for coverage of the boards, and more and more of the staff are either impacting those procedures in each office or developing them themselves.

MR. CHAIRMAN: The Member for St. Vital.

MR. WALDING: Thank you, Mr. Chairman. The annual report indicates that the rate increase of a year ago is expected to net approximately 11.5 million. I would like to ask Mr. Holland if he can indicate of that 11.5 million, how much would accrue from the increases in local service?

MR. HOLLAND: Mr. Chairman, I think I would need some time to extract that figure.

MR. WALDING: Is it likely to be about half or perhaps only a million or can you give me an area in which it is likely to fall?

MR. HOLLAND: My guess would be less than half and probably about 30 percent of that increase.

MR. WALDING: So it could well be in the range of 3 to 4 million.

MR. HOLLAND: Yes.

MR. WALDING: I would now like to ask Mr. Holland whether The Interconnection Bill that was passed, I believe in 1975, has yet been proclaimed?

MR. HOLLAND: Mr. Chairman, it has not.

MR. WALDING: I would now like to ask whether it was a matter of discussion or consideration with the public utilities board at the last rate increase hearing?

MR. HOLLAND: Mr. Chairman, only in the sense that the board required very careful forecasts of revenues coming from the vertical services or premium offerings and so on. They required our best projections of the revenue that would come.

MR. WALDING: The point I'm trying to make, Mr. Chairman, is that The Interconnection Bill was a matter of some urgency with the system at the time that our government passed it. It was pointed out to us that there was a considerable revenue lost to the system because people were connecting their own devices to the system and taking advantage of the facilities that were in place and were really getting a free ride on the backs of the other telephone users. I asked Mr. Holland a year ago for an estimate of the lost revenue and I don't recall receiving a figure on it. It did run into millions of dollars and possibly not above ten but somewhere in the millions of dollars and expected to increase each year. Surely the whole point of interconnection is that as long as those people are not paying for the privilege of connecting their own instruments to the system, then everybody else who pays a monthly rental for the system is in fact subsidizing those people.

Had that Interconnection Bill been proclaimed and MTS were receiving several millions of dollars a year in revenue from those people, then I suggest that there could well have been no increase in rates to residential and perhaps business customers either, and really what the effect of the rate increase is on local service is that everybody is subsidizing those people who have their own private sets that are connected to the system. I am not sure whether Mr. Holland wants to comment on that but it would appear to be more a matter of government policy.

The Minister a year ago told us that by government policy the bill had not been proclaimed and that it was being monitored or closely looked at or whatever those terms are that the government uses, and that we would be informed in due course when the government made that decision. So perhaps I should ask the Minister whether he could comment on the apparent fact that the last rate increase has meant that everybody who pays a rental on their telephone is in fact subsidizing a few people who are riding on the backs of the rest of us, and would he not have considered it in the public interest to have proclaimed that Interconnection Bill to protect the broad mass of Manitobans against those few who are taking advantage of it?

MR. CHAIRMAN: The Minister.

MR. ENNS: Mr. Chairman, five years in the telecommunications field perhaps as in no other field, particularly in the last five years, brings about a whole host of new situations and new problems. Specifically, MTS management has not indicated to government or to me, and I believe I was a member of the committee last year, but I can't recall, just as the Member for St. Vital can't recall the actual estimate of revenue lost or whether or not that estimate was provided to the committee. In any event I can't recall it. I should also indicate though that this is, as so many of these issues, they all tend to interconnect and there have been some interesting decisions made in other jurisdictions, notably in Washington, the federal authority there, FCC has made certain rulings in this field. Similar rulings have been made in the province of Ontario. I can state unequivocally that the government would be entirely supportive and very concerned about loss of revenue that accrued to MTS for the same reasons that the honourable member mentions. On the other hand an understanding and acceptance of the kind of telecommunications world we now live in and how rapidly it's changing there is an opportunity, I believe, for MTS to indeed enhance its revenue position. If under appropriate conditions — and I would think that is the case and the chairman can correct me — regulated by our regulator, the Public Utilities Board. I think MTS has to acknowledge the simple fact that more and more demands, services, devices are coming on the marketplace, and our role there would be to facilitate new technology to the maximum capacity, at all times, however, assuring that this is not done at the expense of MTS revenue that would then be reflected in the manner and way in which the Member for St. Vital indicates.

