

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

**Friday, 28 November, 1986**

**TIME — 10:00 a.m.**

**LOCATION — Winnipeg, Manitoba**

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

**ATTENDANCE — QUORUM - 6**

*Members of the Committee present:*

Hon. Messrs. Doer, Harapiak (The Pas),  
Penner, Hon. Mrs. Smith

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

**APPEARING:** Geoffrey McKenzie, Coopers and  
Lybrand

Mr. K. Beatty, Manitoba Telephone System

Ms. J. Edmonds, Chairperson, Manitoba  
Telephone System Board

**MATTERS UNDER DISCUSSION:**

Annual Report - Manitoba Telephone System

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**MR. CHAIRMAN:** The Standing Committee on Public  
Utilities and Natural Resources will come to order.

First off, I'd like to introduce the new Clerk of  
Committees, who began her duties this Monday, and  
that's Sandra Clive, on my right.

The next item of business is that we have a resignation  
from the committee from Jay Cowan.

Mr. Doer.

**HON. G. DOER:** Yes, I would move that Harry Harapiak,  
the Member for The Pas, be a member of the  
committee, seconded by the Member for Fort Rouge.

**MR. CHAIRMAN:** Is that . . . Mr. Orchard.

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

**MR. CHAIRMAN:** We have a nomination of Mr.  
Harapiak. (Agreed)

The next item, I understand is, Mr. Mackling, you  
have an opening statement, a few comments?

**HON. A. MACKLING:** Yes. When we last met on Friday,  
a delightful time shared by all -(Interjection)- Wednesday,  
I'm sorry.

**MR. G. FILMON:** Time flies when you're having fun.

**HON. A. MACKLING:** Yes, that is true. We had a number  
of questions that were addressed through me to the

Chairperson and I'll call upon Jean Edmonds to respond  
to those questions that she deferred or took as notice.

**MR. CHAIRMAN:** Ms. Edmonds.

**MS. J. EDMONDS:** Mr. Chairman, the first question  
dealt with the timing of the movement of the 1984-85  
Annual Report. I'll ask the secretary of the Commission  
to respond to that. I'll go on to the other questions.

The second question: were Myrna Phillips, Charles  
Feaver and Robert Silver at the November '85 board  
meeting? I wish to note, Mr. Chairman, that in the course  
of the discussion last night, I think this was probaby  
my error, I think the questioner had the date right, the  
questions dealt with the November '85 meeting and I  
kept referring, I think, to the October '85 meeting, so  
it is the November '85 meeting that we were talking  
about.

**HON. A. MACKLING:** November 18th.

**MS. J. EDMONDS:** Yes. And the answer to the question  
is, Mr. Feaver and Ms. Phillips were at the meeting;  
Mr. Silver was not.

The third question: was there a memorandum from  
Ms. Edmonds to Mr. Mackling regarding Note 11 of  
the 1984-85 Annual Report? The answer to that is no.  
The comments on Note 11 that the Commissioners  
requested were prepared and addressed to the  
Commissioners. We've no record that they were  
absolutely distributed to the Commissioners and a  
search of my own files and all other relevant files does  
not reveal any indication that they were conveyed to  
the Minister. I'll now ask Mr. Beatty to deal with the  
other question.

**MR. CHAIRMAN:** Mr. Beatty.

**MR. K. BEATTY:** Mr. Chairman, I have some material  
that I could perhaps just read. In connection with the  
1984-85 MTS Annual Report for year ended March 31,  
1985, in the November 1985 minutes of the board,  
Page 15, item 8, reads as follows: Mr. Provencher  
proceeded to review Note 11 to the financial statements  
covering MTX Telecom Services Inc. in detail with the  
board. Observing that the statements were to be signed  
by the Vice-Chairman and Commissioner Chaput on  
behalf of the board, the chairman requested that  
briefing notes be prepared for both the chairman and  
the vice-chairman in order to respond to questions  
arising out of the publication of the financial statements.  
The only comment I would make, Mr. Chairman, is that  
that dealt with the audited financial statements, not  
with the Annual Report which they are part of ultimately.

The sequence covering the printing of the 1984-85  
Annual Report is as follows: on November 28, 1985,  
financial statements were provided to Kromar Printing  
for typesetting. On December 5, 1985, there was  
approval of the body copy from staff with suggested  
amendments. Body copy means, in this case, things

not in the financial statements, messages, etc. On December 12, 1985, the final amended copy was provided to the printer. On January 6, 1986, there was preliminary approval of proofs and returned to the printer. On January 18, 1986, check proofs were again returned to the printer. On February 7, 1986, there was a final review by MTS of the blueprints provided by the printer and some changes conveyed to the printer. On February 17, 1986, the printer provided completed Annual Reports; that is, Mr. Chairman, the Annual Reports were available to the system on February 17, 1986.

**MR. CHAIRMAN:** There is a question on that point, Mr. Doer?

**HON. G. DOER:** Through you, Mr. Chairman, to Mr. Beatty, was there at any time any political suggestion that the report be delayed to the Telephone System as implied at the last hearing?

**MR. K. BEATTY:** None in our record, Mr. Chairman. There is none, Mr. Chairman, to clarify that, if I may. There is absolutely none, Mr. Chairman.

**MR. CHAIRMAN:** Mr. Orchard.

**MR. D. ORCHARD:** Would it be appropriate to follow up with questions on the Annual Report now or would you prefer to do that later?

**HON. A. MACKLING:** Well, if you want to pursue the timing of the report . . .

**MR. D. ORCHARD:** Mr. Chairman, I wonder if Mr. Beatty might answer some . . .

**HON. A. MACKLING:** Well, you ask the questions here first and then determine whether or not . . .

**MR. D. ORCHARD:** Mr. Chairman, I wonder if you might ask if it would be the will of the committee to have Mr. Beatty answer a few more questions?

**HON. A. MACKLING:** You direct the questions to the Minister and the Minister determines . . .

**MR. D. ORCHARD:** The Minister is not the Chairman of this committee.

**HON. A. MACKLING:** The Minister determines whether or not the questions . . .

**MR. CHAIRMAN:** Order please.

I believe we have a standard procedure from previous committee meetings and that was that questions were addressed basically to the Minister and then referred to the appropriate officials, through the Chair to the Minister . . .

**A MEMBER:** Everything is addressed to the Chair.

**MR. CHAIRMAN:** Through the Chair to the Minister.

**A MEMBER:** To the Chair.

**MR. CHAIRMAN:** Well, I don't answer questions, so it's through the Chair. I think we can follow the same procedure today and be just as effective.

Mr. Orchard.

**MR. D. ORCHARD:** Mr. Chairman, my questions are related to Mr. Beatty.

Would you ask if the Minister would be so kind as to have him come forward again?

**MR. CHAIRMAN:** I will take that as you asking the Minister.

**HON. A. MACKLING:** Mr. Chairperson, I'll hear the question and deem whether it would be appropriate for Mr. Beatty or perhaps someone else that would provide the answer.

**A MEMBER:** What are you hiding?

**HON. A. MACKLING:** I'm not hiding anything.

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

Mr. Orchard. Order please.

I realize it's Friday morning and we haven't met for a couple of days and maybe people have forgotten some of the normal procedures we follow. The first procedure we do follow is that people wishing to speak seek recognition from the Chair. When they're recognized, they may speak. I've recognized Mr. Orchard.

Mr. Enns, on a point of order.

**MR. H. ENNS:** When last this committee sat, the Government House Leader who has just now absented himself or removed himself from this committee, assured us that we had a full complement of MTS staff officers here who would help us as much as they could in our deliberations.

This morning we are finding out that it will be up to the Minister as to whether or not any questions can be directed to any member from MTS staff. That is utter nonsense.

**MR. CHAIRMAN:** Mr. Penner, on the point of order.

**HON. R. PENNER:** To the same point of order - if it is a point of order - there's no suggestion that the staff who are competent to answer a particular question won't answer them. It's up to the Minister to determine . . .

**MR. G. FILMON:** To judge whether they're competent?

**HON. R. PENNER:** No, no.

**MR. CHAIRMAN:** Order please.

Mr. Penner.

**HON. R. PENNER:** If the Leader of the Opposition can contain himself, I would like to finish my point of order. I think we're just wasting time here.

If the question is asked, the members of the Opposition will be able to determine whether in fact someone is trying to avoid answering the question. We

have a procedure in this committee. We followed it quite well on Wednesday; we should follow it today. If there's some problem with the procedure, that will not emerge, not hypothetically, but in practice.

**MR. CHAIRMAN:** I believe we have had a procedure the last several meetings of the committee. I was attempting to direct members to the same procedure. Mr. Orchard, I understand you have some questions.

**MR. D. ORCHARD:** Mr. Chairman, my question is regarding the timing of the release of the 1984-85 Annual Report of the Manitoba Telephone System that Mr. Beatty just provided details on.

Through you to whomever, Mr. Chairman, who would be the most appropriate individual to answer those questions?

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

**HON. A. MACKLING:** Put the question, then I'll determine . . .

**MR. D. ORCHARD:** The questions are on the release of the Annual Report.

**HON. A. MACKLING:** by whom? Released

**A MEMBER:** We're trying to find that out.

**HON. A. MACKLING:** Just put the question.

**MR. D. ORCHARD:** Mr. Chairman, I will put the question very directly to the Minister.

Mr. Minister, did you verbally, without correspondence, ask any member of the MTS, or have any staff member of your department, or any member of your administration, verbally ask anybody in the Manitoba Telephone System to delay the release of the Manitoba Telephone System Annual Report which was ready February 17, 1986?

