



Second Session — Thirty-Second Legislature
of the
Legislative Assembly of Manitoba

STANDING COMMITTEE
on
PUBLIC UTILITIES
and
NATURAL RESOURCES

31-32 Elizabeth II

Chairman
Mr. A. Anstett
Constituency of Springfield



MG-8048

VOL. XXXI No. 1 - 10:00 a.m., TUESDAY, 26 APRIL, 1983.

MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Second Legislature

Members, Constituencies and Political Affiliation

Name	Constituency	Party
ADAM, Hon. A.R. (Pete)	Ste. Rose	NDP
ANSTETT, Andy	Springfield	NDP
ASHTON, Steve	Thompson	NDP
BANMAN, Robert (Bob)	La Verendrye	PC
BLAKE, David R. (Dave)	Minnedosa	PC
BROWN, Arnold	Rhineland	PC
BUCKLASCHUK, John M.	Gimli	NDP
CARROLL, Q.C., Henry N.	Brandon West	IND
CORRIN, Brian	Ellice	NDP
COWAN, Hon. Jay	Churcnill	NDP
DESJARDINS, Hon. Laurent	St. Boniface	NDP
DODICK, Doreen	Riel	NDP
DOERN, Russell	Elmwood	NDP
DOLIN, Mary Beth	Kildonan	NDP
DOWNEY, James E.	Arthur	PC
DRIEDGER, Albert	Emerson	PC
ENNS, Harry	Lakeside	PC
EVANS, Hon. Leonard S.	Brandon East	NDP
EYLER, Phil	River East	NDP
FILMON, Gary	Tuxedo	PC
FOX, Peter	Concordia	NDP
GOURLAY, D.M. (Doug)	Swan River	PC
GRAHAM, Harry	Virten	PC
HAMMOND, Gerrie	Kirkfield Park	PC
HARAPIAK, Harry M.	The Pas	NDP
HARPER, Elijah	Rupertsland	NDP
HEMPHILL, Hon. Maureen	Logan	NDP
HYDE, Lloyd	Portage la Prairie	PC
JOHNSTON, J. Frank	Sturgeon Creek	PC
KOSTYRA, Hon. Eugene	Seven Oaks	NDP
KOVNATS, Abe	Niakwa	PC
LECUYER, Gérard	Radisson	NDP
LYON, Q.C., Hon. Sterling	Charleswood	PC
MACKLING, Q.C., Hon. Al	St. James	NDP
MALINOWSKI, Donald M.	St. Johns	NDP
MANNES, Clayton	Morris	PC
McKENZIE, J. Wally	Roblin-Russell	PC
MERCIER, Q.C., G.W.J. (Gerry)	St. Norbert	PC
NORDMAN, Rurik (Ric)	Assiniboia	PC
OLESON, Charlotte	Gladstone	PC
ORCHARD, Donald	Pembina	PC
PAWLEY, Q.C., Hon. Howard R.	Selkirk	NDP
PARASIUK, Hon. Wilson	Transcona	NDP
PENNER, Q.C., Hon. Roland	Fort Rouge	NDP
PHILLIPS, Myrna A.	Wolseley	NDP
PLOHMAN, John	Dauphin	NDP
RANSOM, A. Brian	Turtle Mountain	PC
SANTOS, Conrad	Burrows	NDP
SCHROEDER, Hon. Vic	Rossmere	NDP
SCOTT, Don	Inkster	NDP
SHERMAN, L.R. (Bud)	Fort Garry	PC
SMITH, Hon. Muriel	Osborne	NDP
STEEN, Warren	River Heights	PC
STORIE, Jerry T.	Flin Flon	NDP
URUSKI, Hon. Bill	Interlake	NDP
USKIW, Hon. Samuel	Lac du Bonnet	NDP
WALDING, Hon. D. James	St. Vital	NDP

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

Tuesday, 26 April, 1983

TIME — 10:00 a.m.

LOCATION — Winnipeg

CHAIRMAN — Mr. Andy Anstett (Springfield)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Evans, Mackling, Parasiuk and Plohman

Messrs. Anstett, Doern, Enns, Eyer, Orchard, Ransom and Scott

APPEARING: Mr. Saul Miller, Chairman of the Board

Mr. Gordon W. Holland, General Manager

Mr. S.G. Anderson, Assistant General Manager

Mr. G.H. Backhouse, Assistant General Manager, Administration

WITNESSES:

MATTERS UNDER DISCUSSION:

Annual Report of the Manitoba Telephone System.

* * * *

MADAM CLERK, Carmen DePape: Committee come to order. The first order of business of the committee is to elect a Chairman since Mr. Harapiak is no longer a member of the committee. Are there any nominations?

HON. W. PARASIUK: I nominate Andy Anstett.

MADAM CLERK: Are there any further nominations? Seeing none, Mr. Anstett, would you please take the Chair?

MR. CHAIRMAN: Order please. The purpose of this meeting is to consider the Annual Report of the Manitoba Telephone System. I'll call on the Minister responsible for MTS to introduce discussion.

Mr. Plohman.

HON. J. PLOHMAN: Thank you, Mr. Chairman. I would, at this time, like to introduce the Chairman of the Board of the Manitoba Telephone System, Mr. Saul Miller, and the General Manager, Mr. Gordon Holland.

Gordon Holland will begin by presenting the Annual Report to the committee.

MR. CHAIRMAN: Mr. Holland.

MR. G. HOLLAND: Mr. Chairman, there are copies available for the committee of an update from the

publishing of the last Annual Report to the present. Those are being distributed.

Perhaps, Mr. Chairman, I could introduce the MTS representatives that are here this morning: Heather Nault from the General Manager's Office; Bob Vannevel, the Director of Finance; Gordon Backhouse, the Assistant General Manager, Administration - I might say that Gordon Backhouse has given notice of his retirement in May after some 40 years with MTS - Glover Anderson, the Assistant General Manager; Brian McCallum, the General Plant Manager; Oz Pedde, Director of Marketing; Dennis Wardrop, Director of Corporate Development; Jon McGuire from our Legal Department; and Morris Provencher, the Operating Officer of MTX.

With your permission, Mr. Chairman, I will make a few comments on the 1981-82 Annual Report as well as on current activities, and then endeavour to answer any questions the committee might have. The report was mailed to all members in December and it was tabled by the Minister during the current Session of the Legislature.

A brief examination of the financial statistics for 1981-82 shows:

Total revenues from all sources increased by 11.5 percent, to reach \$256 million.

Total expenses increased by 15.6 percent, amounting to \$250 million.

Net revenue for the year \$6,182,000 (compared with net revenues of \$13,449,000 for the previous year.)

Capital Expenditures during the year amounted \$103,692,000.00.

By the end of the year, the system had a total of 736,710 telephones in service, an increase of 23,727 during the year.

The total investment in telecommunications plant reached \$879,863,000 at the end of March, 1982, representing an average investment of \$1,194 per telephone, up from \$974 four years earlier.

Faced with escalating costs and slowing revenue growth, MTS filed an application for revised rates with the Public Utilities Board on March 16, 1982 requesting increases in local service rates and rates for intra-provincial toll services averaging 16 percent.

MTS predicted that, without the rate change, the System would experience deficits of \$6,400,000 during the 1982-83 fiscal year, and \$17,600,000 during the 1983-84 fiscal year.

On July 9th, 1982, the Public Utilities Board directed the System to modify its rates to an average increase of about 10 percent.

The revised rates, which went into effect in July, 1982, have resulted in additional revenues of \$8,300,000 in 1982-83.

It has been customary to supplement information contained in the Annual Report with comments concerning recent and current activities. May I, therefore, comment on the System's major programs

and activities for the period from April 1, 1982 to present.

MTS was faced with financial difficulties during the year as a result of prevalent economic conditions. The primary impact was a significant reduction in growth of revenues from inter-provincial toll services which MTS provides in conjunction with other members of the TransCanada Telephone System.

In order to reduce its expenditures during 1982-83 to reflect and offset declining revenue growth and reduced workload, MTS undertook significant cost containment measures. Construction expenditures of \$10 million were deferred. Travel, training and other internal expenditures were reduced. Overtime hours were tightly controlled and hiring has been held to a minimum since August, 1982.

MTS financial estimates for the 1982-83 fiscal year just completed are subject to final year end adjustments, including those recommended by the auditors, Arthur Andersen and Co.

MTS expects that Operating Revenues will be \$263,300,000, a growth of 7.7 percent over the previous year. "Other Revenues" will be \$15,100,000 producing a total revenue of \$278,400,000.00.

Operating expenses, including depreciation and taxes, are estimated to increase by 9.3 percent to \$215,200,000.00.

Debt charges and foreign exchange amortization are estimated at \$58,200,000, compared to \$53,397,000 in the previous year.

Net revenue is expected to be approximately \$4,900,000 for 1982-83, in comparison to net revenue of \$6,182,000 for 1981-82.

In October 1982, MTS received a Government Advance from Series 11M in the amount of \$65 million at an interest rate of 13.25 percent per annum.

A portion of Government Advances 10E and 10J were retired, and an outstanding Promissory Note was redeemed from the Minister of Finance in an amount of \$14 million.

The Minister responsible for The Manitoba Telephone Act invited MTS in October, 1982, to participate in a consultative committee consisting of management, union and governmental representatives to review the MTS financial situation both from a short term and longer term perspective. A final report outlining the committee's recommendations is currently being drafted.

Close monitoring of the MTS financial situation throughout the current year suggests that relatively slow growth in customer demand will persist into the 1983-84 fiscal year. Without adjustment to telephone rates, MTS anticipated a loss in 1983-84. MTS, therefore, filed an application requesting rate increases for exchange services, intra-provincial long distance, coin calls, service connection charges and other items with the Public Utilities Board on April 14, 1983. A selected comparison of existing and proposed MTS rates to rates in other jurisdictions for communities of comparable size is provided in the attached Appendix A.

The proposed changes, if implemented on July 1, 1983, will generate approximately \$9,700,000 in additional revenues in the current fiscal year, increasing total projected revenues by 3.3 percent, and generating a modest net revenue.

It is expected that the Public Utilities Board will commence hearings in early June.

On March 5, 1982 the Minister responsible for The Manitoba Telephone Act announced a new policy allowing residential customers to connect their own extension telephones to the MTS network.

In anticipation of the implementation of the policy on June 1, 1982, MTS distributed information to customers and retailers advising them of those sets which are technically acceptable for attachment to the System's network.