MR. WALDING: Thank you, Mr. Chairman. The Minister is correct in saying that there are more and more of these devices coming onto the market. Surely the point is that if this was a matter of some urgency back in 1975, that because of the increasing numbers of these devices being used, that it should be an increasing concern to MTS, and the lack of the proclamation of that bill should be a matter of increasing revenue loss. In fact, Mr. Holland used — I'll just quote one sentence from the hearings last year — Mr. Holland said, Up until this point, the MTS has not sought proclamation of the bill, which rather surprised me, that that urgency of 1975 had

apparently dissipated by June of 1979, at a time when the System was seeking a rate increase.

In answer to another question, Mr. Holland went on to say, I would say it is an increasing loss. But, as you say, Mr. Minister, there was no accurate indication of the actual dollars involved. I would urge the Minister to take a closer look at this particular matter and give some thought to whether an increase in the monthly rental could not have been avoided had the Interconnection Bill been proclaimed over the last year or so, and that he would have saved the telephone users of Manitoba a considerable amount of money.

MR. ENNS: Mr. Chairman, I don't wish to dispute the matter with the Honourable Member for St. Vital, but on the other hand I would not want to leave it on the record that the non-proclamation of Bill 57 resulted in an increase in the rates charged to our customers. That certainly hasn't been put to me by the management of MTS, and Mr. Holland can speak for himself.

MR. HOLLAND: Mr. Chairman, as the Minister said, there seemed to be changing trends. In 1975, when MTS sought clarification of policy in this area, public hearings intersessionally were called at that time, and all interested parties were asked to present their views. The bill was presented and discussed again. The intent of the bill was to provide a liberalization of policies which traditionally have been very very restrictive, in a managed fashion. Principally, the Public Utilities Board would be the independent agency to determine which products were technically acceptable, and the terms and conditions under which they could be legally attached to our network.

We have been watching this closely in the period. For obvious reasons, it is difficult to estimate the numbers of unauthorized attachments. I have seen figures of 5 1/2, 7, and even up to 11, of total telephone terminals in different jurisdictions. Up until this point, I believe that our customers have recognized the fact that the System requires everyone to contribute, in fairness to the other Manitobans. Instances that we discover, we discuss with our customers and they readily alter their arrangements, whatever they may be. With the jack and plug systems in most jurisdictions, families are taking telephones with them when they move, so it gets quite complex.

Our procedure has been to offer our customers what we think is a very good array of products of their choice; that has been a policy of the MTS board consistently, at good prices. Through the Phone Centre distribution program, I think convenience has been added. There is a real problem for MTS in perception here, in that I think some customers tend to regard the telephone equipment in their home as what they are paying for, whereas of course we have an average investment of over 1,000, a historical investment, and each new line is likely 2,200 to 3,000 in order to provide the transmission, worldwide connections, switching and all of the network that's in behind that unit.

Over the next while, we hope to consult our customers and get some idea of what their views are, what they think is a fair and equitable manner of

Thursday, 1 May, 1980

handling this in Manitoba, whether MTS should continue as at present, because in fact we do offer quite a different service than other firms offering outright sale. MTS provides complete maintenance of the instrument; it can be replaced at the whim of the customer. So our service has been a complete one. Whether our customers would prefer to take on maintenance, replacement costs, and repair costs, or if they are not getting an adequate choice, then we would try to change our procedures.

In summary, we have not requested proclamation of the bill. The discussions by the Members of the Legislature at the time were very very helpful to MTS in getting public opinion and viewpoints and so on. I think many of the things we have done follow on from those public discussions. The bill, to some extent, does make MTS a policeman, and we have had no particular enthusiasm for that role. We will be watching it; we will be trying to get a fairly accurate viewpoint of our customers as to what they think is the way to head.

MR. WALDING: Mr. Chairman, I would like to reply to the Minister's remarks, that he won't accept that lack of proclamation of the Act was the cause of the rate increase, or I'll put it the other way around, that no rate increase would have been necessary had the bill been proclaimed. Figures that we received this morning indicate that somewhere in the region of 4 million is the increase in the monthly rental to both residential and business customers. In a lack of accurate figures as to revenue loss through lack of the Interconnection Bill, I suggest that when a more accurate estimation of those figures is obtained, that it will be at least 4 million, possibly far more.

I seem to recall at the time that the bill was before us, figures in the region of 8 million to 10 million were being used as an annual revenue loss. Let me put it to the Minister again, if the System had been receiving, let's say somewhere between 4 million and 8 million through Interconnection, could it not have foregone an increase in residential telephone rates to everybody?