**HON. A. MACKLING:** The answer, Mr. Chairperson, is a categoric "no."

**MR. D. ORCHARD:** Mr. Chairman, would then I be able to question someone who is responsible for the release of the report?

**HON. A. MACKLING:** It's my understanding that the report became available, as Mr. Beatty has indicated, on February 17, 1986. It's my further understanding that 60 copies of the Annual Report were delivered to my office for distribution to members of the Legislative Assembly on February 20, 1986.

**MR. D. ORCHARD:** When were those copies in the Minister's office delivered to members of the Legislative Assembly?

**HON. A. MACKLING:** Section 50(1) of The Manitoba Telephone Act provides "The minister shall lay a copy of the report of the commission before the Legislative Assembly forthwith, if it is then in session, and if not, then within fifteen days after the commencement of

the next ensuing session thereof." The Legislative Assembly commenced sitting on May 8, 1986.

**MR. D. ORCHARD:** Mr. Chairman, the Minister now admits that he had a copy of the Annual Report of the Manitoba Telephone System in his office on the 20th of February 1986, wherein the very damning public information on the financial solvency of their investment in Saudi Arabia was glaringly evident. The Minister is saying that he chose in this year, prior to the provincial election, to follow the tenets of the administration act.

Can I ask the Minister if on December 12, 1984, when the MTS report was made public, presumably, from his office, whether the Session of the Manitoba Legislature was in session?

**HON. A. MACKLING:** I wouldn't question that if the honourable member says the 1984 report was made public on December 12, 1984. That was likely the case; the difference, of course, being that . . .

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

**HON. A. MACKLING:** Well, the Honourable Member for Pembina . . .

**MR. G. FILMON:** Sam Uskiw was the Minister.

**MR. CHAIRMAN:** Order please. Mr. Mackling has the floor.

**HON. A. MACKLING:** The Honourable Member for Pembina and the Honourable Member for Tuxedo and including the Honourable Member for St. James were very busy on the hustings because the election had been called, and it's not unusual that when an election is under way that the normal course of government business doesn't flow quite the same.

**MR. D. ORCHARD:** Mr. Chairman, the Minister now is hanging his hat on that he was busy during an election. Mr. Chairman, I would like to ask, through the Minister to Mr. Beatty, some questions on previous years' release of the report of the Manitoba Telephone System.

**HON. A. MACKLING:** On previous releases?

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

**HON. A. MACKLING:** Fine, Mr. Beatty can answer those questions.

**MR. D. ORCHARD:** Thank you, Mr. Minister.

**HON. A. MACKLING:** You're welcome.

**MR. D. ORCHARD:** Mr. Chairman, to Mr. Beatty: the Telephone System has, as you've indicated, had the completed Annual Report ready February 17, 1986. It would appear from at least the three previous years that that would be some two months later than normal because I have figures before me that the public release of the Telephone System report occurred on December 10, 1982 for the 1981-82 fiscal year; December 28, 1983 for the 1982-83 fiscal year; December 12, 1984

for the 1983-84 fiscal year; and for the 1984-85 fiscal year, where we have the very damaging and first public revelation of the financial disaster in Saudi Arabia, the report is some two months or maybe even three months, given proof approval, etc., etc., in the process, behind time. Was there any logistical reason within the Telephone System that it was some three months behind ordinary years?

**MR. K. BEATTY:** Mr. Chairman, I wouldn't want to speculate on that. As you can see from the statement I just made, the Annual Report preparation is very dependent on two things: one is the receipt of the audited financial statement for MTS; and the other is the preparation of the other matter that goes into the report, be they statements on behalf of the System covering that year, etc. We have not had the time to do a complete research on differences from 1980 to 1985, as was indicated at the last hearing, and we have undertaken that, but that hasn't been completed. We'd have to undertake to provide a comparison for whatever periods of time you wanted to compare, but at the moment we don't have that information.

**MR. D. ORCHARD:** Mr. Chairman, to Mr. Beatty, again: I understand from board minutes that it was in probably October of 1985 that the audited financial information, in which the Note 11 was prepared, was available as early as October 1985. Does that fit your recollection?

**HON. A. MACKLING:** November 1985.

**MR. D. ORCHARD:** October 1985. Do you know now, Mr. Mackling when it was available? You seemed to plead ignorance the other day.

**HON. A. MACKLING:** The Chairperson corrected the date this morning, but the honourable member continues to use October.

**MR. D. ORCHARD:** She corrected it to October.

**A MEMBER:** No, she did not.

**HON. A. MACKLING:** You just want to persist in making October . . .

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

**MR. K. BEATTY:** Mr. Chairman, the audited financial report for the 1984-85 was not available to the board until the November 18th meeting.

**HON. A. MACKLING:** Do you stand corrected, apologize?

**MR. K. BEATTY:** If I might, Mr. Chairman, the actual report was delivered to members of the board on November 14th, prior to that meeting.

**MR. D. ORCHARD:** Mr. Chairman, to Mr. Beatty: on previous years when reports were available December 12th, December 28th, December 10th, was the method of public release the same as was followed for the

report that we're discussing right now that was released May 21st; i.e., that it was finalized and available to the Manitoba Telephone System and then some 60 copies sent over to the Minister responsible for the Telephone System for distribution to members? Was that process followed on previous years as well?

**MR. K. BEATTY:** Without commenting on the particular years to which you refer, I would say that's the overall normal procedure, but dealing with those specific years, we'd have to check.

**MR. D. ORCHARD:** Okay. Mr. Chairman, to Mr. Beatty: at the time that copies have gone to the Minister's office for his distribution to members of the Legislative Assembly, has the Manitoba Telephone System undertaken public release of those financial statements at that time or very shortly thereafter?

**MR. K. BEATTY:** Mr. Chairman, I can only again reply in generality without checking on specific instances. The normal situation is that the Annual Report itself is not released until tabled in the House by the Minister, but I'd have to check each . . .

**MR. D. ORCHARD:** Well, you see therein, Mr. Chairman, lies the confusion, Mr. Beatty, and I am sure you can follow through on the confusion I have over this because the House was not sitting December 12, 1984, but the Annual Report was released. The House was not sitting December 28, 1983, and the report was released. The House was not sitting on December 10, 1982, and the report was released; but yet we get to a year where there is damaging information in the Telephone System report and the Minister doesn't release it when he receives it.

Now the Minister, and I understand that, but my point with you, Mr. Beatty, is at what point in time do you, as the Manitoba Telephone System, make your report public? Do you require, and have you required in the past, authorization from the Minister after sending the copies to him, as is normal procedure, to his office for distribution to the MLA's in the House? Have you at that point in time been able to release the Annual Report publicly?

**MR. K. BEATTY:** Mr. Chairman, I would really have to check the records. I would not want to talk in generalities on that.

**MR. D. ORCHARD:** I'm sorry, Mr. Chairman, I missed the answer.

**MR. K. BEATTY:** I would have to check the records. I really can't tell you.

**MR. D. ORCHARD:** Mr. Chairman, has MTS in the past, after sending, as is normal practice, copies of the Annual Report to the Minister for distribution to the MLA's, has the Manitoba Telephone System been under any restriction to release publicly the Annual Report; i.e., did they require consent from the Minister responsible to release that report publicly after having sent copies to his office?

**MR. K. BEATTY:** Mr. Chairman, I don't believe consent from any Minister has been the criteria. My general

recollection is that we do not make the report public until the Minister, as Minister responsible for The Manitoba Telephone Act, makes it public in some form or other; but I would have to be absolutely certain of that by checking the record.

**MR. D. ORCHARD:** Mr. Chairman, I trust that Mr. Beatty would check that record and have that available for us on Monday, December 10, 1982 might be a time when we were in Session; I don't recall exactly. That could have been the French language fiasco where we were in Session.- (Interjection)- Oh, that's right, we started the Session in December of 1982 and what ended up in the French language fiasco. I don't believe we were sitting in 1983, etc.

Mr. Chairman, can the Minister then answer a couple of following questions to me. Why was it that, for instance, in 1983-84, December 12th, when you were Minister responsible for the Telephone System . . .

**HON. A. MACKLING:** I wasn't, sorry.

**MR. D. ORCHARD:** Pardon me, I'm very, very sorry and I apologize profusely to the Minister responsible.

Could the Minister answer to the committee why he chose, in the 1984-85 Annual Report, not to release it when his office received it when his predecessor, Mr. Uskiw, released the report presumably after receiving it from the Telephone System when the Session wasn't convened?

**HON. A. MACKLING:** Mr. Chairperson, I think the Honourable Member for Pembina has used this question long enough. He has been trying to paint a scenario of government cover-up implying that I or one of my colleagues in government said "hide this report from the public because we're going to go into an election," and I hear him saying "yes, that's it."

**MR. D. ORCHARD:** You didn't hear me say a thing, Mr. Chairman. It's your colleague down there, Mr. Penner, who said that.

**HON. A. MACKLING:** The scenario has been painted and the honourable member said that the Premier didn't want this bad news out there, it's all being covered up, that's the whole scenario; but the fact is, and he hasn't asked me about this, there was an extant application to the Public Utilities Board. That is a government body that is open to the public. They had before them an application by the Telephone System. There were active interveners before that board: the Manitoba Anti-Poverty Organization; the Manitoba Society of Seniors, represented by a lawyer; St. Francis Xavier Exchange Ad Hoc Committee; Communications and Electrical Workers; private citizens - Mr. Walter Kucharczyk, Mr. H. Elias. It's okay, Walter; I thought I'd put a word in for you yet.