In order to maintain a share of the extension telephone market, MTS reduced its rental rates for basic extension sets effective June 1, 1982. Experience to date indicates that this action has prevented a significant return of residential extension telephone sets by MTS customers.

MTS continues to place emphasis on service improvement to customers in rural areas.

In the 1982-83 fiscal year, individual line service was extended to some 500 customers in 18 communities, where previously multi-party service was the standard offering. This is an ongoing program with additional communities scheduled to receive service as they qualify for the size/density criteria set out by the System. To date, under the program, some 265 communities with 15,000 customers have received individual line service.

Since completion of the Rural Service Improvement Program in 1981 at a cost of some \$34 million, improving service to 58,000 customers, the standard of up to four parties per line is being administered.

In addition, direct distance dialing was introduced to 11 communities comprised of some 2,500 customers. The service is now available to 99.6 percent of Manitoba's telephones.

The installation of Automatic Number Identification equipment has allowed more convenient use of long distance service for 1,100 customers who previously had to give their number to an MTS operator. The ANI equipment automatically records the caller's number, thus reducing the possibility of billing errors and fraudulent billing.

Adjustment of exchange boundaries to accommodate change in calling patterns which have taken place over the years is a continuing demand by some of our customers. Currently, some 117 of 200 exchanges in Manitoba have free calling with a neighbouring exchange or exchanges. Further adjustments are planned as economic considerations allow.

A \$6 million program to provide Extended Area Service to 20 additional exchange areas was announced in October, 1981. The criteria for eligibility under the two-year program include requests for EAS from customers in a smaller exchange (up to 2,000 telephones) where at least 70 percent of the customers make one or more long distance calls per month to the proposed EAS community and where the two communities involved are within 25 miles of each other.

Cutbacks in the MTS capital program, necessitated by an uncertain financial situation, have dictated that the planned implementation of this program be extended over a longer period. This is consistent with the July, 1982 ruling of the Public Utilities Board of Manitoba which stated, "The board suggests that the System review its construction program to ensure that the continued improvement of urban, rural and northern

service is viewed within the context of the recession being felt throughout the province."

In the fall of 1982, significant service improvements were made in the communities of Brochet, Lac Brochet, Tadoule Lake, and Shamattawa. Formerly, these communities had access only to northern radio telephone service. Single channel toll service is now being provided via the Anik satellite. The cost to establish this service was \$200,000, with an additional \$420,000 annually in operating costs. CBC-TV service has also been introduced to Shamattawa and Brochet.

The latest phase of a long-term MTS program to improve Northern service is under way to provide dial service and additional long distance facilities in 10 other communities with more than 3,000 residents, in total. The communities affected are Jackhead, Paungassi, Matheson Island, Pine Dock, Little Black River, Sherridon, Anama Bay, York Landing, God's River and Split Lake. At a cost of more than \$3 million, this program is scheduled for completion in May, 1983.

The Elie-St. Eustache Fibre Optics Field Trial was inaugurated in October, 1981 and is proceeding as planned.

The trial is providing 150 participants in the Elie-St. Eustache area with communication services operating over the fibre optics network. These include individual line Touchtone telephone, cable television (provided on a commercial basis by the local licensed operator), FM radio and Telidon.

Until March 31, 1983, the trial was jointly sponsored by the Federal Department of Communications, the Canadian Telecommunications Carriers Association, and Manitoba Telephone System in co-operation with Northern Telecom Canada Ltd. and Infomart. Negotiations are currently under way to continue the trial in its present format with only MTS and the Department of Communications acting as sponsors. It is hoped that the trial will demonstrate how fibre optics technology may best be utilized to benefit Canadians in rural areas in the future.

The System continues to introduce new technologies, equipment and services to improve service to our customers.

A direct dial meeting service was made available to Manitoba businesses in October, 1982 for teleconferencing.

By renting a Conference 300 service on a monthly basis, a high user of teleconferencing can experience significant cost savings as well as enjoying the flexibility of a private teleconference service. Conference 300 requires no operator involvement.

A nationwide videoteleconference service - combining picture and voice - is being planned by MTS and the other Canadian telephone companies. It will be introduced in Winnipeg in early 1984.

Last fall, a voice message-handling service was introduced in Manitoba. Called Hello Central, the computerized service enables users to send, record and edit voice messages using a central computer. A Touchtone telephone is all that is required to access the service.

Initially offered to Winnipeg businesses, Hello Central has potential for improving productivity by eliminating "telephone tag," reducing office interruptions, providing after-hours telephone coverage and reducing costs of memos and letters.

The TransCanada Telephone System is sponsoring the trial of this service in Manitoba. MTS and the other members of TCTS will benefit through the increased knowledge of customer requirements which will be gained as the trial proceeds.

In December, 1982, MTS began selling one line of personal computers at Phone Centres throughout Manitoba.

Through the introduction of this product, MTS hopes to familiarize Manitobans as well as System staff with the potential uses of home computers as integrated communications terminals.

The growing use of home computers, and the formation of public-access computer information services, suggests that customer demand for residential computer communications services is likely to evolve rapidly. The marketing of personal home computers by MTS will help meet customer requirements and help MTS plan the evolution of its telecommunications networks.

In the fall of 1982, MTS introduced a cost-saving service for businesses which depend on frequent long distance calling within Manitoba.

A new variation of wide area telephone service, Circle OUTWATS, provides a fixed number of hours of outgoing long distance calling at a flat rate. Rates are based on circular mileage zones radiating from a customer's central telephone office.

A five-month trial testing the feasibility of Automatic Number Identification for customers on four-party lines, began in January, 1983, in the Beausejour exchange.

Four-party ANI enables customers to make direct dialed long distance calls without operator involvement. Currently, only customers with single-line and two-party service can be provided with ANI capability.

The trial is the first of its kind in Canada involving an entire exchange area.

A new MTS facility, the Provincial Services Control Centre, uses 20 Telidon units to monitor the status of various elements of MTS communications facilities across the province.

Remote alarms at distant switching offices and microwave transmission sites are fed back to MTS computers at the Fort Rouge building. The Telidon technology is used to depict, through constantly updated graphs and displays, the exact status of each element of the network.

The Telidon equipment was partly funded by the Federal Government's Telidon Industry Stimulation Program.

Now two-thirds complete, the Provincial Services Control Centre will be fully operational in July, 1983.

The network surveillance system is currently being studied by other Canadian telephone companies which may implement similar systems in the future. The MTS system concept could be useful in other industrial applications as well.

MTS is currently installing a 130-kilometre fibre optic network which will link several Winnipeg exchanges and nearby communities.

Improved toll service, the potential for broadband services, and highly accurate data transmission are some of the benefits for customers in the Inkster, Sherbrook, Charleswood, Fort Rouge, Main, and Gateway central offices in Winnipeg and the Stonewall, Beausejour, Hazelridge, Stony Mountain and Oakbank exchanges.

With a fibre optic transmission system, voice and broadband services travel over hair-thin glass fibres in the form of a light signal which is generated by a laser. Fibre optic trunk systems are economical because of their tremendous carrying capacity, making them suitable for today's needs and efficient for the growing telecommunications needs of the future.

Currently more than two-thirds complete, the fibre optic system is scheduled for completion at the end of 1983.

A digital telephone switch, capable of handling both long distance and local calls, was installed in the downtown Main exchange in the summer of 1982.

Digital switching, with its computer-based flexibility, can route calls, as well as data, more quickly and efficiently than the older electromechanical equipment.

The local portion of the switch is currently serving customers with prefixes 942 and 946 in Winnipeg. They now have access to additional calling features, such as call forwarding and speed calling, unavailable through the older switching equipment.

The new switch also provides diversity in MTS's toll switching capabilities. Previously, MTS's main long distance switching and transmission equipment was all located at the Fort Rouge building. The establishment of an alternate routing system is significant because it can ensure toll access in the event of a failure at one site.

The new digital switch also allows for the installation of a city-wide Centrex private branch exchange service for the Provincial and Federal Governments in June of this year.

Introduction of the city wide Centrex will enhance public accessibility to both levels of government. The Centrex equipment will allow the transfer of incoming calls to all other government telephones in the City. Staff will be able to retain their phone numbers when moving to another location, thus reducing the incidence of number changes. Internally, the Centrex system will allow four-digit dialing to other government departments in the city and provide capability for additional calling features to meet individual requirements. A total of 10,000 telephones will be part of the Centrex system.

As a common carrier of television signals in the province, the Manitoba Telephone System continues to contribute significantly to the extension of Broadcast Services in Manitoba.

In 1978, MTS completed the Inter-City Broadband Network to Brandon and Selkirk, allowing the introduction of cable television service to Portage la Prairie, Brandon, Selkirk and Carberry. This unique coaxial carrier system was subsequently extended to Minnedosa, Neepawa, Rivers, Stonewall, Elie-St. Eustache and Beausejour with Carman, Morden and Winkler also being served through MTS microwave facilities. Construction of Local Broadband Networks and introduction of CATV services were completed during the 1982/83 fiscal year in Beausejour, Grandview, Gilbert Plains, Virden, Birtle, Melita, Russell, Killarney, MacGregor, Steinbach, Lynn Lake and Thompson.

These major extensions of service are in accordance with provincial policy to extend an acceptable level of television programming to all Manitoba centres.

To expedite provision of programming to Northern communities, MTS has distributed SATCOM

programming received by satellite ground receive stations for licenced operators in The Pas, Flin Flon and Thompson. Subsequently, CANCOM programming has also been available to these communities by satellite.

Other services inaugurated during the current fiscal year include CBC stereo service to Brandon utilizing the MTS microwave network; CBC television to Poplar River, Brochet, and Shamattawa via satellite; and CKND television service to Minnedosa using the Inter-City Broadband Network.

The new technology inherent in the Anik C satellite, launched by the Columbia space shuttle in November, 1982, has been utilized for the broadcast of all televised Jets hockey games from Winnipeg commencing in January. The Anik C has also been used for the provision of occasional services such as national television coverage of the Progressive Conservative Party national convention held in Winnipeg in January, as well as a number of video teleconferences.

MR. CHAIRMAN: Order please, order please.
Carry on please, Mr. Holland.

MR. G. HOLLAND: Pay-TV for subscribers west of the Red River was initiated February 1 through an agreement with Winnipeg Videon Ltd. Regrettably, negotiation of an agreement with Greater Winnipeg Cablevision Ltd. as to the use of MTS facilities could not be reached and the matter is now before the courts.