MR. ENNS: Mr. Chairman, the Honourable Member for St. Vital is making the assumption that the passage of the bill will present what I believe is described by the Chairman as an age-old problem for MTS, in the sense that there will be people from time to time that abuse or illegally connect to the System. We pass various different laws. We have a law in this province that you shall not travel more than 90 kilometres on most of our trunk highways. That does not necessarily stop some people from travelling 100 or 110. The assumption that the passage of the bill will automatically recoup whatever estimated loss of revenue is accruing to the System now, I think is false. Mr. Holland has just indicated that MTS is not particularly desirous of playing the role of a policeman. I don't know what it would cost MTS to vigorously enforce the law and the costs of that enforcement, whether or not they would wipe out any accrued benefits.

I am simply saying that the member is assuming that the mere proclamation of the law will overnight clear up what I am sure is a problem for telephone companies, not just in Manitoba but throughout the country, in a world where interconnections can be

made. I think MTS is obviously concerned about this problem and is carrying out a regular diligent search for interconnections that are not appropriate, and make every attempt to recapture their full revenue. I have to take issue with the Honourable Member for St. Vital that the proclamation of a law does not necessarily end what would then be described as illegal interconnections overnight.

MR. CHAIRMAN: Mr. Holland.

MR. HOLLAND: May I undertake to provide the member with the portion of the increased revenues from local exchange that are attributable to the last general tariff adjustment; we will provide that.

Just as an observation, the matter of terminal attachment extends, of course, to other areas such as data terminals, where we do permit attachment to our networks, answer recorder sets, mobiles, paging units and many other areas, so it is a complex public issue.

I mentioned on Tuesday another public issue having to do with the CN/CP application to interconnect. MTS relies very heavily on its intra and intertol revenues, and that causes concern as well.

MR. WALDING: Can I also ask Mr. Holland if he could provide me with the System's best guess of revenue loss due to interconnection loss?

MR. HOLLAND: Yes, Mr. Chairman.

MR. WALDING: Mr. Chairman, I would like to move, if I may, to Manitoba Data Services, which I understand has been disconnected from the Telephone System since April of last year.

MR. CHAIRMAN: I wonder if could maybe start going on a page-by-page through our Annual Report, and when we get to that particular section, we will ask the questions.

(Pages 1 through 11 were read and passed.) Page 12—pass — the Member for St. Vital.

MR. WALDING: The question that I had was on the financial statements of the Manitoba Data Services, and I'd like to ask Mr. Holland if he can explain to me what has happened to about 12 million that MTS had invested in its subsidiary, MDS, and how was this matter resolved when the two corporations were split?

MR. HOLLAND: Mr. Chairman, as provided under the legislation, a tripartite agreement was concluded between Manitoba Data Services, Manitoba Telephone Service and the province, which had the effect of transferring all assets and liabilities off the books of MTS.

MR. WALDING: I'm not sure that I fully understand, Mr. Chairman. Did MTS get its 12 million back, or is it still owed that amount by the Data Services?

MR. HOLLAND: Mr. Chairman, the consistent practice with Manitoba Data Services was to carefully separate all of its financial data. That was done from the onset, so that, as I mentioned earlier, all of the assets and liabilities have been withdrawn

Thursday, 1 May, 1980

from MTS, effectively cleared off. What that means is that any debts that were owing and any assets held were transferred off the MTS books.

MR. WALDING: If the debts were transferred off the books, does that mean that the Telephone System received approximately 12 million from someone?

MR. HOLLAND: Mr. Chairman, the accounting was such as to just negate all of the MDS figures on our books, and perhaps Mr. Vannevel could give a more detailed, professional accounting explanation.

MR. CHAIRMAN: Mr. Vannevel.

MR. R. C. VANNEVEL: Yes, Mr. Chairman, in the particular case of MDS, a debt which would have shown on the long-term debt line in the telecommunications consolidated statements was cancelled to the tune of some 12 million, so that's the cancellation of it.

MR. WALDING: Are you telling me then that the system wrote off a debt of some 12 million, or an amount that it had invested in the system?

MR. VANNEVEL: Mr. Chairman, in acquiring some 12 million worth of assets over a time for MDS, certain debt obligations were undertaken as well to finance those. On the completion or removal of MDS from MTS, then the entry was to cancel both. In other words, we were relieved of the responsibility of 12 million worth of debt.

MR. WALDING: I'm still not sure that I understand, Mr. Chairman. The Manitoba Telephone System had invested some 12 million, which presumably had come from the telecommunications side into Manitoba Data Services. When that split occurred between the two corporations, are you telling me that the Manitoba Telephone System did not get its 12 million back, that it was simply written off?