**A MEMBER:** He knew the report was out.

**HON. A. MACKLING:** Well, that's why I want to read this into record. Mr. Lorne Radcliffe from the Roblin area and a Crime Prevention Centre.

**MR. D. ORCHARD:** It's a waste of time . . .

**HON. A. MACKLING:** Well, Mr. Chairperson, the Honourable Member for Pembina is saying I'm wasting time. I want to put facts on the record and I know that troubles him when the facts don't agree with his scenario of guilt, government guilt. He's troubled by that. But given the fact that the Public Utilities Board had a hearing before it, copies of the 1984-85 MTS financial statements, together with the Auditor's report, were filed with the Public Utilities Board on January 24, 1986, before the calling of the election, so that the financial statements were a matter of public record before the election. I know that disappoints the Honourable Member for Pembina. He hoped to make a big scene out of government cover-up that just didn't occur, and I regret to have to inform the honourable member that his scheme, his thought of deviousness, that may be the kind of thing that he would have used if he had continued to be Minister of Telephones, but not this Minister.

**MR. D. ORCHARD:** Mr. Chairman, I just simply remind the Minister that back in July of 1986, he accused me of a scare-tactic campaign on my allegations against MTX. As a matter of fact, I believe in July, he even said that MTX was a tremendous investment for the people of Manitoba. Right now he is making a similar accusation that my little accusation of cover-up and complicity by the government is not true. I simply remind him that he didn't believe anything was true until about the Ian Ferguson affidavit in 1986. This Minister's concerns are interesting.

Mr. Chairman, I have a question to the Minister and he may wish to answer it; he may wish to have somebody else answer it. I have an audit file copy provided to me as part of the source documents to Coopers/Lybrand. It is the overview of the internal audit apparently of MTX Telecom Services Inc. I believe it was tabled 1985-04-02, which is April 2. It has copies to a series of individuals whose initials are mentioned.

Could the Minister indicate to me who "SAM" would be?

**HON. A. MACKLING:** Not having seen the document . . .

**MR. D. ORCHARD:** I will provide my copy for the Minister's perusal if he gives it back to me.- (Interjection)- No, I don't trust him.

**HON. A. MACKLING:** Thank you. Well, I'm advised that is likely Saul Miller, and let the record show I passed the document back very quickly to Mr. Orchard.

**MR. D. ORCHARD:** Can the Minister have anybody in the Telephone System, from the chairman of the board on down, to confirm whether that would be Saul A. Miller, because he said "likely," and it is rather important that Mr. Miller, if he did receive this, that it is the correct Mr. Miller?

**HON. A. MACKLING:** I believe that to be Mr. Miller.

**MR. D. ORCHARD:** Thank you.

Now, Mr. Chairman, I have some questions on this internal audit. The date on it is April 2, 1985. When was it completed?

**HON. A. MACKLING:** Mr. Chairperson, not having been involved with the audit, I don't know when it was completed.

**MR. D. ORCHARD:** Would the Minister be so kind as to ask some of his staff in the Manitoba Telephone System if anyone has knowledge of when it was completed?

**HON. A. MACKLING:** Well, I'll ask the chairperson if she can indicate from her knowledge when it was completed.- (Interjection)- yes, that's true. Mr. Beatty, do you know when it was completed.

**MR. K. BEATTY:** Mr. Chairman, I can't give you the exact date in the sense of completion of the audit, the internal audit report to which you are referring. We can undertake to provide that as to when it was made available to the management.

**MR. D. ORCHARD:** Mr. Chairman, whilst Mr. Beatty is here, he might be able to answer further. The reason I asked that question is that the date on this is April 2, 1985.

**HON. A. MACKLING:** 1985 or 1986?

**MR. D. ORCHARD:** 1985.

**HON. A. MACKLING:** Okay.

**MR. D. ORCHARD:** At that time we were told, I believe in Wednesday night's committee, that Mr. Saul A. Miller had resigned as Chairman of the Board of MTS and MTX, but yet he was copied with this document, and in Page 11 of the document it said highlights of the report were also reviewed with Saul A. Miller, chairman of the board, MTS and MTX.

To Mr. Beatty through the Minister: who would have undertaken that review with Mr. Miller as indicated in the internal audit?

**MR. K. BEATTY:** Mr. Chairman, I don't know. I would have to check our records and find out.

**MR. D. ORCHARD:** Mr. Chairman, I would like to ask the chairman of the MTS Board if she might make available to us a Cabinet letter to the board which is referred to in board minutes regarding the submission the board made to Cabinet on the rates, the rate increase which was before the Public Utilities Board.

Would Ms. Edmonds be so kind as to provide to the committee the copy of the Cabinet response to that rate increase.

**HON. A. MACKLING:** Mr. Chairperson, the honourable member knows that it is not with any intention of withholding any information from the honourable member. I guess he's asking the question so that he can get the answer that I'm giving. But he knows that Cabinet memoranda, Cabinet correspondence is not considered in the parliamentary tradition to be required to be reviewed. It is never done. He knows it is never done.

He has been Minister in a government where I am certain that if I research Hansard, denial has been given

to access, to documentation of Cabinet. He knows that, but he asks the question so that there can be some suggestion again of cover-up. We saw it earlier in respect to the publication of the report and the release of the report.

The fact is that correspondence, minutes, memoranda dealing with Cabinet are not matters that are dealt with in the public forum, including this committee.

**MR. D. ORCHARD:** Mr. Chairman, could I ask Ms. Edmonds a question regarding that letter as to the content of the letter, whether it recommended a lower rate increase than proposed? Would that be a question that's permissible?

After all, it's fairly important to the ratepayers of Manitoba to know what the government expected the Telephone System to do back in 1985 regarding rates.

**HON. A. MACKLING:** I think it would be appropriate for the member to be able to ask what the concern of the government was in respect to rate, but not deal with the document itself.

**MR. D. ORCHARD:** Fine. My questions will be to Ms. Edmonds.- (Interjection)- Will you get her up here please? She's waiting for the Chairman.

Ms. Edmonds, there is a reference in board minutes in the September 22, 23, 1985 board meeting wherein you indicate you received a response from Cabinet re the rate review. Was that response along the lines that your request for a rate increase was too high and should be modified? Was that the upstart or the net result of that correspondence from Cabinet?

**MS. J. EDMONDS:** Mr. Chairman, from the time I joined the board on July 12, 1985, at that time the question of whether there should be a rate increase, and, if so, what it should be was very much uppermost in the mind of board members and indeed of the Minister. We had a considerable dialogue as to what the rates should be. I don't suppose it's a surprise to anybody that the Minister would be unwilling to have us ask for an increase in subscriber rates that was any greater than we absolutely require.

You'll recall, I'm sure, as a former Minister, that we are regulated on a revenue requirement basis. You may also have noted in the minutes of the September meeting that we're taking a very hard look at the fundamental position of MTS and at the number of very significant issues that were affecting it and would affect it in the future.

Frankly I, myself, was trying to arrive at some sense of whether we were being presented with recommendations for rate increases that were comfortable for the system but painful for the subscribers or whether they really were required at the time. It was pretty short notice in which to arrive at that kind of judgment in this kind of complexity.

During this time there was considerable dialogue with the Minister. The deliberations of Cabinet were based on representations from the System and as Chairperson I was reporting back to Cabinet - excuse me, to the board, as I invariably do, on the results of our presentations to the Cabinet and the decision as to what the level of rates that we should seek should be.

**MR. D. ORCHARD:** Mr. Chairman, I just would like a short indication from Ms. Edmonds, given her last answer, after submitting the rate increase to Cabinet for perusal, was their reply centered around the fact that your original proposal was too high and that you should approach the Public Utilities Board for something of a lesser rate increase? Was that the general overview of the Cabinet reply to you?

**MS. J. EDMONDS:** If the Minister agrees, I could respond by reading the minute: "The Chairman advised that a response concerning MTS rates had been received from Cabinet and a request of the board's indulgence to deal with this matter even though information had not been circulated to the board prior to the meeting." I should say there that we were trying to impose some discipline so that the board had its papers well in advance of the meeting.

"Upon agreement of the board, the secretary distributed to commissioners a copy of an excerpt from the minutes of Cabinet meeting held Wednesday, September 11, 1985. Also distributed was a submission outlining proposals amounting to a 3 percent rate increase to take effect April 1, 1986, resulting in 11.8 million of new revenue."

The board reviewed the submission in detail and expressed concerns about reducing the debt ratio of the system and proceeded with the rate submission as the Minister has previously alluded to.

**MR. D. ORCHARD:** Mr. Chairman, the 3 percent recommendation was lower than the board had requested or suggested to the Cabinet. Is that correct?

**MS. J. EDMONDS:** Yes, that's right.

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

**HON. G. DOER:** Mr. Chairman, through you to the Minister or the chairman of the board, I believe the rate increase for last year was approximately 3 percent, approved by the Public Utilities Board.

**MS. J. EDMONDS:** That is correct.

**HON. G. DOER:** I believe there's a number of factors that go into the rate increase. One is debt ratio considerations.

**HON. A. MACKLING:** Yes, the board at its last rate application did build in to its rate application some significant additional cost factoring, one of which was a very substantial payment in respect to providing for the outstanding pension liability question.

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

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

**MR. D. ORCHARD:** Mr. Chairman, I believe if anyone wishes to read Hansard of the Public Utilities Committee in July of 1986, they will find out that this rate application or revenues from it were insufficient to achieve a decline in the debt-equity ratio. That information is all on the public record. It need not be discussed now unless the Minister wants to waste further committee time.