MTS has participated in extra-provincial activities and projects for a number of years. At present, 25 MTS employees are on assignment with the TransCanada Telephone System and 22 are in Saudi Arabia on various projects. Employees continue to volunteer for these rewarding and challenging assignments as opportunities to enhance their MTS careers.

MTS has reported net recoveries from foreign contracts of \$151,000, \$388,000, \$252,000 and \$270,000 during the fiscal years ending 1979 through 1982 respectively. Earnings in the 1982-83 year will probably be about \$300,000.00.

MTX Telecom Services Inc., the MTS subsidiary formed on January 15, 1982, to undertake external contracts, has entered into a joint business arrangement to form Saudi Arabian Data Communications Co. Ltd. The company was established to install, maintain and operate data equipment and data communications systems and business communications equipment in Saudi Arabia. MTX staff will engineer, install and maintain the equipment, mainly from Canadian suppliers, and train customers in its use.

Through its involvement with MTX, the Manitoba Telephone System hopes to gain additional revenue as well as broaden the experience of its employees. MTX also assists in developing export opportunities for Manitoba and Canadian industry.

MTS invested \$500,000 in shares of MTX in March, 1982. During the period January 15, 1982 to March 31, 1982, MTX incurred a loss of \$313,278 primarily through a partnership with subsidiaries of Bell Canada and Alberta Government Telephones formed to submit a bid to the Canadian Commercial Corporation for establishment of a spectrum management program in Saudi Arabia. This bid subsequently proved unsuccessful.

Additional investment through purchases of shares of MTX was completed on May 4, 1982, (\$250,000) and on March 24, 1983 (\$750,000). This permits MTX to provide its portion of the capitalization for the joint venture limited liability company, Saudi Arabian Data Communications Co. Ltd.

Unaudited net income statements estimate that MTX will report net income for the 1982/83 fiscal year of approximately \$65,000 after making provision for payment to MTS of interest on funds advanced at current interest levels.

The joint venture forming Saudi Arabian Data Communications Co. Ltd. was approved by the Foreign Capital Investment Committee of the Kingdom of Saudi Arabia in January, 1983, and received ministerial approval in February, 1983. It is expected that other legal procedures in Saudi Arabia will be completed in the near future. The first fiscal year end will be December, 1984.

The TransCanada Telephone System is a co-operative organization comprising 10 of Canada's major telecommunications carriers, including MTS.

The System builds, maintains, and operates Canada's long distance telephone and data communications network of open wire, cable, radio links, microwave, domestic satellite and other specialized communications transmission facilities.

At TCTS headquarters in Ottawa, employees from the various member companies work on short-term assignments. Decisions are reached and plans are formulated and approved through a structure of committees and sub-committees, each with representation from the member companies.

Through its member companies, TCTS offers numerous services to customers across Canada. During the past year, the System has introduced an international data route to the United States, the previously mentioned Conference 300 service, as well as a switched circuit digital service called Datalink.

In December, 1982, the TCTS member companies announced a joint service trial of long distance calling between Canada and the U.S. using networks of TCTS and the American-based MCI. In Canada, certain customers in Toronto, Montreal and Ottawa will be eligible to participate in the trial, through a monthly subscription fee with a resulting price reduction for customer-dialed calls to the U.S.

The trial started April 6, 1983 for U.S. to Canada calls and is scheduled to begin July 1, 1983 for Canada to U.S. calls. The trial will last until December, 1984.

Previously, the exchange of long distance calls between the two countries had been conducted solely between American Telephone and Telegraph and TCTS. This long-standing arrangement is now supplemented by the MCI Agreement.

The purpose of the trial is to determine whether sufficient demand exists to make this type of service financially viable for TCTS members.

In February, 1983, TCTS introduced Envoypost, an inexpensive overnight mail service for business. Being jointly provided by TCTS and Canada Post, the service enables the 6,000 subscribers of the TCTS Envoy 100 electronic mail service to send letters electronically to post offices in Canadian cities, including Winnipeg. Print-outs of the letters are delivered with the regular mail the following day. The service was introduced March 28, 1983.

By next year, the service will be extended to residential customers. It seems likely by that time that those home computers equipped with the appropriate interfaces will be able to use Envoy and Envoypost. Public terminals will also be installed in post offices.

In addition, TCTS is proceeding with plans for a national satellite business network which will combine voice, video, and data communications for Canadian organizations. A feasibility study with five potential major Canadian customers is being conducted from February, 1983, through April, 1983.

The network will provide Canadian organizations with enhanced communications capabilities, increased diversity in available transmission paths and, in some cases, lower communications costs.

It will be available on a TransCanada wide basis in 1983 and Manitoba will receive its own direct satellite link in 1987.

While we tend to speak of telecommunications technology when referring to progress by MTS, we recognize that these advances would not be possible without the efforts and dedication of our 4,516 employees located in 81 communities throughout the province.

The technology that has made possible the advances in telecommunications services has also enabled us to contain our staff growth over the years. Currently, we employ 185 fewer staff than in 1977. MTS productivity levels and standards of service are higher than ever.

To work with this ever-changing technology, MTS has been able to attract outstanding engineers, technicians, computer personnel and other specialists. Retaining many of its employees over their entire working careers has required that MTS maintain an environment of professional challenge and satisfaction.

On January 15, 1983, MTS celebrated 75 years of service to the people of Manitoba. Established under the name Manitoba Government Telephones in 1908, the company started out with 14,000 subscribers, 700 employees, and assets of \$3.3 million.

Adopting its present name in 1921, the Manitoba Telephone System has progressed to being much more than a supplier of telephone service, while retaining its mandate to provide the best possible communications services to all Manitobans at reasonable cost.

Premier Howard Pawley proclaimed January 10-15, 1983, as Manitoba Telephone System 75th Anniversary Week, giving all Manitobans an opportunity to observe this special time with us.

Within MTS, employees have been actively involved in a variety of events celebrating this milestone in our history. Through various events and celebrations we have attempted to reflect on MTS, its services, and its progress; encourage and demonstrate our sense of community and social responsibility; maintain the traditional telephone industry spirit among our employees; and increase the awareness and understanding of our changing and expanding mandate.

Thank you, Mr. Chairman.

MR. CHAIRMAN: Thank you, Mr. Holland.

What is your will and pleasure, to discuss the review presented by Mr. Holland first and then proceed to the report, or proceed directly to the report and raise any issues from the review while discussing the report? What is the committee's will and pleasure?

Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, I think in past years the review of the annual report has allowed a rather wide-ranging discussion from all facets of the report and the Chairman's remarks, and then at the end of the hearing we've been in the habit of passing the whole works in one move and I suggest we carry on that tradition.

MR. CHAIRMAN: So, you would like then to start on the report.

MR. D. ORCHARD: And the Chairman's report. I wouldn't limit either one.

MR. CHAIRMAN: Yes, that's part of it. Report of the Manitoba Telephone System for 1981-82, Page 1—pass.
Mr. Orchard.

MR. D. ORCHARD: Mr. Chairman, I suggested that we deal with issues that range throughout the book and not pass it page-by-page but simply pass the report in its entirety at the end of the committee hearing.

MR. CHAIRMAN: I'm sorry I missed that, Mr. Orchard. Discussions on the report or the General Manager's remarks. Any discussion?
Mr. Orchard.

MR. D. ORCHARD: Mr. Holland, on Page 4 you indicated that you are undertaking a review of the MTS financial situation with management, union and government representatives and will be presenting a final report. Would you expect that the report would be available to members of this committee?

MR. G. HOLLAND: Mr. Chairman, it is a report commissioned by the Minister responsible for The Manitoba Telephone Act in co-operation with the Minister of Labour. The report will be forwarded to the two Ministers and I'm not aware of their plan for distribution.

MR. D. ORCHARD: Then I should have possibly posed the question to the Minister. Will that be a report that would be made available to the committee?

HON. J. PLOHMAN: I expect that it would be. We want to review it when we receive it first and then at that point make decisions regarding distribution, but I don't see that there would be a problem making it available to the committee.

MR. D. ORCHARD: In Page 5 of the General Manager's Report, he indicates that there are 500 customers in 18 communities that received individual line service. Of the 500 customers, how many were outside of, say, some of our smaller communities and were rural residences and farm residences?

MR. G. HOLLAND: Mr. Chairman, these are all customers who had multi-party service previously so that they generally would be in the very small villages and in new residential areas where the density comes

up to a certain level. All of these customers really would be outside the urban service where private line is a standard offering.

MR. D. ORCHARD: Then, this is a different statistic from the number of, say, farmers who have requested and received private line service over the past year.

MR. G. HOLLAND: Yes, this is a different program, Mr. Chairman, it's for villages and clusters of residences.

MR. D. ORCHARD: On Page 7, Northern Service to Brochet, Lac Brochet, Tadoule and Shamattawa was instituted. We've got capital costs plus annual operating costs, could Mr. Holland indicate what the annual revenues are projected to be from those four communities?

MR. R. HOLLAND: Mr. Chairman, the annual revenues would be a few thousand dollars - minimal.

MR. D. ORCHARD: So then, in reality, that service won't generate net revenue; it's provided as a service to the community because the old radio telephone service was not adequate for such matters as call for medical assistance, etc., etc.

MR. G. HOLLAND: Mr. Chairman, that is exactly right. The radio service was unreliable, subject to outages with weather conditions and it was considered to be part of MTS's responsibility to provide reliable toll service to those communities.

MR. D. ORCHARD: Page 9 in "Teleconferencing," I note that you are indicating that will be introduced in Winnipeg in early 1984. I would assume there has to be some sort of a camera equipment to accomplish the video aspect of the teleconferencing. Will all of the equipment be supplied by Manitoba Telephone System or will the portions of it be owned by the customer subscribing to the service?

MR. G. HOLLAND: Mr. Chairman, there will likely be a choice. Arrangements are not finalized yet. Likely MTS will provide studio facilities and would also co-operate with any major customers who wish to have their own facilities on the premises. That is the pattern that is evolving in the Toronto-Ottawa-Montreal area.

MR. D. ORCHARD: I take it from that then that you're contemplating, at the moment, establishing one studio in one of the MTS building facilities whereby customers of the service would bring the staff that they're going to use in the teleconferencing call, to your premises; the second option is that if a major user wishes to establish his own facilities, he would do so within his own boardroom, say, and in the latter case, that customer would have the option of owning his own equipment or would it only be available from MTS, as System-owned equipment?