MR. VANNEVEL: Mr. Chairman, no, what I was saying was that in arriving at acquiring the funds to set up, or acquire those assets of 12 million, at that time, those funds came about from debt obligations or debt that was issued in the Telephone System name. That debt, which we would have been responsible for, had we continued to carry MDS, we are no longer responsible for that particular debt. It was removed from our books at the same time. This is what Mr. Holland alluded to in saying that all the assets and all the liabilities were cancelled at the time. In other words, the careful keeping separate of the two items enabled us to transfer that debt back to the province, in effect.

MR. WALDING: I think I understand now, Mr. Vannevel is telling me the government of Manitoba took over that obligation for the 12 million, so that it was not the system that either gained or lost anything on the deal.

MR. VANNEVEL: That is correct, Mr. Chairman.

MR. WALDING: So that 12 million, and perhaps I should ask the Minister, would then appear as an

addition to the total debt of the province for last year?

MR. ENNS: Mr. Chairman, I have to be careful about that answer. I don't, in the setting up of the new corporation, Manitoba Data Services, as a separate corporate entity, to what extent a portion of that money travelled with it to that new corporation. I would invite Mr. Vannevel to assist me in this instance if he is aware of how that transaction took place.

MR. VANNEVEL: Mr. Chairman, I'm not totally familiar with it, but because it was a tripartite agreement, certain debt then has to be taken over the obligation for it by the new corporation that is running Manitoba Data Services.

MR. WALDING: Then, can I ask for clarification, whether Manitoba Data Services now owes 12 million to the government instead of to MTS?

MR. VANNEVEL: I am not sure of the exact figure, because I am not aware of that transaction which is between the government and the Data Services, but my understanding is, there is an obligation. What the exact amount is, I am not sure.

MR. WALDING: I wonder if the Minister can confirm — if that is the case . . .

MR. ENNS: I think that's the case, but there might well have been a sharing of that with the government being party to the tripartite agreement that's been referred to. But I would, it's my intention to make the MDS Chairman and board members available, the general manager available to this committee, and I would ask the honourable members to perhaps pursue that specific line of questioning with the general manager and chairman of MDS.

MR. WALDING: That brings me to the next question, Mr. Chairman. Mr. Holland has reported for MTS and MDS for the year 1978-79. Mr. Holland has also brought us up to date for the last year for the Manitoba Telephone System. Perhaps I should now ask the Minister, who speaks for Manitoba Data Services for the last year?

MR. ENNS: Mr. Chairman, the date of actual separation was in April of 1979, and since that time, a board of directors has been appointed for MDS under the chairmanship of Mr. Mel Anderson, formerly with the Department of Finance. The same relationship exists with MDS as exists to this Minister, as is the case with MTS, I am the reporting Minister to the House and to this committee for the new Crown corporation, Manitoba Data Services.

MR. WALDING: Further to that then, Mr. Chairman, I would have to ask whether Mr. Anderson is present to answer any questions we might have of Manitoba Data Services over the last year?

MR. ENNS: No, Mr. Chairman. We do not have the annual report before us, we're not dealing with Manitoba Data Services. I think it's not unfair to suggest that questions relative to MDS, to the

Thursday, 1 May, 1980

present staff, to the general manager of MTS can relate to their past involvement with MDS, but it would be the intention of this Minister to make available to the members of the Public Utilities Committee, Mr. Anderson, and/or other staff people from MDS.

MR. WALDING: When the Minister says, make available, is he speaking of this committee's meetings a year from now, or at some other time?

MR. ENNS: No, Mr. Chairman, my intention would be during the current sittings of this committee.

MR. WALDING: Do I then understand from the Minister's remarks that the committee is discussing MTS matters only, and that on a separate date, Manitoba Data Services will appear in a similar manner before it?

MR. ENNS: That's correct.

MR. WALDING: In that case, Mr. Chairman, I won't ask any more questions about Manitoba Data Services. I will wait until some other time.

MR. CHAIRMAN: (Pages 12, and 14 though 20 were read and passed.)

Unless there are any further questions, that completes the discussions on the Manitoba Telephone System Report.

The Honourable Minister.

MR. ENNS: Mr. Chairman, just prior to committee rising, MPIC, the Manitoba Public Insurance Corporation, will be the next corporation that the Public Utilities Committee will be dealing with. They were present earlier on this morning but there was some indication on the part of members of the committee that they wished to deal with them on Tuesday next. The House Leader will be confirming that, but my understanding is that Public Utilities Committee will be meeting on a regular basis on Tuesdays and Thursdays, so that for the information of the honourable members, we will be dealing with Autopac next Tuesday.

MR. CHAIRMAN: Committee rise.