**MR. CHAIRMAN:** That may be a matter of information, but it is not a point of order.

Mr. Doer.

**HON. G. DOER:** I understand the debt ratio in Manitoba is in between the debt ratio of the public telephone systems in Saskatchewan and Alberta.

**HON. A. MACKLING:** That's, I believe, correct, Mr. Chairperson, there is a great deal of difference of opinion as to whether or not Crown corporations should really be concerned about debt equity ratios at all. However, We do find a middle path in some respects.

**HON. G. DOER:** Mr. Chairman, following that up, I understand there has been an international study on the depreciation rates in the Telephone System. Could the Minister elaborate on the depreciation rates which, of course, are a factor in rate increases for the consumer, in relative terms to other telephone systems in North America.

**HON. A. MACKLING:** Some of our concern in looking at the requests of the System for increases, and that's an ongoing concern, we look at the cost factors. And one of the cost factors that is quite appropriate to the System is to ensure that depreciation does provide, or the costing of depreciation, does provide sufficient source of funding for replacement of equipment, and moving into the higher technology world that the Telephone System is facing every year. There, again, are differences of opinion as to what the levels should be, and I have had different views within the staff, both in the Telephone System and in other people in government on this question. But the findings are that our levels of depreciation in the Telephone System are higher probably than any other utility in North America.

**HON. G. DOER:** Just two other questions. I believe that every percentage of depreciation is approximately \$10 million in terms of what would be shown on an operating balance line.

**HON. A. MACKLING:** Yes, I believe, in rounded figures I think that's correct.

**HON. G. DOER:** Just a final question. Where are our rates relative to other jurisdictions in terms of their relative comparisons, Mr. Minister.

**HON. A. MACKLING:** I think most everyone in Manitoba hopefully appreciates the fact that our rates - but I think we should be reminded of that - that our rates in Manitoba are, if not the lowest in every category, certainly among the lowest in Canada.

**HON. G. DOER:** My final point, Mr. Chairman, is that in dealing with rate increases before the Public Utilities Board, and the applications, etc., there are a number of factors that go into that and would explain partially the minute of September and any other discussions in this matter.

**HON. A. MACKLING:** That's correct.

**MR. D. ORCHARD:** Mr. Chairman, I would like to commence with a series of questions. Thank you, Mr. Chairman.

Mr. Chairman, first off, on the Arthur Andersen and Company audit of the Saudi Arabian Datacom Limited, May 1985. Can I ask the Minister who called for this audit of SADL to be undertaken by Arthur Andersen?

**HON. A. MACKLING:** Mr. Chairperson, I believe, that either the Chief Executive Officer or the board. I would ask Dennis Wardrop to confirm that, or Mr. Beatty. Mr. Wardrop could answer that question.

**MS. J. EDMONDS:** Mr. Chairman, I don't know whether it's in order to proceed by what may be partial documentation and hearsay, but my understanding of the situation is as follows: That at the end of 1984 there was considerable concern on the Board of MTX about the situation in Saudi Arabia. They felt it was . . .

**MR. D. ORCHARD:** In December 1984.

**MS. J. EDMONDS:** Yes. They felt it was necessary to commission a special audit by the outside auditor, Arthur Andersen, and that audit was commissioned, to the best of my recollection, in January of 1985. Also, to the best of my recollection, that audit was completed in May of 1985. Upon my arrival at MTS I was briefed on July 28, 1985, by the President of MTX, who alluded to the special audit, in particular the list of recommendations that had been made for improvement in the performance in Saudi Arabia, and outlined the steps that had been taken to follow those recommendations by the outside auditor Arthur Andersen.

Perhaps it is fair to say that the consequence, as far as that is concerned, was to feel that this was a major matter which should be the subject of its own board and I, therefore, asked Mr. Urbain Chaput to agree to become the Chairman of the Board of MTX, rather than, as my predecessor had done, be chairman of both boards. Mr. Chaput agreed to do so, the longest serving member of the MTS Board and had been on the Board of MTX from the beginning, and the MTS Board subsequently appointed him as Chairman and he reported to the MTS Board on a regular basis thereafter.

**MR. D. ORCHARD:** Mr. Chairman, I may have further questions of Ms. Edmonds later on when this matter comes up again.

Mr. Chairman, there is a reference to, on the August 12, 1985 minutes of the MTS Board, an August 9, 1985 letter from Mr. Silver, Deputy Minister, Crown Investments to Ms. Edmonds, as Chairman of the Board. Could we have a copy of Mr. Silver's letter present at this committee today? Mr. Chairman, I noted Wednesday, when we had the committee hearing, that when Mr. Mackling needed quotes from Hansard he had staff make those available within five minutes. Surely we could expect the Silver letter of August 9 to be made available to the committee today.

**MS. J. EDMONDS:** Could I ask about the minute reference again to make sure I'm getting the right one?

**MR. D. ORCHARD:** August 12, 1985.

**MS. J. EDMONDS:** Okay.

**MR. D. ORCHARD:** Okay, do I take it there is agreement to have that letter before the committee today?

**HON. A. MACKLING:** Well, if the letter is available right now we'll produce it right now. If it's not here it'll be some . . .

**MR. D. ORCHARD:** Mr. Chairman, it is a letter from the Deputy Minister of Crown Investments, August 9, 1985. I believe, it should be in the building and anything that has been in the building has been readily available to the Minister when it's to his advantage. I wonder if we might have that letter today. Thank you.

**HON. A. MACKLING:** What are you . . . for, I told you that if the letter is here it would be provided.

**MR. D. ORCHARD:** Mr. Chairman, can I ask Mr. Mackling whether, when he assumed . . .

**HON. A. MACKLING:** Mr. Chairperson, on a point of order. I would like to point out that every conceivable piece of documentation that the honourable member wanted, with the exception of Cabinet material, has been furnished to him. The House Leader made those arrangements with him and when he now seeks a particular letter, and says I have to have it right now, he's not being fair. We have cooperated. He's asked for documentation; he's received it. So, let him not continue with his innuendo and all the rest of it because it is demeaning of this committee, and it's demeaning of him.

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

**MR. CHAIRMAN:** I haven't recognized it yet, Mr. Orchard. I was just about to point out that was not a point of order.  
Mr. Orchard.

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

Mr. Chairman, can the Minister tell me that when he was appointed Minister responsible to the Manitoba Telephone System, replacing Mr. Uskiw, were you briefed by Mr. Uskiw as to the current issues before the Manitoba Telephone System?

**HON. A. MACKLING:** I remember being briefed by Mr. Uskiw on matters dealing with Natural Resources, the honourable member will recall that I took over that portfolio. I'm sorry - I have it reversed. I spent considerable time with Mr. Uskiw briefing him on Natural Resources issues. I don't recall his drawing to my attention any particular concerns about the Telephone System, no. I did meet with Mr. Uskiw on at least one or two occasions talking about the change in responsibility.

**MR. D. ORCHARD:** Mr. Chairman, is the Minister saying that in changing portfolios responsible for the Manitoba Telephone System from Mr. Uskiw to himself, that Mr. Uskiw provided him with no briefing as to current events,

ongoing events in the Telephone System; that he simply assumed Cabinet responsibility with no briefing at all from his predecessor?

**HON. A. MACKLING:** Mr. Orchard will recall that on Wednesday I pointed out that I met with the chief executive officer and the chairperson, and I would remind the honourable member that the chief executive officer is the equivalent of a Deputy Minister. It is the chief executive officer who prepares the letters that the Minister signs, responding to concerns and issues; it is the chief executive officer that you sit down with and relate to in respect to the specific concerns of the System, and that I did.- (Interjection)- No, I didn't spend, I don't think I can recall the former honourable member briefing me on any matters dealing with MTS or MTX.

**MR. D. ORCHARD:** Mr. Chairman, would the Minister care to indicate to the committee that when he assumed his duties as Minister responsible for the Manitoba Telephone System whether the chairman of the day, Mr. Saul Miller, a former Cabinet colleague of this Minister, briefed him on any of the issues before the board?

**HON. A. MACKLING:** Mr. Chairperson, the honourable member, I heard him earlier when there were questions being put by the honourable Mr. Doer, saying you're wasting the committee's time. Yesterday he asked me those questions and I responded to those questions.

I've pointed out to him that I had sat down with Mr. Holland and Mr. Miller some time after my appointment - I don't recall the exact date - relatively shortly thereafter and did review with him and with Mr. Holland. I got a briefing as to the general concerns of the system. That would have included some reference to MTX, I'm sure. I pointed out to the honourable member that I distinctly recall Mr. Miller's concerns that the Telephone System had perfected and was utilizing excellent technology, and that we shouldn't shy away from the opportunities when they presented themselves as other telephone companies were doing in respect to marketing that technology, that expertise in North American and elsewhere. I distinctly recall that concern from my former colleague.

**MR. D. ORCHARD:** Mr. Chairman, Ms. Edmonds this morning indicated to committee that in December 1984 MTX had some serious concerns that were brought to the board. Mr. Miller was the chairman of the MTX Board in December 1984. Those concerns, if I followed Ms. Edmonds answer this morning, led to the Arthur Andersen SADL Review.

Did Mr. Miller and Mr. Holland explain or bring to your attention any of these concerns, in Ms. Edmonds words, to your attention about the MTX operations in Saudi Arabia?

**HON. A. MACKLING:** A short answer to the honourable member is no. I want to put it on the record that I did not receive any information or a copy of the Plunkett overview document that was prepared in December 1984 and considered by the board in January 1985, as I understand it; or did I receive any notice from anyone in connection with the special Arthur Andersen

audit, nor did I receive a copy of that document from anyone. Neither of those documents were received by me until August 1986, August of this year.