MR. G. HOLLAND: Mr. Chairman, the customer would have the option of providing his own studio equipment. MTS engineers would be working with them to ensure proper standards and workable equipment.

MR. D. ORCHARD: What will the cost be to a customer? The system sounds to be quite useful. Is it going to be an expensive service to the customer? Have you any rate structure that has been established or will be established?

MR. G. HOLLAND: Mr. Chairman, there are rate structures developed in Eastern Canada and I would undertake to obtain those for Mr. Orchard. As to whether or not it's expensive, I suppose one has to say, expensive compared to what? And these days you're comparing it really with air travel and hotel costs and absence from work, so business is making that comparison in evaluating videoconferencing.

MR. D. ORCHARD: I'd appreciate receiving the rate structure that's in place in Eastern Canada, as a matter of information.

On Page 10, you mention personal computers. Does one need a private line to install and interface his personal computer with the system?

MR. G. HOLLAND: Mr. Chairman, in Manitoba, the prime terminals for networking for video text, for instance, have been Telidon-based equipment. The standards that will be established for video text terminals of various types which will be capable of interfacing with the networks, is really just emerging at this stage. A new networking system called INET is being introduced at the moment, which has the facility of accessing various protocols of different type equipment, but the patterns and compatibility standards and so on, I would say, are just emerging in this area generally.

MR. D. ORCHARD: But do they require private-line service before one can hook up a personal computer? You can't do it on a party line, is my question.

MR. G. HOLLAND: No, the Telidon systems are on the paired wire networks and certain other terminals are able to access data bases. Some of that by paired wire and other . . . Mr. Chairman, I think Mr. Anderson may want to discuss this emerging, interesting area.

MR. CHAIRMAN: Mr. Anderson, could you come forward to a microphone please?

MR. S. ANDERSON: Mr. Chairman, I think Mr. Orchard's alluding to the Telidon terminals that may be working on multi-party lines in the province. Telidon will work on either multi-party lines or one-party lines. I think working on a multi-party line tends to - the other parties on the multi-party line cannot use a line when the Telidon terminal is tied up and have no immediate ways of disconnecting or alerting the operator that they want to get on the line. We're looking at means, in the interim before private lines are established, of getting some signal or disconnecting the Telidon from the line so that emergency use of the line can be accomplished.

MR. D. ORCHARD: So then I take it from your answer - and I must admit I had a little side conversation going here and I may have missed the nub of the answer - that one could, on a party line, hook up either a personal

computer or Telidon but your service may be interrupted, is what you're saying.

MR. S. ANDERSON: Yes, Mr. Chairman. We don't encourage it, but it's possible and it is happening.

MR. D. ORCHARD: I note you've mentioned, on Page 14, that cable TV, the ICBN to Brandon and Selkirk and this unique coaxial carrier system was subsequently extended to Minnedosa, Neepawa, Rivers, etc. As I understand the background on that, it was originally to deliver cable television primarily to Brandon and Selkirk, but one of the additional capabilities, if my memory serves me correctly, was that additional capacity on the coaxial cable could be used for telephone service, etc. Is that correct?

MR. G. HOLLAND: That's quite correct, Mr. Chairman. In fact, voice traffic is being carried on coaxial cable in MTS networks at this time.

MR. D. ORCHARD: Would that mean that the communities listed on Page 14, the coaxial carrier system there is delivering television and is also being used for other System needs such as telephone or even data routing, I suppose.

MR. CHAIRMAN: Mr. Holland.

MR. G. HOLLAND: Mr. Chairman, the coaxial cable networks have been used for broadcast services almost exclusively to date. I think that the greatest interest for additional use is in data transmission.

MR. D. ORCHARD: Has that been used on the coax cable that's in place to those communities that are listed on Page 14.

MR. G. HOLLAND: Mr. Chairman, I don't believe it has been used for that purpose to date.

MR. D. ORCHARD: Then, does one assume that the coax cable is being used to capacity for television signals alone to those communities?

MR. G. HOLLAND: The Inter-City Network has two-way capacity, and I believe at this point it is eight channels one way and four reversed; to enhance capacity the electronics on the network would require modification.

MR. D. ORCHARD: The question is, are they at capacity at the present 4-8 or 8-4, whichever you wish to call it. Are they used at capacity now?

MR. G. HOLLAND: Mr. Chairman, I think again I will have to ask Mr. Backhouse to confirm that they are essentially at capacity.

MR. CHAIRMAN: Mr. Backhouse.

MR. G. BACKHOUSE: The heaviest utilized Inter-City cable route is the Winnipeg-Brandon route and it is carrying cable services west, serving the Westman system. It is also carrying CKND service and it has

been used intermittently to carry other service for broadcasters and is 80 percent utilized in the east to west direction and probably 50 percent utilized in the west to east.

MR. CHAIRMAN: Mr. Orchard.

MR. D. ORCHARD: That's on the Winnipeg to Brandon coax. How about on the coax system to Stonewall and Beausejour, for instance?

MR. G. BACKHOUSE: Those systems are essentially, at the moment, carrying Cable TV services only.

MR. D. ORCHARD: So then, is it fair to assume that to Stonewall and Beausejour there is additional capacity available for other services on that coax cable?

MR. G. BACKHOUSE: Yes, that's correct.

MR. D. ORCHARD: I guess that brings me to the question on Page 11 where in the Fibre Optic Transmission System, MTS is currently installing a 130 kilometres of fibre-optic network which will link several Winnipeg exchanges and nearby communities, and mentioned in those are Stonewall and Beausejour. I guess my question would be is that if the coax cable had capacity to those two communities to carry extra communication, why were they also chosen to run, I would assume, a parallel line in fibre optic?

MR. CHAIRMAN: Mr. Holland.

MR. G. HOLLAND: Mr. Chairman, that is part of the ongoing growth of voice and data services and the engineers obviously have deemed the fibre optic technology to be the best solution to the growth in those areas.

MR. D. ORCHARD: Well, it would seem to me, just from a preliminary observation of the report here, that we've got two communities, namely, Stonewall and Beausejour that have got very very substantial capacity. Indeed, maybe even overcapacity for delivery of all sorts of service television from data to voice. If I could be parochial, I believe the Carman-Morden area are still receiving television by microwave and, if an experiment on fibre-optic transmission was to be implemented, why would you choose two communities that already have coax cable and not communities that have no coax cable and, indeed, don't even receive television signal by a coax now and are receiving it by microwave. It would seem to me that you would have a paralleling of capacity here and I just wonder to reason it.

MR. G. HOLLAND: Well, Mr. Chairman, there would be many factors taken into account in determining the technology. The demonstrated growth of voice data, video requirements, in the areas mentioned, there presumably will be demand for increased video services in those areas requiring the capacity of the coaxial cable. Having regard to those specific projects, obviously the engineers deemed that fibre optics was the best technology for the voice and data growth.

MR. D. ORCHARD: Well, not having an engineering background, there may well be very persuasive reasons

why Stonewall and Beausejour were paralleled in terms of inter-city transmission capabilities with both fibre optic and coax cable. Stonewall, I suppose, would have needed a considerably enhanced communication link with Winnipeg with the advent of an aluminum smelter by Alcan out there. However, that seems to have fallen by the wayside and maybe some of that capacity will be some years before it's fully utilized.

We'll maybe pursue that one at a later date, Mr. Chairman. You mentioned a couple of changes that appear to be taking advantage of satellite technology that's very rapidly changing the communication system. On Page 19, for instance, you mention that TCTS is proceeding with a national satellite business network. Now, who are the five major Canadian customers that are involved in the feasibility study?

MR. CHAIRMAN, D. Scott: Mr. Holland.

MR. G. HOLLAND: Mr. Chairman, one of those is the Great West Life Insurance Company locally. I believe the other four are eastern based major Canadian Corporations.

MR. D. ORCHARD: Now, does one assume that, from the comment in the last sentence, that Manitoba will receive it's own direct satellite link in 1987, that Great West Life won't be availing themselves of that service until 1987.

MR. G. HOLLAND: Mr. Chairman, Great West Life will be participating in the initial trial and feasibility of this. As far as the major service, it will be introduced gradually across Canada and the present plan - it says 1987, may I just confirm that with Mr. Pedde? Mr. Chairman, the participation locally will be using MTS land line or terrestrial networks pending the national satellite network.

MR. D. ORCHARD: Since a major portion of MTS revenue is derived from TransCanada long distance revenue sharing, is it fair to assume that the introduction of this system may well be an alternate route for some of the major volume customers of TCTS long distance service? If so, will that have a revenue impact on our traditional revenue share from TransCanada long distance toll service?

MR. G. HOLLAND: Well, Mr. Chairman, obviously as the satellite networks are used more extensively, the terrestrial networks are not participating in that growth. Telesat Canada is a member company of the TransCanada Telephone System and MTS is, of course, an equity holder in Telesat Canada. The convention by TransCanada Telephone System is that the engineers are urged to use the most efficacious solution to customer requirements. The revenues then become part of the TransCanada Telephone System pot, if I may use that expression, and that in turn is divided between the member companies in a very complex fashion.

MR. D. ORCHARD: Well then, your comment - I thank you for the answer - indicated that as satellite systems are used more, terrestrial systems will be used less. To me that would indicate a reduction in potential

sharing from terrestrial system. Will that be offset by an equal revenue-sharing increase from the satellite system, so that the Manitoba Telephone System suffers no decrease in revenues from the long distance toll sharing?

MR. G. HOLLAND: Mr. Chairman, the trend has been for MTS to obtain a reducing share of the total TCTS revenues. That is partly because of the much higher growth rates in other jurisdictions, such as Alberta; partly because costs are becoming much less distance-sensitive than in the past; partly for the reasons Mr. Orchard cites, that the transiting that MTS has provided for decades through the terrestrial systems is no longer applicable, so the trend generally has been for MTS to receive a reducing portion of the total fund, albeit that is an increasing dollar sum each year.

MR. CHAIRMAN, A. Anstett: Mr. Orchard.

MR. D. ORCHARD: Is it fair then, for one to conclude from your answers that increasing participation in something like a satellite business network will probably impact negatively on our TransCanada long distance toll service revenues?

MR. G. HOLLAND: Mr. Chairman, that depends on the principles applied under the revenue-sharing plan of TransCanada Telephone System. Again the engineers are instructed to use the best available technology for the situation at hand, and then the revenue sharing is developed taking all factors into account, including the dependence of all companies on revenue from that source.

MR. D. ORCHARD: Well, I appreciate that the criterion for sharing may vary from time to time but as an overriding principle, would you expect our share from the national long distance pot to decline with increasing use of this type of system?

MR. G. HOLLAND: Mr. Chairman, our very strong position in the TransCanada Telephone System arena again, is that the engineers should be able to use the best technology for the situation at hand, and that the member companies should not be penalized or encouraged to use any particular technology. That is a strong debating subject at the moment, and I don't know the answer, but I expect that fair and equitable revenue-sharing arrangements will be concluded.

MR. D. ORCHARD: Thank you, Mr. Chairman, then I think possibly if I might conclude from your answer, we're going to have to wait and see.

MR. G. HOLLAND: Mr. Chairman, I don't know the final resolution of the matter, so I guess both of us would have to wait and see what directions are taken.

MR. D. ORCHARD: Thank you, Mr. Chairman, is this national satellite business network going to offer some pretty direct and hard competition to CNCP in their telecommunications system?

MR. G. HOLLAND: Mr. Chairman, we certainly hope and expect that it will be a highly competitive business

offering. Satellite services, however, are equally available to TransCanada Telephone System and our competitor CNCP. It will depend on the ingenuity of their engineering and their marketing and their business offerings. It is a highly competitive area and the TransCanada Telephone System intends to be very competitive in that scene.

MR. D. ORCHARD: The reason, of course, I posed the questions is that I can recall in the short time I worked with the System, that there was some concern - I think "cream skimming" was the term that was used - about major customers being siphoned off by such alternate systems as that offered by CNCP. Would it be fair to assume that this is TransCanada Telephone System and MTS as a partner in that system, is this their alternative to prevent any potential customer erosion to a major competitor like CNCP?

MR. G. HOLLAND: Mr. Chairman, I believe that Mr. Orchard will recall our concern about a decision in 1981 by CRTC to allow CNCP to interconnect with the Bell Canada local networks. Our concern arose because MTS in this province has an obvious responsibility to serve Manitobans wherever they are in the province, including Shamattawa and Tadoule Lake. The competitor has no such responsibility, so our concern was that if there's to be competition that it should be on some kind of equal basis.

However, events are taking place and competition is becoming more prevalent and we are determined as MTS, and as a member of TransCanada Telephone System, to be highly competitive at all times in all of our offerings.

MR. D. ORCHARD: Yes, I'm fully aware of the concern and I understand the position that the MTS is placed in, in that CNCP doesn't have the obligation to many communities in rural Manitoba that you do. When you mentioned the aspect of the fierce competition it would appear from this move into the national satellite business network that we've sort of got a reverse entry to meet the competition rather than having, which would be impossible I realize, a requirement of CNCP to service other communities in Manitoba which granted, is impossible. The TCTS and MTS appear to be going at it from the reverse competition strategy where we'll take on CNCP head-on and we'll prevent the bleed-off of our customers by offering a comparable service. Would that be a fair analogy?

MR. G. HOLLAND: Well, Mr. Chairman, first of all there is some difference in the strategy adopted by different telephone companies in Canada.

Bell Canada has sought to restructure their organization to identify the monopolistic portion of their business under one umbrella subject to regulation and seeking status with the competitive portion of their business, that it would be unregulated and operated under separate corporations. That is one response by Bell Canada.

The toll networks, particularly major business customers, are exposed to competition and they constitute an extremely critical portion of our revenue flows, so both MTS and TransCanada Telephone System

plan to provide quality of service, offerings, rates and technology that are highly competitive with our competitor.

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

MR. CHAIRMAN: Mr. Downey.

MR. J. DOWNEY: Mr. Chairman, to Mr. Holland, there's been an ongoing concern of mine and of a lot of people of rural Manitoba and there's a couple of areas that I'd like to ask Mr. Holland about. What would be the loss of revenue to the Manitoba Telephone System if there weren't any long distance charges charged in any part of Manitoba within the provincial boundary, what would the cost be?

MR. G. HOLLAND: Mr. Chairman, the revenues in the year ended 1982 for intra-toll services was \$44.5 million, that would exclude private line data and certain other private line services.

Mr. Chairman, may I further comment that another phenomena occurs when toll charges are removed and that is the incidence of calling and the holding times which normally increase by 8 to 10 times; that means that enhancement of outside plant and switching facilities and circuit capacities requires a very major investment at the same time.

MR. J. DOWNEY: So the long distance charges that are now in place act as a deterrent to discourage overly amount of use of the System, is that what Mr. Holland is saying?

MR. G. HOLLAND: Mr. Chairman, I was just observing a certain phenomena, that when such charges are removed both the incidence of calling and the holding times for each call increase quite dramatically, perhaps 8 to 10 times the normal.

MR. J. DOWNEY: If the province were to be put on a complete toll-free basis, what would that add to every telephone user in the Province of Manitoba on the flat monthly basis compared to what it is now? What would the increase have to be?

MR. G. HOLLAND: Mr. Chairman, I don't have any calculations of that but we could prepare some illustrative figures on the basis that these would involve considerable assumptions.

MR. J. DOWNEY: I would appreciate that information if that calculation could be done, not immediately, but in the near future.

Following on that, Mr. Chairman, I believe it was my colleague, Don Orchard or Harry Enns when they were responsible for Telephones, there was a start made probably two years ago at least to enlarge, not to make the whole province toll-free, but to at least change some of the boundaries.

I know in Deloraine, for example, a lot of people there who have been continually asking for an expansion of boundaries. I know the Cardale area is another area there's been a continual request for reassessment of the boundaries of Manitoba Telephone System; basically

boundary line changes so that, in fact, the travel patterns of rural Manitoba could be more easily dealt with or communicated within by telephone.

I make the case again particularly for Deloraine, and I have basically two questions in this area. One is, at what stage is that program? I know it was announced something like well over two years ago and I was told at that time that about two or three years down the road Deloraine would be one of the areas that would be considered at that time and we're almost at that time.

I make the case again, particularly for the southwest area in Deloraine with the tremendous increase in telephone use that must be there with the increased oil activity. I would think that the revenue and the telephone activity that goes with the oil activity is something that Manitoba Telephone System would be enjoying, in large amounts of return, through long distance phone calls to some of the head offices in Calgary and the communication links of Saskatchewan with their base companies in the oil development. So the revenues of that area, I'm sure, have upped considerably and maybe, Mr. Holland, you could give me some indication what kind of an effect that has, if not today, at least sometime in the near future at the same time you give me the other information.

If there isn't another case now to be made for the expanding of that whole exchange area with the activity that has taken place to more ably deal with the kind of telephone traffic that's going on in that area, what stage is the expansion of that area at right at this particular point?

MR. G. HOLLAND: Mr. Chairman, we have had very substantial increases in utilization in the Virden-Waskada areas, congestion in the switching facilities and we are proceeding with quite a substantial embellishment of our facilities in that area.

There was a program announced in October, 1981 to select some 20 communities, the smallest telephone exchanges, and expand the calling areas for those. I had explained earlier that, because we did not get all of the increase requested from the Public Utilities Board, and because of economic pressures that came on us in mid-1982, we have had to redesign that program. At the moment, Cowan and Benito are proceeding in the Swan River area, and we're consulting with the Union of Municipalities to reshape the program and that, hopefully, will be announced in the near future, but there has been a general delay in implementation of the program.

One of our major objectives in this process is to ensure that each MTS customer, for his basic exchange costs, receives basic services included in that; the hospital, the doctor, the schools, the major suppliers and so on, and that is not the case at the moment in all of the smallest exchanges. Deloraine is quite sufficient, by comparison, in most of those services, so that, in terms of priorities, it would not qualify in our first phase of priorities.

MR. CHAIRMAN: Mr. Downey.

MR. J. DOWNEY: Mr. Chairman, the total program, as I understand it, so I'm clear, has been delayed and

you've now referred it to the Union of Municipalities to work out the boundaries or to work out a new program; I wasn't quite clear on what you contacted the Union of Municipalities to work out with you on the boundary changes. Could you clarify that please?

MR. G. HOLLAND: Mr. Chairman, we would be discussing with the union representatives the criteria which MTS should apply in selecting the exchanges for expansion.

MR. CHAIRMAN: Mr. Plohman.

MR. J. DOWNEY: Mr. Chairman, I'm not through.

MR. CHAIRMAN: Mr. Plohman wishes to comment on the question you've asked, Mr. Downey.
Mr. Plohman.

HON. J. PLOHMAN: Just on that matter, a number of municipalities, including regional development corporations, have indicated to me that they are interested in having input into the criteria that's established for Extended Area Service. I felt that was a legitimate request and have referred that matter to the Telephone System to work out a system of consultation with the Union of Manitoba Municipalities so they could have input and look at the current system that is used in determining priorities for this. As you've indicated, it's a very costly service and priorities have to be established if service is going to be expanded over the years as resources permit and, therefore, I felt it was important that the municipalities, which would be effected, would have an opportunity to have some input into those criteria.

MR. CHAIRMAN: Mr. Downey.

MR. J. DOWNEY: Another area that is one that I've been informed, prior to this year, that there's a program in place to remove the numbers of people on party lines in rural Manitoba, to get down to single customer service. How is that program developing? Maybe it's in the report, Mr. Holland, and maybe you could indicate at what point do you see the majority of Manitoba rural connections on private lines or, at least, down to one person per connection?

MR. CHAIRMAN: Mr. Holland.

MR. G. HOLLAND: Mr. Chairman, we completed a multi-year program that cost some \$34 million in 1981. We went across the province and reduced the line loadings to no more than four, and I believe the average achieved was about 2.6. That program is being maintained; that also provides, in some areas of the province, additional facilities that are available at a premium cost basis for individual line service in those areas. There is a new rate structure that has been introduced as well for the premium private line charge and I'll undertake to provide that to Mr. Downey. It's considered to be a more equitable and fair basis for charging for that.

MR. J. DOWNEY: The premium private line services, is that the cost of installation or the cost of monthly

rental basis? What are you referring to, Mr. Holland, the cost of installation, the providing of the private line or the maintenance of that private line?

MR. G. HOLLAND: Mr. Chairman, basically there have been two components, a one-time charge based on distance from the central office. There's now been a cap, I believe, put on that charge of \$500 and then, in addition, there is a reasonable monthly premium charge added to the basic exchange rate.

MR. J. DOWNEY: So, as I understand it then, providing the service centre of Manitoba Telephone System, one, two or three miles away, the maximum that anyone would have to pay would be \$500 to have a private line installed; is that correct?