**MR. D. ORCHARD:** Mr. Chairman, can Mr. Mackling indicate to me what the responsibilities of Mr. Feaver is within his department?

**HON. A. MACKLING:** Mr. Charles Feaver is charged with responsibility of assisting the Minister responsible for The Telephone Act, who is also the Minister responsible for Telecommunications; to be advised and be a participant in the decision-making process in respect to telecommunications issues.

The Telephone System is one part of our telecommunications system. We have cable companies; we have mobile radio systems; we have a broad range of communication capacity. In the broadcast field of course we have television and so on. Mr. Feaver was charged with responsibility of ensuring that the Minister responsible for Telecommunications was kept abreast of current issues in respect to telecommunications.

As the honourable member well knows, this has been a lively scene because of the fact that previous Liberal Government, and followed by the present Conservative Government, have been philosophically hellbent on deregulation, and we have faced in the telecommunications field very serious challenges where there is now a scrambling for market share in a deregulated environment. We saw what happened in the United States. Those same issues were facing us in Canada, in Manitoba, including the CN-CP application.

The honourable member will recall the time and the concern that our government had in respect to that issue. That's the kind of telecommunications issue and concern that Mr. Feaver was advising the Minister on.

**MR. D. ORCHARD:** Mr. Chairman, would Mr. Feaver than regularly report back to you, as Minister, proceedings of the board, since he attended board meetings from the time Mr. Miller resigned as chairman of the board, then Mr. Feaver becomes a regular attendant at MTS Boards, did he report back to you?

**HON. A. MACKLING:** Mr. Chairperson, Mr. Feaver reported to me on areas of concern in respect to telecommunications issues as they affected the system, the whole question of the system's interconnection. It goes back again to the CN-CP interconnect.

There are people in Manitoba who were pressing for interconnection rights. I have to be candid and say that as a system we have been holding out against the Federal Government in their insistence that the private sector come first. All of that area was most important to us and it was in respect to those issues that he met with me and exercised his concerns and talked to me about the problems of our Telephone System, keeping in step with what was happening across the country. Those were the focus of his concerns and the discussions I had with him.

**MR. D. ORCHARD:** Mr. Chairman, could I ask the Minister whether Mr. Feaver received copies of the board minutes of MTS and the agendas of MTS Board meetings?

**HON. A. MACKLING:** I'm sorry. Would you mind repeating the question? I was thrown off track.

**MR. D. ORCHARD:** Mr. Chairman, could the Minister indicate whether Mr. Feaver received agendas of the board meetings of the Board of Commissioners of MTS and received minutes of the meetings that he attended?

**HON. A. MACKLING:** I would assume that he would, but I don't know. I'll take the question as notice and confirm. I would assume so, but I don't know.

**MR. D. ORCHARD:** Is Mr. Feaver present?

**HON. A. MACKLING:** I don't know whether he is present.

**MR. D. ORCHARD:** Mr. Chairman, that brings up the whole new subject. Are any of the individuals that we requested last meeting to be here - Mr. Miller, Mr. Scramstad, Mr. Feaver, Mr. Silver - are any of those people in attendance today?

**HON. A. MACKLING:** I haven't checked who is here and who is not here, Mr. Chairperson. I don't know.

**MR. CHAIRMAN:** We have some responses to the letters.

**HON. A. MACKLING:** The Clerk maybe could advise us.

**MR. D. ORCHARD:** Well, if they're here, they could maybe show themselves. Just a simple hand would do.

**MR. CHAIRMAN:** Mr. Orchard, I think the better procedure might be if I read the responses or summarize the responses.

**MR. D. ORCHARD:** That would be delightful.

**MR. CHAIRMAN:** First of all, the procedure that was followed was the Clerk sent a letter, which was couriered, to the individuals invited to attend as of Wednesday's committee meeting with one exception. That's Mr. Scramstad who is in Papua, New Guinea. Follow-up phone calls, I understand, were also made to all the individuals who received invitations to appear before the committee.

We have received responses indicating that Mr. Silver will not be at the committee and that Mr. Feaver will not be at the committee. Also, we received a response from Madam Speaker, who is currently in hospital, also indicating that she is unable to attend the committee.

Mr. Doer had a question on the previous line of questioning.

**HON. G. DOER:** Just on Mr. Feaver, a point, Mr. Chairman. Did Mr. Feaver ever brief the Minister on the MTX issue?

**HON. A. MACKLING:** No.

**HON. G. DOER:** I have some other questions after this, Mr. Chairman.

**MR. D. ORCHARD:** Mr. Chairman, the Minister is attempting to narrow down in his description of Mr. Feaver's responsibilities that he was only responsible for telecommunications issues as they appeared before board.

Is the Minister saying that no other issues of concern, such as financial exposure, etc., etc., were ever discussed by Mr. Feaver and reported to the Minister?

**HON. A. MACKLING:** Mr. Chairperson, I wouldn't say that Mr. Feaver confined his concerns strictly to interconnect issues, telecommunications issues. There were matters that affected telecommunications that he discussed with me that really were telephone issues. We did discuss, for example, the implication of the Manitoba Telephone rate on the rate formula of the telephone companies. But I do not recall, in fact I am certain, that there were no discussions with Mr. Feaver about issues like MTX.

**MR. D. ORCHARD:** Mr. Chairman, since Mr. Feaver, I believe, still works for the Minister, does the Minister find it acceptable that he would be able to refuse to be at this committee or decline to be at this committee as the employee of the Minister?

**HON. A. MACKLING:** Well, Mr. Chairperson, I know that Mr. Feaver did not discuss with me issues dealing with MTX or other investment initiatives of the Telephone System except where they related to the telecommunications field. I know we had discussions about the bidding of the Telephone System in respect to Teleglobe, areas dealing with telecommunications, but I am not surprised that he feels that there is nothing that he can contribute that would shed any light in respect to the MTX area and this committee's review of the Coopers and Lybrand report.

**MR. D. ORCHARD:** Mr. Chairman, that is a very admirable position for the Minister to take on behalf of his employee, that the employee, had he been here, could have done himself. Mr. Chairman, the committee finds it somewhat astounding - that might be a little bit too strong a word - that this Minister, who wants to have everything and all knowledge known by the people of Manitoba, would not have his telecommunication advisor and employee at committee and would accept his declining of an invitation to be here to tell us what the Minister tells us he was told by the Minister.

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

**HON. G. DOER:** The statement has been made by the Member for Pembina that it was his invitation to be there being the Minister. It was the committee's invitation for the person to be there, not the Minister's. I think that's important because the invitations went from the Clerk of the Committee, not from the employer, which is a different issue.

**MR. CHAIRMAN:** Mr. Doer is correct. The invitations were sent from committee by the Clerk of Committee on behalf of the committee.

**MR. D. ORCHARD:** Mr. Chairman, the invitation was extended by committee at the agreement of the Minister

who employs the man, and the Minister did not suggest that probably, I assume, that his employee should be at the committee to tell us what he did, and when the Minister agreed to have him invited here, the Minister's employee decides not to come.

Who controls this government? Who is the Minister responsible? The staff run around just doing exactly what they want in your department, Mr. Minister, because that's what it certainly appears. You agreed to have him invited here. You agreed to that and you accept him not coming. As an employer, no wonder the Telephone System got into a shambles with you as Minister.

Now, Mr. Chairman, I would like . . .

**MR. CHAIRMAN:** Do you have a point of order, Mr. Mackling?

**HON. A. MACKLING:** Mr. Chairperson, I want to respond. I think that Mr. Orchard, the Member for Pembina, should appreciate that he doesn't have exclusive right to the floor, that the Minister has an opportunity to respond; and when the Honourable Leader of the Opposition is whispering suggestions to the Honourable Member for Pembina that he doesn't take but that I can hear, perhaps I should enlighten the Honourable Leader of the Opposition. I have had no conversation with Mr. Feaver on this subject.

**MR. G. FILMON:** Well, then, how do you know why he's not here? You just told us why he declined.

**HON. A. MACKLING:** I'm sorry, Mr. Chairperson, I didn't indicate. The letter was read by the Clerk.

**MR. G. FILMON:** You said because he obviously doesn't have anything to add. That's not very obvious to us.

**MR. CHAIRMAN:** Order please.

Mr. Filmon, do you have a point of order?

**MR. G. FILMON:** I just let the Minister know. It's all right.

**HON. A. MACKLING:** Mr. Chairperson, are the honourable members insisting or suggesting that I require Mr. Feaver to be here?

**MR. D. ORCHARD:** You agreed to him being here, to be invited.

**HON. A. MACKLING:** The committee agreed . . .

**MR. CHAIRMAN:** To deal with this, perhaps, I think it would be fair if I read the letters from the individuals . . .

**MR. D. ORCHARD:** No, dispense, dispense. They're just trying to waste time.

**MR. CHAIRMAN:** There has been reference to reasons why they would not attend the committee. I think, to be fair to the individuals, we should read their response. Is that agreeable to the committee?

**MR. G. FILMON:** We would rather have it in his words than in the Minister's.

**HON. A. MACKLING:** Well, the Leader of the Opposition agrees.

**MR. CHAIRMAN:** A letter dated Friday, November 28th, was received by Mr. Binx Remnant, Clerk of the Legislative Assembly and states:

"Thank you for your letter of yesterday's date inviting me to appear before the Standing Committee. I understand that the committee has extended this invitation because my name frequently appears on the attendance list as an observer for meetings of the MTS Board of Commissioners. This has apparently created a misunderstanding about my role at these meetings.