MR. G. HOLLAND: Mr. Chairman, that's correct. That is a change in the last few months.

MR. J. DOWNEY: Mr. Holland has indicated he will provide some information. As soon as he could do that, I'd appreciate it, then it would be helpful to me.

MR. CHAIRMAN: Mr. Doern.

MR. R. DOERN: Mr. Chairman, I wanted to ask a few questions on cable television and perhaps to the General Manager or to Mr. Backhouse. Maybe we can get him to make some comments before he retires. I wanted to ask, first of all, whether we could get some information on the success of cable television in Winnipeg, as to what number of outlets have been rented, whether we're talking several thousand or tens of thousands of customers who have signed up.

MR. CHAIRMAN: Mr. Holland.

MR. G. HOLLAND: Mr. Chairman, it's my understanding that basic cable television in Winnipeg is at a very high penetration rate, has been extremely popular, and I understand it's over 85 percent penetration rates. Those figures differ in centres outside of Winnipeg.

MR. R. DOERN: Could the general manager give any . . . Obviously, if Cablevision were to decide to make an agreement with MTS, then they could proceed almost immediately, but I just wonder whether the Chairman has any indication of how long this matter could be tied up in the courts. There are people obviously interested in the system and willing to sign up, or have signed up; it could go on, I assume, for a long time. Does the Chairman have any estimate how long the present process will take to unravel?

MR. G. HOLLAND: I think I would have to answer, no, Mr. Chairman, it would be very difficult to predict the time required to sort that out.

MR. R. DOERN: So, barring an immediate agreement which could take place, it could take months or years to conclude an agreement?

MR. G. HOLLAND: It could take some considerable time, yes, but that would be determined by the court process.

MR. R. DOERN: Do you have any information on the penetration rates or success of pay-TV in other cities or provinces in terms of how we compare? I assume that it would be quite successful in certain centres and that there is now also a counter move on the part of the big networks through mini-series and mini-movies to counter the effects of pay-television. I just wondered if there were any statistics available in terms of numbers of homes or percentages of subscribers in some comparable Canadian cities. How are we doing in comparison?

MR. G. HOLLAND: Mr. Chairman, I think it would be too soon to obtain any meaningful comparisons. The licensing of pay-TV by CRTC was just a few months ago. The service has been offered in Winnipeg west of the river since February 1 and in Brandon for a shorter period, so that I think the promotional period is still under way and it will take several months before any norms or targets can be established.

MR. R. DOERN: Videon has concluded an agreement and is now in operation with pay-television. Has the exact same offer been given to Cablevision?

MR. G. HOLLAND: Mr. Chairman, there are somewhat different circumstances east of the river and west of the river. The capacity of the Winnipeg Videon Limited plant is limited, and that agreement was reached having regard to the circumstances in their franchised territory. More channels capacity is available east of the Red River and we, of course, discussed with our customer the proposed ratings for it. In that instance, the System required certain network management and security systems and we were unable to reach agreement on how that should be engineered and arranged.

MR. R. DOERN: So there is a superior cable that Cablevision would access compared to Videon. Is it the intention of the corporation to also, in the future, upgrade the Videon cable?

MR. G. HOLLAND: Mr. Chairman, yes, the hope is that that upgrade of the plant west of the Red River can start very shortly and that refurbishing with improved electronics will increase the capacity substantially to something like 33 or 35 channels.

MR. R. DOERN: So what is the benefit to the subscriber or the cable user? Does it give him a wide variety of services that he can then access?

MR. G. HOLLAND: Yes, Mr. Chairman, that obviously provides sufficient capacity for all authorized or licensed signals at the moment, and capacity for other entertainment or educational services that the operator might wish to provide.

MR. R. DOERN: The final point I wanted to raise with the General Manager, isn't there an item in the new Federal Budget concerning cable-television tax? Can he explain what that is?

MR. G. HOLLAND: My understanding, Mr. Chairman, is that it is a percentage tax of the retail rate charged by the cable operator to his customer.

MR. R. DOERN: That will be added on or subtracted from existing rates?

MR. G. HOLLAND: Again, my understanding is that the cable operators expect - and that's according to press reports - to add it on to the existing rate.

MR. R. DOERN: Can the General Manager see into his crystal ball and indicate what the effect of that tax might be?

MR. G. HOLLAND: Mr. Chairman, I shouldn't think that the tax would represent a major impediment to the customers wanting that service.

MR. R. DOERN: Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Enns.

MR. H. ENNS: Mr. Chairman, through you to either the General Manager or the Chairman of the Board, I'd like to discuss a matter that I know is of concern to members of the committee and let me say at the outset that I appreciate that we are not a rate-setting committee. That function is done elsewhere in front of the Public Utilities Board and, of course, Manitoba Telephone System is now before the Public Utilities Board with a request to increase telephone rates in Manitoba.

As such, we members of the committee, certainly want to examine some of the management decisions and practices in the past that have led to the requirement or the necessity for MTS now requesting an increase in telephone rates generally across the Province of Manitoba. We will be interested, Mr. Chairman, in adding up, if you like, some of the management decisions, the costs involved in such things as arbitration awards, in such things as foreign business ventures in Saudi Arabia commented upon by the Public Auditor, in a wrap-up, if you like, or total cost of experimental programs such as Ida at Headingley, to get some feeling for MTS' financial position and some of the costs incurred in some of these programs.

I'd like to comment and ask management at this particular time about a program that they discussed publicly last summer - I believe, August could have been September - when I gather that senior management at MTS realized that they were facing a deteriorating financial situation and perhaps to put off necessary subsequent telephone rate increases, made a number of suggestions that I thought were innovative in the field of their labour relations with their employees. I don't have the press releases or the press clippings of the day, but it seems to me just going from memory, that senior management discussed with their union and their employees such things as taking a week off or a week additional holiday time without pay, other innovative measures such as that, also including the possibility of - and regrettably I'm sure on the part of management - the necessity of facing some layoffs. Again, I don't pretend to have the figures at hand but it seemed to me that upwards of 150 or 200 employees were talked about as being possibly faced with layoffs. It was about that time, Mr. Chairman, that MTS received a new Minister in charge and he promptly let it be know

that under no circumstances under his leadership, he told MTS management in very plain language, that the Minister warns MTS, "lay-off plan unacceptable." In doing that of course, that's very admirable on the part of the Minister to protect employees rights and to protect jobs, but the utility is now before the Public Utilities Board asking for a general rate increase and I would like to ask either the Chairman or the general manager, what became of those, what I believe to be innovative responsible suggestions as to how to tailor down, if you like, MTS' costs in regard to their employees, particularly when the report refers throughout about reduced capital expenditures, reduction in some of the experimental programs or the completion of experimental programs such as IDA?

Obviously senior management believed that some slimming down of overall staff requirements was called for, and made public proposals at that time about trying to arrive at a satisfactory way within the proper ways of dealing with their staff, with their union, in arriving at some of these cost-cutting plans, thereby, I assume, help stave off the spending rate increases or at least the size of the rate increases.

So my question to you, either the chairman or the general manager, were those plans just put on the shelf, or were there in effect some of these innovative measures introduced into the system at MTS?

MR. CHAIRMAN: Mr. Holland.

MR. G. HOLLAND: Mr. Chairman, let me suggest in general that despite stormy economic weather, MTS has been able to preserve its financial stability. As far as our general expenses go, these are reviewed very thoroughly by the Public Utilities Board. They were last year and I am sure will be at the forthcoming review and hearings. We are required to provide data in many areas of the operations and comparisons with other Canadian telcoes and we compare very favourably there.

The economic impact in terms of decreased utilization of our services and particularly the TCTS revenues, was noted about April or May last year and somewhat later than the other jurisdictions. We were then operating on a budget for 1982-83 which had been developed in November-December of 1981.

We had commended net earnings for 1982-83 of some \$11.6 million which we felt was highly desirable to reduce to a minimum our borrowings and provide as much as possible to our capital requirements from internal sources.

However, in the light of the April, May, June data, we knew that we had to take some fairly drastic managerial actions. One of those was to immediately consult with our management group, our unions and the Technical Engineers Association, to discuss ways and means of containing our operating budget in the light of this economic shift; that was done in rapid succession. During that consultation a proposal came out that all MTS people should share equally in the economic distress, but I hasten to say that was only one proposal that came out.

We did take a number of actions, some of which were quite painful. That was laying off our summer students and certain term employees, about 100 of them, which as I say was a painful measure to take.

I have indicated that we reduced or deferred capital projects by some \$10 million. We put very stringent controls overall on our expenditures. The effect of that one can now see in retrospect, the operating expenses which have been forecast at 137.8 million are now projected to come in at 133 million which I think a significant impact on our operating expenses.

Fortunately the Canadian dollar in relation to our offshore borrowing currencies, improved significantly in the period between August and the present, so that our amortization requirements for unrealized foreign exchange losses reduced from 7.6 to 3.2 million. But nevertheless, the revenue impact was quite dramatic. We had forecast with the Public Utilities Board, revenues of some 284.3 million. Not all of our request was approved and it was implemented somewhat later than expected but the actual revenues for '82-83 were 263.3 million. That's quite a substantial drop.

Nevertheless, in summary, Mr. Chairman, with the managerial action, I want to extend that really to all MTS people, our traffic operators, our craftsmen, right through the System, there was a tremendous response to our request to increase productivity, curtail expenses. The net results of it is that we wound up the year with net earnings of 4.9 million and our financial stability I would say, has been maintained.

MR. H. ENNS: Mr. Chairman, you will of course appreciate that while we tend to devote more of our questionings to the affairs of MTS or whatever other Crown utility appears before this committee, we at the same time, of course, want to examine the actions of the Minister responsible or answering for that utility in the House, and his actions while we're doing so.

I am still trying to reconcile the positions that were taken very publicly last August and September. I have nothing but respect for management at MTS, so I assume that when they felt they had to put a position as of August 17, 1982, that considered as the general manager just said, that all employees take two weeks unpaid leaves for all of their 4,900 employees, or laying off 200 workers for 34 weeks. That was a position put forward by MTS management. I assume it was a position certainly not taken lightly, one that management had to give a lot of thought to.

It was about that same time that the Minister starts warning MTS that the lay-off plans are unacceptable to him; that the Minister is cool to these kinds of ideas. What I am trying to ascertain is, to what extent has the Minister directly interfered in the management practices at MTS in this particular instance? I gather that MTS has compromised its position, to some extent, by laying off some summer students. I believe, if I recall correctly, the general manager is saying laying off an additional 100 term people.

On the one hand, the layoffs did occur, or at least some of the layoffs occurred, contrary to the public position taken by the then new Minister. The harder question is was the action taken by MTS at that time the appropriate action to try to meet the fiscal problems of MTS? If your management position was a potential layoff of 200 employees for 34 weeks, or in lieu of that, a two weeks unpaid vacation for all 4,900 employees, what I'm trying to determine is where did you saw off, in the middle? Either that was a responsible

management decision that you can defend before us and before this committee; one that you could have persuaded your Minister the necessity of, or you're carrying extra people at this time. At which time I think the rate increase in front of the Public Utilities Board has to come into question.

MR. S. MILLER: Mr. Chairman, through you, the management came to the Board of the Telephone System, indicated the concerns they had and recommended that steps be taken to try to meet these concerns. The Board looked at it, recognized the management wouldn't be putting forward these proposals unless there was a real concern; recognizing that it's not something that's done lightly. What the Board indicated to management was that they should undertake a series of consultations with the various groups within MTS.

Before those consultations were even one-quarter on the way, the media got wind of this and, of course, the story that MTS was planning to lay off 200 employees, or ask that every employee take some holiday without pay, the purpose of the exercise from the Board's point of view was to see whether, in fact, through discussions with employees, recognition of the problems facing MTS, the drop in revenue that suddenly occurred in the spring, as indicated by Mr. Holland; whether in discussing this with staff at all levels, some understanding of the problem could be achieved and the staff itself, the employees of MTS at all levels, could perhaps see their way clear to working with management to launch a program whereby people would take holidays without pay.

The discussions were to take place and the report be made back to the Board on what the discussions would bring about. Before that occurred the Minister at the time indicated that he wasn't particularly happy with that particular approach, and felt that perhaps other means could be found. The Board recognized that the Minister was quite right in indicating his concern about layoffs, and proceeded to ask management to again address itself to the problem to see what other means could be found. Of course, the result that certain term employees were released; certain summer students were released somewhat earlier than they otherwise would be, and other cost-constraint procedures were introduced, which I think did yield some very positive results.

As a result, also, the consultative committee was set up - I think that was mentioned in the report - to undertake consultations, meetings with staff at all levels. I think it was a very useful exercise because it made known to everyone, not just management, but to everyone throughout the system, the dilemmas facing MTS, the problems facing MTS, both today and will be facing tomorrow, because of the various things that were mentioned this morning. It's not just the economy but the inroads into the revenue base by other means of communication, so that it's desirable, certainly from the Board's point of view, that there be an understanding by all concerned within MTS of what the problems are so that they can address themselves to it.

I'm pleased that, as a result of what occurred early last fall, late summer, that MTS was able to meet the

challenge, constrain its expenditures fairly successfully, and thanks to a strengthening of the Canadian dollar vis-a-vis some European currencies, show a plus rather than red ink at the end of the year.

Insofar as going back to the Public Utilities Board, in the past it was always the method used by MTS to go for larger increases and have that run for a number of years. I think the PUB indicated last year, when it refused to grant MTS the increases it was asking for, that in this day and age, the economy being what it was, that they cut us down so that if it would run for a year then we'd have to come back a year later, rather than to go for the higher increase and then have it run for three or four or five years. Back in '54 I think to about 1974, I don't think there was any increase ever asked for because the economy was booming and rates and the telephone revenues simply grew at a fast enough rate, so there was no need to go for an increase.

The only time MTS has gone for an increase is when the requirement was there. We must stay in the black and, if possible, we must, not only maintain our debt equity ratio, we should try to reduce it, but certainly to maintain it.

I think, Mr. Chairman, in response to Mr. Enns, I want to indicate that the Board was aware of the problem; the Board concurred that the senior management should start a dialogue with staff with the results to come back to the Board for final decisions, final action. That didn't quite follow that scenario because it became a cause celebre, but that was the intention of the Board right from the beginning, that they look at it in the final analysis to make a final determination.

MR. H. ENNS: Mr. Chairman, I appreciate the Chairman's comment and allow me to say it's obvious that management at MTS perceived the difficulty and took necessary corrective steps to try to resolve it. The Chairman, particularly, will of course appreciate how difficult for us, in the opposition, to keep these Ministers in line from time to time and to make their public statements jive with the facts as they are. To conclude this particular item on the report then, despite the Minister's public statements where he led Manitobans to believe he had come fresh out of Dauphin and resolved that issue and saved 200 jobs at MTS, approaching 100 MTS term employees were laid off; in addition to that, student help was reduced. Is that a fair and accurate description of how MTS mkeep these Ministers in line from time to time and to make their public statements jive with the facts as they are. To conclude this particular item on the report then, despite the Minister's public statements where he led Manitobans to believe he had come fresh out of Dauphin and resolved that issue and saved 200 jobs at MTS, approaching 100 MTS term employees were laid off; in addition to that, student help was reduced. Is that a fair and accurate description of how MTS management dealt with the issue that arose last August and September?

MR. S. MILLER: Mr. Chairman, not quite. I can appreciate Mr. Enns comment; I'm not going to comment on that, I'm now wearing a different hat.

Mr. Chairman, the suggestion . . .

MR. CHAIRMAN: Order please.

MR. S. MILLER: . . . of a holiday without pay, a leave of absence without pay, would have applied only to the permanent staff. With regard to term employees, that was part of the package that they would be released in any case. That had nothing really to do with the other question, which is calling on permanent staff to take two weeks or a week, whatever it was, without pay so that the term employees and summer staff were going to be affected immediately, irrespective of what final action would be taken within MTS, because we knew that some action had to be taken, there was no question. The problem wasn't going to go away.

MR. H. ENNS: Mr. Chairman, I was prepared to leave the matter and I thought that MTS was ahead of the game for a little while. The truth of the matter is, MTS is asking for a general rate increase right now. Six or seven months ago they said that unless they gave all 4,900 employees a two- to three-week unpaid vacation, or alternately, laid off 200 employees, MTS would have to request even higher rate increases to meet their worsening financial position.

At that particular point, the government intervened and said, no layoffs. We have the MTS General Manager telling us that in response to pressures from both sides, from the government in terms of meeting his responsibility as the General Manager that certain actions were taken and, I think it's on the record that upwards to 100 term employees were laid off, in addition to a severe cutback, an earlier cutback on student summer help. I take it that that was put on the record as indicating MTS management's response to their situation at that time.

If it's now being portrayed by the Chairman that, well, this would have happened in any event and was not as a result of the fiscal problems and growing deficit situation that MTS was facing, then I'm afraid I have to come back at MTS management again and ask if they felt strongly that MTS could do with a 34-week layoff for 200 of its permanent employees to help reduce its costs, then why didn't that management decision proceed?

MR. S. MILLER: Mr. Chairman, perhaps I didn't make myself clear. When it became obvious, for two reasons, (a) revenues are dropping because of the economy, and (b) the increase sought at the PUB was not granted, they reduced that request - I forget the amount, but there was a considerable reduction - that the revenues weren't going to be there, and faced with this, management came up with the proposal that two things occur, that we reduce our term employees, that we reduce the summer employees immediately and that, as well, we seek the co-operation of all staff on the question of a two-week holiday without pay, a leave of absence. When that was not considered acceptable and questioned by the Minister at the time, the Board, as I said, looked at it again, the management looked at it again and certain measures were introduced.

For instance, in regard to overtime, certain reductions were made or limitations were placed on overtime. New hirings were pretty well frozen. As a result, by the end of the year, the number of employees at MTS dropped considerably from what they were and what they had been projected to be so that by the end of the year

the savings had, in fact, taken place. Of course, I indicated before one major change in the economic picture was the strengthening of the Canadian dollar vis-a-vis the foreign market, which reduced considerably the amount that MTS would have to pay for that foreign exchange. That accounted for the turnaround in the projections in August and the reality at the end of March.

MR. H. ENNS: Mr. Chairman, I'm ready to conclude this matter. But allow me to say and put on the record, surely the level of employment at MTS isn't determined by the size of the rate increase that MTS can get in front of the Public Utilities Board and that is somewhat what the Chairman of Manitoba Telephones inferred just a moment ago. He put on the record that because the Public Utilities Board did not grant them quite the size of increase that they applied for, ergo, management was considering laying off employees or asking employees to take unpaid holidays. I get very uneasy if that is the case about the current request by MTS for a rate increase, if it's the Public Utilities Board that decides the employing and the staff levels of MTS. I would become extremely concerned if that, in fact, were the case. I don't think it is the case, but I would like some assurance that management can so run the operation at MTS that people of Manitoba, the telephone users, are paying for legitimate costs of provision of telephones, that basic communication machinery apparatus in their home, and that alone - not for the public postures taken by members of this government who, for political reasons, believe that headlines of the kind the new Minister of Telephones made last August, indicating that under no circumstances would any layoffs occur while he was Minister of Telephones be acceptable to him.

I would like to think that we are paying senior management at MTS to run the shop and to run the shop as well as they can, and it's not being played out in the front pages of the newspapers as to the level of staffing at MTS.

MR. CHAIRMAN: Order please. I would appreciate it if other members of the committee would allow the member who is recognized to have the floor and only him to have the floor.

Mr. Miller.

MR. S. MILLER: Mr. Chairman, there is no question - management of MTS runs MTS, the Board does not run MTS. But it's obviously clear that with a drop in revenue, the management of MTS had to consider the financial or economic developments that could occur over the balance of the year. They came up with proposals. Those proposals, I think in fact were met, because through attrition, through reduction of overtime, through a constraint program on travel expenses, etc., other things, it was a fact the costs were reduced and I think in the Manager's report he indicated that expenditures - I forget the actual figures he gave - were considerably less than had been anticipated.

All of these were done in order to meet the problem of having to come up with a balanced budget at the end of the year. Otherwise we would have been ending up in a deficit position which is not a healthy position

for the Telephone Company to be in because, as I understand it, the Telephone Company is supposed to be a self-sustaining operation which covers its expenditures. The increase sought this year is simply recognizing the fact that we're into a new year with new costs, new programs and that the Telephone System must continue to meet the needs of Manitobans whether they be northern, rural or urban.

MR. CHAIRMAN: Mr. Plohman.

HON. J. PLOHMAN: Yes, Mr. Chairman, I think it's appropriate that I clarify a few comments that have been made here today. One of the is that, just for the record, the previous Minister to myself, Mr. Evans, made the statement . . .