"The activities of this office, as reviewed by the Legislature this year through the Estimates process, are to provide advice to the Minister responsible for telecommunications policy, on policies legislation, regulations and intergovernmental negotiations which will ensure that telecommunication services meet the needs of telephone subscribers and broadcast service users in Manitoba, provide assistance to Native broadcasting services in Manitoba.

"As senior policy advisor in this office, I have been invited by the chairperson to attend as an observer at most MTS Board meetings since March 1985 in order to facilitate improved policy coordination between the government and the Telephone System, particularly with respect to interjurisdictional negotiations. However, this office has no responsibility to oversee the day-to-day operations of the Manitoba Telephone System or MTX, nor has it been our function to monitor management practices or audits of either corporation. We have not reported to the Minister on such aspects of MTS-MTX operations. The board of the System reports directly to the Minister responsible for the administration of The Manitoba Telephone Act on such matters. Inasmuch as my attendance at the MTS Board meetings was for the limited purposes described, it would not be appropriate for me to appear as a witness before the committee during the consideration of the MTS Annual Report and the Coopers and Lybrand Management Audit."

That is the letter from Mr. Feaver. There is also a letter from Mr. Silver. Shall I read that into the record? (Agreed) It's also to Mr. Remnant, dated November 28th.

"Dear Sir: I have received your letter dated November 27, 1986, inviting me to attend the forthcoming sittings of the Standing Committee on Public Utilities and Natural Resources. Given the limited time frame available to me, I've had only a brief opportunity to scan the minutes of the committee session on Wednesday evening, from which I was naturally alerted to the discussion concerning the possible legal implications arising from one's participation in the hearings. As yet, I have not had an opportunity to consider the ramifications of this matter and therefore I must respectfully advise that I will not be available to attend the sittings."

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

**HON. G. DOER:** Mr. Chairman, are there other indications from the people invited, to the Clerk, just so we have it all?

**MR. CHAIRMAN:** The other indication was from Ms. Phillips. It was received as a message or a written letter will be coming to the committee. We have not received responses from the other individuals who were invited. Mr. Orchard.

**MR. D. ORCHARD:** Mr. Chairman, I just want to read from Page 24 and I believe it's Volume V of the Coopers and Lybrand report. Then I would move into a series of questions, with your permission, Mr. Chairman.

"The Minister is also kept informed about the operations of the telephone company through his Telecommunications Group which is responsible for monitoring telephone policy and regulation. A member of this Group is an observer at MTS Board meetings." Coopers and Lybrand came to the conclusion, through discussions with Mr. Feaver, which we do not have the opportunity at this committee to come to that conclusion, that the Minister was kept informed about the operations of the telephone company, no narrow sort of focusing that the Minister is attempting to say in committee today.

Mr. Chairman, I want to go through a series of notes from the minutes of the Manitoba Telephone System and the MTX Board, and I believe we've got some additional copies for anyone in the media who might be interested.

Mr. Chairman, this whole scenario on MTX and MTS and their involvement in Saudi Arabia goes back, as we're well aware, to January . . .

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

**HON. R. PENNER:** A point of order, Mr. Orchard, for a moment. I think I heard the member say that he has copies of these notes for the media. Does he also have copies of these notes for the committee or does he propose to do the courtesy for the media but not for members of the committee?

**MR. D. ORCHARD:** Mr. Chairman, the Minister and members of this committee, particularly government members, have these because these are excerpts from the minutes prepared by MTS for the government and they're all source MTS documents and the government has all of this information.

**HON. R. PENNER:** . . . I'm not prepared to make that assumption in the absence of seeing the documents.

**MR. D. ORCHARD:** Possibly we could give Mr. Penner a copy of this so that he's satisfied, but he has this information already that his government has had for several months.

Mr. Chairman, I heard a comment that someone else wants a copy. Unfortunately, we're on a rather limited budget and time constraint. We didn't have time to make copies for all members of the committee.

**MR. CHAIRMAN:** If it's so agreeable, I think the Clerk's office would make additional copies for members of the committee.

**MR. D. ORCHARD:** Mr. Chairman, it is absolutely correct that I have provided enough copies for the media

because the government knows all of this information, the media does not. That's why the media gets . . .

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

**MR. M. DOLIN:** In order to alleviate some of the process, I have not seen the configuration of the documentation that Mr. Orchard's talking about. If he'd like, I will go and run some copies now and bring them back for members of the committee.

**MR. D. ORCHARD:** When Mr. Penner gets his copy, he can.

**HON. R. PENNER:** Mr. Chairperson, this is really quite an important issue and I just want to place on the record my concern. I have never known a procedure pursuant to which a member, who is about to refer to a document, apparently, to which he attaches significance, says I'm distributing it to the media but not to members of the committee. That simply is against the rules and precedents of this committee. If documents are referred to in committee, they are tabled for the committee.

**MR. G. FILMON:** Mr. Chairman, on a point of order.

**MR. CHAIRMAN:** One moment please, Mr. Filmon.

**HON. R. PENNER:** That is a very important point of order.

**MR. G. FILMON:** On the same point of order, I have the same point of order.

**MR. CHAIRMAN:** Order please. I have not recognized anyone. If we can please have some order.

Mr. Filmon.

**MR. G. FILMON:** On the same point of order. I might remind the Attorney-General that during this recently completed Session, recently past Session of the Legislature, while I was up questioning the First Minister on the participation of the Minister of the Environment in an SRTC, a letter was distributed to the media that was refused to me in question period in the House while it was being distributed to all members of the media, a letter of explanation by the Minister of the Environment as to how he had participated in the SRTC, and I was not given that document when asking for it in the House. So let this Attorney-General not suggest that in some way his government is so clean on these matters.

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

**MR. M. DOLIN:** On the point of order, notwithstanding the Honourable Leader of the Opposition's argument that two wrongs make a right, I would suggest that the fact is the Member for Pembina points out that we have the source documents. I would point out that I do not have the excerpted source documents in the sequential manner in which he is presenting them and which he has presented to the media.

Obviously, I have not seen the documents. I have volunteered to run copies of the documents for the committee. If the member would provide me with an original, I will go and copy it and supply it to members of the committee so we all know the documentation to which he is referring.

**MR. CHAIRMAN:** I thank members for their comments on the point of order. In reviewing the rules, there is no requirement that the document be tabled, but I think, as a matter of courtesy, perhaps if a copy could be provided to the Clerk, we could provide copies to members of the committee.

Mr. Orchard.

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

Mr. Chairman, we have a situation in the Province of Manitoba wherein a government, a Crown corporation has been found to have exposed the corporation to a \$25 million risk, some say higher. In this system, Ministers have been responsible for the Telephone System, Ministers have in a succession of duties, been appointed to be the overseer of the Manitoba Telephone System, the most recent one being Mr. Mackling, for the last almost two years.

Now, Mr. Chairman, various things have happened in terms of the board over the past few years, but I want to indicate at the start that this government, when it was elected in 1981, changed the board and replaced the Chairman who was a private sector businessman, with Mr. Saul Miller, former Cabinet Minister in the New Democratic Party Government and former Cabinet colleague of Mr. Mackling. They also put a backbench MLA on the board as was traditional, the Board of Commissioners of MTS.

Now in addition to that there have been a number of appointments and a number of different individuals present at board meetings at which various issues were discussed. What I would like to do this morning, Mr. Chairman, is point out how, through a series of approximately four years now, this government has had a series of warnings placed before the Manitoba Telephone System Board, a board which, as I said, had the former Cabinet Minister, Cabinet colleague of this present Minister as Chairman of the Board, had as an acting Chairman of the Board, the now Speaker of the House, Ms. Phillips, has presently the Member for Inkster as a member of that board, all of whom, particularly the elected members of the board, one would assume from time-to-time might discuss telephone matters with the Cabinet Minister responsible. I see the Member for Inkster nodding his head in agreement that that is something that he considers was his role as a member of the board.

Mr. Chairman, I want to take you through a series of warnings bearing in mind that Mr. Miller, former Cabinet Minister, former Cabinet colleague of Mr. Mackling was Chairman of the Board for most of these meetings. When he wasn't, Ms. Phillips was acting Chairman of the Board and all during that time Ms. Phillips or another backbench member of the NDP were on the board and we currently have another backbench MLA on the board.

The reason I want to take you through this track through the board is because this Minister and this

government are content to hang their lack of responsibility on the fact that no one told them, they had no knowledge. I want to demonstrate the knowledge was there for them to see from 1982, and in that regard, I want to refer to the February 22 and 23, 1982 board minute in which the Provincial Auditor raises concerns.

"In February 1982 re the incorporation of MTX, particularly the financial obligations which might arise out of this wholly-owned subsidiary," from the board minutes of the MTS Board which Mr. Miller and Mr. Doern were members. They were worried about the financial exposure to the Telephone System in February 1982 and were advised of that by the Provincial Auditor, in February 1982.

Mr. Chairman, in March 1982, a decision was made by the board that all MTX Board minutes would be given to MTS commissioners. I remind you at that time Mr. Miller, former Cabinet colleague of Mr. Mackling, was Chairman of the Board of MTS and Chairman of the Board of MTX. The backbench Cabinet member received copies all along of MTX Board minutes, in which the operations of MTX were fully discussed, and as Mr. Scott has indicated by nod of head, he was in communication with his Minister and reporting to his Minister.

April 19, 1982 - and this is a very important reference in the Board of MTS. They said that the key results of Datacom should be reported monthly to the MTS Board, monthly. This is April 19, 1982, eight days after we signed our Letters of Agreements in Saudi Arabia because they were signed on April 11th. "The key results of Datacom would be to be reported monthly," from the board minutes.

Now I want to go across the side of the chart that I have here. On December 9, 1982, Mr. Miller, who was Chairman of MTX Board, discusses the Provincial Auditor's report for the year ending March 31, 1982, with particular respect to his concerns that MTS ratepayers, the very people that are being asked today to take on at minimum \$25 million of loss, are potentially liable for any losses which might arise from MTX. Board minutes of MTX circulated to the Board of MTS including a backbench member of the caucus of the NDP Government received a copy of that in which those discussions took place, about the potential losses, potentially liable for any losses which might arise from MTX - December 9, 1982 - warning on the wall.

Mr. Chairman, in September 13, 1983, a commissioner of the Board of MTS -(Interjection)- Mr. Chairman, on September 13, 1983, Mr. Scramstad who is a member of the MTS Board of Commissioners - and I might add right now that Mr. Scramstad appears to be the only responsible member of the MTS Board throughout this whole fiasco. Because in September 13, 1983 board meeting, Mr. Scramstad said that his previous request from the meeting before, quote-unquote, and I'll get it exactly so that I don't have difficulty: "Commissioner Scramstad advised that his request of the previous meeting was related primarily to the receivables of MTX being high compared to sales revenue."

Now bear in mind there is former Cabinet Minister Mr. Miller there as chairman of both MTS and MTX, Cabinet colleague of the Ministers responsible and a backbench NDP, MLA at that meeting. September 26, 1983, we have . . .

**HON. A. MACKLING:** Mr. Chairperson, I think it would be helpful . . .

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

**MR. D. ORCHARD:** Is this a point of order?

**HON. A. MACKLING:** No, I have a right to respond. You don't have the right to the floor without interruption by the Minister . . .

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

**HON. A. MACKLING:** Just a moment -(Interjection)- No he does not. Mr. Chairperson . . .

**MR. CHAIRMAN:** Order please.

**HON. A. MACKLING:** I think it would be helpful . . .

**MR. D. ORCHARD:** Who did you recognize, Mr. Chairman?

**MR. CHAIRMAN:** Order please. I recognized Mr. Mackling. We will see if Mr. Mackling has a point or order.

**HON. A. MACKLING:** Yes I have.

**MR. D. ORCHARD:** Well, he says he doesn't.

**MR. CHAIRMAN:** Do you have a point of order, Mr. Mackling?

**HON. A. MACKLING:** Under a point of order then.

**MR. D. ORCHARD:** This is so bizarre.

**HON. A. MACKLING:** The honourable member is referring to meetings, minutes of a board. I think that it would be fair and responsible for him - I don't insist that he be fair, I've given up on getting him to be fair - to outline in that board meeting what the concerns were and what the response was from the administration. What was the response -(Interjection)- Mr. Chairperson, I know Mr. Filmon is agitated because he's not making the big case out of this that he would like to.

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

If we could please keep the interjections to a minimum, allow the person that is recognized to state their point. If the person has a point of order, it will be dealt with; if the person does not have a point of order, it would also be dealt with.

**HON. A. MACKLING:** My concern, Mr. Chairperson, is this. Mr. Orchard has in the House before this committee given a state of facts and put them isolated from the total picture. If he wants to continue to do that, that's fine; but before this committee, if he's referring to minutes and what was said at a committee, then he should put that in context and read into the record what management said in respect to those concerns as they were raised. Let's have the full picture

before the committee, not the selective sections that Mr. Orchard wants to read into the record. Otherwise, on a point of order, I will read the entire minute of each of the minutes that he refers to and I'll read what the auditor said in respect to all of those concerns.

**MR. CHAIRMAN:** We're entering into debate. I would suggest that we follow the normal procedures and that is that if people wish to clarify for the record that they do so, not on points of order but by seeking recognition from the Chair in the normal course of the functioning of the committee.

**MR. D. ORCHARD:** Did the Minister have a point of order?

**MR. CHAIRMAN:** I believe I answered that.

**MR. D. ORCHARD:** I didn't hear the answer, Mr. Chairman.

**MR. CHAIRMAN:** I stated that we were entering into debate and it was not appropriate on a point of order.

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

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

**HON. G. DOER:** On the same point of order . . .

**MR. CHAIRMAN:** Mr. Doer, there was no point of order.

**HON. G. DOER:** Well, Mr. Chairman, I hope that there is an opportunity for people to respond, because if one looks at even as late as September, 1986, Mr. Holland was still saying the organization is profitable.

**MR. CHAIRMAN:** Mr. Doer, there was no point of order. I believe I stated that we have in the last several meetings of the committee been able to accommodate both statements, answers to statements, questions, clarifications, by following the normal procedure of being recognized in turn.

Mr. Orchard.

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

Further, at an MTX Board meeting, September 26, 1983, there was discussion in terms of the operation of the joint venture in Saudi Arabia whereby Al Bassam Datacom, the division owned by the sheik and the 50-50 joint venture "will be operated as one corporation." That was September 26, 1983. That is at distinct variance with answers given to the committee and I simply bring that out, Mr. Chairman, to point out that members who attended board meetings, MTS Board of Commissioners meetings had access to these same minutes from which we pulled this quote and sat on this committee whilst I posed questions as to whether SADL and Datacom were two separate entities and received assurance that they were when these minutes indicate differently.

Mr. Chairman, in February 23, 1984 . . .

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

Mr. Orchard has the floor.

**MR. D. ORCHARD:** Mr. Chairman, at a further board meeting of MTX, February 23, 1984, Commissioner Scramstad, and I once again recognize him for being the most astute observer on the Board of Commissioners, was present with Mr. Miller as chairman of MTX at the MTX Board minutes, presumably by invitation because he raised questions regarding the potential financial liability of MTX. The present liability at that time was \$3.5 million Canadian and ensuing discussion related to insuring accounts receivable was rejected as being too expensive. The solution was going to be that you keep your accounts receivable low. That's the best insurance. Here's Commissioner Scramstad who has raised concerns at the MTS Board now going to the MTX Board to get more information presumably and to find out. I commend him for that. The backbench MLA's and the former Cabinet Minister didn't seem to be as concerned as Mr. Scramstad.

Mr. Chairman, we go to November 19, 1984, and here's a very interesting minute, because MTS is required to guarantee an MTX bid bond because the bank will not extend credit to MTX and do you know what the value of the bid bond was, Mr. Chairman? It was \$400,000.00. The bank wouldn't guarantee this new operation a \$400,000 bid bond. That is not a very large bid bond for a multi-national corporation like MTX moving into external contracts, etc., etc. The point I have that in here is we have now Ms. Phillips at the board; we have Mr. Miller, former Cabinet Minister. I wonder if any of them asked why cannot we get bonding for MTX. Are they not financially viable to receive a \$400,000 bond which many small businessmen in this province can achieve very easily? Were no questions asked as to why this bid bond was refused by the bank because they would not extend the credit? Well we don't know.

Mr. Chairman, January 17, 1985, Mr. Plunkett reviews at the MTX Board meeting the Plunkett report. Many of you have seen the Plunkett report. It was subject of a press conference because it revealed very, very damaging information about the operation of MTX in Saudi Arabia. That was discussed January 17, 1985. Mr. Miller was there and for the last couple of meetings of MTX so was Mr. Frank Baker, and for those who don't know who Mr. Frank Baker was, I believe he's from the Beausejour area. I believe he was a candidate for the nomination in Lac du Bonnet and was beaten by Mr. Clarence Baker for that nod by the NDP Party and is a former law partner of the then Minister of Finance, Mr. Schroeder, the Member for Rossmere. That's who Mr. Baker is and he's on the MTX Board presumably informing, we hope, of problems because that's what board directors are to do.

But here we have the Plunkett report discussed with Mr. Miller present. The Plunkett report is a devastating document to MTX. It would cause anyone to raise questions about what we were doing in Saudi Arabia. Discussed in detail was the intercorporate relationships between MTX, Al Bassam and International Datacom and Telecom and SADL, financial summary of Datacom Division and SADL provided with a review of outstanding notes and line of credit with the Bank of Nova Scotia, Royal Bank and Lloyds International. Financial exposure as of November 1984 are reviewed. This is in 1984.

Mr. Chairman, we have subsequent to this meeting the . . .

**MR. CHAIRMAN:** Mr. Penner.

**HON. R. PENNER:** . . . January 17, 1985.

**MR. D. ORCHARD:** And the financial exposure as of November 1984 was discussed.

**HON. R. PENNER:** Yes, but this was reviewed on January 17, 1985?

**MR. D. ORCHARD:** That is correct.

Mr. Chairman, we are informed at the April 22, 1985, meeting of the MTS Board that Mr. Miller has resigned effective March 15, 1985. Enter Mr. Feaver, the Minister's telecommunication group person. When Mr. Miller departs as chairman, Mr. Feaver sits in on all the boards, Mr. Feaver being a political advisor to this Minister.

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

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

**HON. A. MACKLING:** The honourable member I know has . . .

**MR. D. ORCHARD:** Policy advisor to this Minister.

**HON. A. MACKLING:** Okay.

**MR. D. ORCHARD:** And at that time, in April 1985, the brief to the Cabinet on MTS rate increases were there. Mr. Chairman, I have to catch up in my notes here, but I want to tell you that the June 10 meeting is the next one that is important and bear in mind that we now have Mr. Miller resigned as Chairman of the Board; we've got Ms. Phillips as the Acting Chairman, Ms. Phillips the NDP, MLA colleague of Mr. Mackling who is now Minister. We have Mr. Feaver at this meeting as well from the Minister's staff.