A MEMBER: He's the bad guy.

HON. J. PLOHMAN: Mr. Evans made the statement - well I will explain that - made the statement in August . . .

MR. CHAIRMAN: Order please.

HON. J. PLOHMAN: . . . before I assumed the duties of Minister responsible for The Telephone System Act, stated that he was not in favour of layoffs taking place. I supported that general position that he took upon assuming office in August after that statement had been made.

I think it was appropriate at that time that the proposal that was made by MTS management as I understood it, was an exploratory proposal with members of the union groups, working people from MTS and they wanted to explore possibilities for cutting costs. It was made at the darkest hour so to speak. It was made at a time when MTS took a look at the first three months — (Interjection) — Well, I think for a few of the honourable members across the way, it was the darkest hour, however for most of us it wasn't.

Now, what they did was take a look at the financial situation at that time. What we wanted to do was to have management stand back and take another look at the situation, see if there were other ways of resolving it. Of course they intended to do that. That was not an iron, rigid proposal that was made, it was one of the proposals that was considered. As it turns out I would say in retrospect, and I think every member around this table would say, that it was the right decision to take another look at it at that time.

Confusing the term "employees and students" with the issue of unpaid leaves or layoffs is a mistake that the Member for Lakeside is making. The term "employees and students" were part of the first phase of cost-cutting that was undertaken by the MTS. it just meant an earlier lay-off for the student term employees, 74 of them, than would have taken place otherwise. — (Interjection) — That happened before management was involved at all at that time.

The second phase . . .

MR. CHAIRMAN: Order please.

HON. J. PLOHMAN: . . . involved in other cost-cutting measures, which obviously took effect and did an

excellent job cutting down on travelling time; on overtime; on the use of term employees as I mentioned. These all cut costs and there were many other ways that costs were cut that I'm sure have improved MTS overall as a corporation. I think that has been admitted and stated a number of times.

So what has taken place in retrospect, is that the MTS did end up in a profitable position. The increase this year will still leave MTS with one of the lowest rates in Canada. Inflation take its toll each year and the reflection on last year's decisions really have very little bearing, if any, on the rate increase that's required this year at this time.

I would mention as well that the consultative committee that was set up served a valuable purpose as well, because it gave an opportunity for members of both of the unions that were involved, CWC, IBW, the technical engineers, the senior management, representatives from the Department of Labour, to take a look at the overall situation and problems that will confront MTS over the next number of years and give them an opportunity to work together to appreciate the concerns and problems that MTS will face.

I haven't received, as I said earlier, the initial report but I believe it was a worthwhile endeavour, and I believe that it should be an ongoing method of consultation within MTS. I'm hopeful that it can continue to serve a valuable purpose over the years possibly, but I will wait to see what the recommendations from the committee are.

I might mention one other approach that was used, and that is that through not filling all positions and redeployment, MTS was able to achieve a cutback in the number of staff as was mentioned earlier in the report, so the purpose was served the same as if there had been some cutbacks in terms of layoffs, but it was much less painful, and I think a more humane and better way to go. In retrospect, I think it was the right decision.

MR. CHAIRMAN: Mr. Scott.

MR. D. SCOTT: Thank you, Mr. Chairman. I'd like to ask a couple of questions based on some reports that I've heard for the past while on TransCanada and it affects more of the TransCanada rates, the long distance rates, and this is with the restructuring that Bell Canada is presently proposing within their structure, and if that goes through what kind of impact it will have for us.

From what I understand they're breaking the company up into three so-called profit centres: One, the residential customers; another one would be special services and the most important one from their perspective of right now at least I believe, is the separation out of long distance calls; long distance particularly on the business rates. This is because I gather CNCP's venture into the market of city-to-city transmission of calls. When you look at our revenue base here in Manitoba, we're getting I think 70 percent of our revenues - if I can find that pi in here - no 57 percent I'm sorry, of our revenues are derived from long distance service. I would expect that the bulk of that is part of our share of the TransCanada service.

What kind of an impact will it have on MTS if Bell Canada's proposed structural change of their

corporation goes ahead, which I understand will have the effect of reducing long distance rates by upwards of 40 percent and increasing residential rates by possibly even 100 or over 100 percent in their jurisdictions?

MR. CHAIRMAN: Mr. Holland.

MR. G. HOLLAND: Mr. Chairman, I'm really not an authority on the Bell Canada reorganization. The press have described it as the unusual phenomena of the baby giving birth to the mother. As I understand, there will be a holding company. One of the arms of the holding company will be generally the monopolistic and regulated portion of their business, and their other enterprises would not come within that orbit.

We don't expect that there would be significant impact on the TransCanada Telephone System toll revenue because of that particular event. Other events will tend to threaten that revenue. The CRTC regulator of Bell Canada has reviewed the proposal in considerable detail and my understanding is that they consider that there should be some legislative changes, but generally that the reorganization in itself will not unduly impact Ontario and Quebec residents in the Bell Canada territory.

The events in the USA are of interest. Quite drastic measures have been taken there to preserve this source of revenue from the Bell operating companies, who in January, 1984 are to be entirely detached from AT&T's long lines operations. Billions of dollars are involved to be amassed and applied against the local exchange costs. I'd be delighted, Mr. Chairman, to provide some copies of recent brief summaries of the impact. It is expected that the impact on local exchange rates will be substantial indeed.

MR. D. SCOTT: If the ventures that are happening in the U.S. come in place in Canada and our long distance rates or our revenues from the TransCanada part of it were to drop, say, 40 percent or 50 percent, how much would we have to increase our local rates to be able to cover the operations cost; in other words to maintain their balanced position?

MR. CHAIRMAN: Mr. Holland.

MR. G. HOLLAND: Mr. Chairman, our total revenues in the year ending '82 from local service rates were \$83 million. The revenues from interprovincial service were \$90.7 million. That would be exclusive of data and private line; that would be the voice portion of it. So obviously, if that revenue dropped 50 percent it would be a 50 percent increase in the local exchange rates.

MR. D. SCOTT: Another subject I would like to touch on just a second is, what would happen with exchange rates? You mentioned in the exchange rates, Mr. Miller mentioned, were one of the main reasons for coming back out of a deficit position for the year ending '82; what kind of projections are you using for your '83-84 year to come up even with the adjustment you're going forward to the Public Utilities Commission right now, or Public Utilities Board? What sort of estimates are you using on exchange rates? Is that as of today, or

as of the end of December? What happens if the exchange rates, Canadian dollar falls instead of rises on the international market; what is that going to do to your profit position for the end of 1983-84 year?

MR. G. HOLLAND: Mr. Chairman, our forecast to the Public Utilities Board are on the '83-84 fiscal year with a projection of implications for the following year. We are forecasting that if the rate application is approved in its entirety there would be a net earnings of something like 2.6 to 2.9 millions in the 1983-84 fiscal year.

MR. D. SCOTT: So it's not going to make a dramatic switch from one to the other, if you are talking of \$3 million; it's less than 1.5 to 2 percent of the total revenues; about 1.5 percent actually.

MR. G. HOLLAND: I believe if the application is approved in its entirety it would be a 3.3 percent increase in our revenues.

MR. D. SCOTT: On another subject, and I don't want to carry this on for an additional day, but do you have any idea of the number of phone taps that were authorized on your system this year?

MR. G. HOLLAND: Mr. Chairman, I was delighted to see the Attorney-General join us. The MTS role is to observe court orders and to assist in executing any court orders. I certainly have no knowledge of volumes. I believe there is a requirement that they be published annually, tabled in the Legislature. I don't know whether Mr. McGuire of the legal department could add to that.

MR. D. SCOTT: Could you confirm whether the only taps that are made are done by the services involved by a court order?

MR. G. HOLLAND: Mr. Chairman, we can confirm that the only taps that are executed by MTS are those carrying out court orders.

MR. D. SCOTT: The RCMP has access to a building on their own, does it not? There is a little building, I forget exactly where it is, but I understand that the RCMP, in particular, have, I would say, fairly free access to that building.

MR. G. HOLLAND: Mr. Chairman, I am not aware of that. My clear understanding, in the case of tapping of circuits on our network, that those are done only by order of the court.

MR. D. SCOTT: Then they're only done by MTS personnel?

MR. G. HOLLAND: Our technicians assist the authorities in carrying out those taps.

MR. D. SCOTT: To assist would mean that your employees would actually do the work; they would be given a court order by the RCMP or by the police authority, and your employees would actually do the work? That is clip on clips.

MR. G. HOLLAND: Our craftsmen would be provided with the court order which would require access to our central offices, presumably, and that would be done by an MTS craftsman.

MR. D. SCOTT: Thank you, Mr. Holland.

MR. CHAIRMAN: Mr. Doern.

MR. R. DOERN: Mr. Chairman, a point of order. I don't know whether it is possible for us to conclude today. My impression is that the opposition wishes to carry

on. I don't know if Mr. Orchard would care to indicate whether he's prepared to wrap up in a few minutes, or whether he requires a couple of hours.

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

MR. D. ORCHARD: If it's necessary, yes. I can wrap up one issue in a couple of minutes, but there are a number of other issues that are outstanding.

MR. CHAIRMAN: Please proceed, Mr. Orchard. The hour being 12:30. Committee rise.

APPENDIX A

COMPARISON OF BASIC TELEPHONE SERVICE RATES (IND. LINE)

	<u>Business</u>	<u>Residence</u>
Vancouver, BC	42.15*	12.80*
Calgary, Alta.	20.95	7.75
Edmonton, Alta.	22.35	8.15
Regina, Sask.	17.50*	6.95*
Winnipeg, Man.	17.55* (proposed 18.60)	6.75* (proposed 7.20)
Toronto, Ont.	40.70	12.35
Ottawa, Ont.	31.85	10.00
Quebec City, Que.	31.85	10.00
St. John's, Nfld.	41.00	13.15
Charlottetown, P.E.I.	37.65	12.30

Powell River, B.C.	18.00*	8.00*
Fort McMurray, Alta.	15.15	6.40
Weyburn, Sask.	12.95*	5.95*
Dauphin, Man.	10.80* (proposed 11.70)	5.35* (proposed 5.80)
Renfrew, Ont.	16.95	7.40
Trois-Pistoles, Que.	16.95	7.40
Woodstock, N.B.	23.45	10.55
Antigonish, N.S.	23.85	11.50
Cornerbrook, Nfld.	26.40	9.90
Summerside, P.E.I.	31.60	11.60

* Denotes existing rates pending rate action