At this June 10, 1985 meeting, Commissioner Scramstad, again, states concern about lack of MTS information, and responsibility of MTS Board for MTX activities. Once again, he's telling people; Myrna Phillips, again, he's telling her, as Acting Chairman, I've got concerns. Mr. Scramstad suggests regular reporting mechanism for MTX be established. That was agreed to in April, 1982, and as of June 10, 1985 - three years, two months later - it's never been established and we're to accept that the board, and Mr. Miller, as chairman of the Board of both MTX and MTS, MTX to have reported to his Board MTS, and it hadn't happened; and we have a request that a report on MTX be submitted to the board.

Now there is an interesting thing happened at the June 10, 1985 meeting. We have Ms. Phillips, as Acting Chairman, advising of a letter from the Minister of Industry, Trade and Technology - and I have in brackets Mr. Kostyra at that time, and I hope this is correct - and Cabinet advising investment in the new corporation. And what the substance of that note was is that the letter came from IT and T and this letter, and I'll quote this: "This letter advised that Cabinet had reviewed the proposal to create a company known as North

American Telementary Limited; that Cabinet believed the establishment of such a corporation could be beneficial to the Manitoba economy; and that any investment by the Manitoba Telephone System should be at the discretion of the Board of Commissioners and should be based on corporate business objectives."

Now, they'd already retained, apparently, Mr. Fullerton to work full time, but at this meeting, with this letter of directive from Cabinet, they approved, the MTS Board approved, a \$700,000 investment in NAT. Now, that is the first direct evidence of Cabinet direction to the MTS Board. And we're not talking the lightweights in Cabinet, we're talking Mr. Kostyra, member of ERIC committee, etc., etc., recommending to the Board of MTS their involvement.

Mr. Chairman, June 26, 1985, we have a meeting of MTX. Now the MTX meeting at this one again expresses concerns with respect to accounts receivable which had not been monitored satisfactorily in late 1984, circa the Plunkett Report that this board had. The board advised that the 1985 business plan could only be achieved if each partner invested an additional Saudi riyal 5.3 million. The board reviewed - and here's the important word - the consolidated statements of Datacom year to date consolidated financial statements, SADL and the division of Al Bassam. They were reviewing them as one and the same, as was reported in Coopers and Lybrand. After we had been told in committee that they were separate entities, while the acting chairman of the board sat in this committee, knew that was not the case, and had Mr. Provencher tell me in committee that they were two separate and apart entities. And Ms. Phillips, as Acting Chairman of the Board, received these minutes, where again they had talked about Datacom and SADL consolidated being one and the same, and Ms. Phillips sat across here, while Mr. Provencher sat in that chair, and did not tell me the truth about the business operations in Saudi Arabia. Now I ask you, members of the Manitoba public, who was telling the truth and who wasn't? You can't simply blame that one on staff because Ms. Phillips sat here and listened to a senior executive of MTS mislead this committee. That's what happened, Mr. Chairman, last time around.

Mr. Chairman, further it says they "reviewed the consolidated financial statement." SADL Board agreed. Here's the interesting thing, Mr. Chairman.

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

**HON. R. PENNER:** On a point of order, Mr. Chairman. It may be that someone gave information which was not accurate, although that is not certain because it is a question of interpretation, whether two separate corporate entities working together and reporting through a consolidated statement are or are not one. It is purely a question of interpretation, but to say that the person lied and misled is inaccurate and the record ought to show that that judgment is not available to the Member for Pembina.

**MR. D. ORCHARD:** Does the Minister have a point of order?

**HON. R. PENNER:** Well, it is, because somebody is being impugned on the record who isn't here in order to respond.

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

**MR. CHAIRMAN:** Order please. I caution members in terms of using such terms as "misled." It appears on both our parliamentary and unparliamentary lists. Perhaps if we could be wary of crossing that line into the unparliamentary language.

Mr. Orchard.

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

I want to further add what that June 26, 1985 MTX Board meeting said: "SADL Board agreed to take on the management responsibility of the financially troubled Telecom Division of Al Bassam International." Now, that was the division we were told consistently was free-standing and not at all involved. Here the MTX Board is aware that SADL has agreed to take on the responsibility of the other division and, once again I reiterate Ms. Phillips, as Acting Chairman of the Manitoba Telephone System Board, received these minutes with this explanation of the involvement of MTX in Saudi Arabia.

Mr. Chairman, we come to the letter of August 9, 1985, which was presented to the MTX Board of Commissioners from Mr. Silver, Deputy Minister, Crown Investments, to Ms. Edmonds, Chairman of the Board, and his concern, according to the minutes of the meeting, are interest-free loans to SADL. Now, Mr. Chairman, we have not got a copy of that letter yet. The Minister has indicated that as soon as it can be made available we'll see what was in it but, Mr. Chairman, I want to point out that we now have Ms. Edmonds on board as Chairman, we've got Ms. Phillips there as a member, and we are talking about interest-free loans to SADL. Now, Mr. Chairman, that was on August 12, 1985. When we asked about loans in committee in 1986, we did not get very many answers from anybody, but here's a letter from Mr. Silver talking about interest-free loans. Yet we had to dig, squeeze, persuade, cajole and ask the precise question before we found out about the loans in Saudi Arabia, when this was knowledge, apparently, August 12, 1985. Mr. Chairman, again Ms. Phillips was at that meeting and at this hearing.

Mr. Chairman, on September 5, 1985 MTX Board meetings the board discussed the need for additional capitalization - presumably of MTX because this is the Board of MTX - noting that cumulated losses in SADL to December 31, 1984, amounted to \$2.45 million, which exceeded the equity investment by \$1.6 million. Lines of credit, which have been established are no longer available to finance accounts receivable. Board decided to seek approval from Minister for an increase in MTS equity investment in SADL by \$2 million. This is the first time that they decided they're going to get more money poured in, after all of the warnings that the MTX Board about financial difficulties, losses, accounts receivable, etc., etc., and they are going to approach this Minister, Mr. Mackling, for some additional money.

Now, Mr. Chairman, we enter a very interesting meeting on September 22nd, 23rd, and I have to tell you that this one here has an extensive discussion and I think it might be - I won't take the time on it today because it's very extensive - but, basically, if I interpret this correctly, what the MTS Board is discussing on

September 22 and 23, 1985, is almost a new mission that is mandated by government policy, Cabinet policy, wherein MTS, as a Crown corporation, is going to become a vehicle for further economic development in the Province of Manitoba, that if we are going to make investments, let's channel them through MTS. Now this is new Cabinet directive down, once again, from Cabinet to the Board of MTS. The discussion is quite widely noted in the minutes and I don't want to take time to go through that. The press have it. They can ask questions later of the appropriate Minister if he can answer. But their expanded mandate most clearly reflected the policy of the board, providing there was government support for rebalancing rates and expanding, as appropriate, into other related telecommunications business.

Now here's what it says in the note. It was agreed that MTS must follow Provincial Government guidelines for Crown corporations and Ms. Edmonds agreed to report to the Minister the sense of the meeting and this would be followed by a presentation to the ERIC committee of Cabinet. So we've got Cabinet putting a directive down, the board discussing their marching orders and then going back to ERIC, presumably, saying yes, we agree. That happened once with North American Telemetry already. So that's a change where government policy is now being directed to the MTS Board. So this political hands-off that we've been told all along didn't exist in 1985.

Now, Mr. Chairman, we have on September 22 and 23, 1985, advice from Mr. Provencher that the Andersen overview audit is complete and we have a second reference in that meeting that the audited financial statements for MTS will be available at the end of October.

Now, there is a note in the meeting, and I'll try to dig it up so I quote it directly. The director of finance - that I presume is Mr. Provencher at the time - advised that the external auditor, Arthur Andersen and Co., had completed his audit - this is it - in May 1985 of SADL and the auditor's report and the MTS audited financial statements for the year ending March 31st, etc., etc. Now the external auditor has requested that the president of MTX Telecom Services obtain further information from SADL and Al Bassam International to verify the collectibility of outstanding drafts which MTX has discounted with the Bank of Nova Scotia and the Royal Bank.

Mr. Chairman, the Andersen audit points out, and I'll quote directly from the first page of it - this is from the Arthur Andersen audit of SADL in Saudi Arabia - "Our principle concern is the extent to which capital, approximately \$12 million, has been exposed in a high-risk environment without adequate controls to protect either the capital or ensure a rate of return commensurate with the risk." - 1985. It's very legitimate and they are requesting further information. Mr. Chairman, I point out to you again that Ms. Phillips was part of the board and Ms. Edmonds was the Chairman of Board at the time.

Now, at this same meeting, they talk about the increased capitalization to MTX of \$2 million. This is in view of information that MTX is getting in a very serious financial situation. This MTS Board is still saying we're going to go to the Minister and ask for \$2 million more when we've got a financial exposure explained,

May 1985, that we've got a \$12 million financial exposure, and in September 1985, they're still talking about going to the Minister for an extra \$2 million of capitalization.

**HON. R. PENNER:** Could I ask a question for clarification? You refer to May of '85. Is that the date you are suggesting when the Andersen report was received by the board?

**MR. DEPUTY CHAIRMAN, M. Dolin:** Mr. Orchard.

**MR. D. ORCHARD:** Mr. Chairman, that is the date on the Andersen report and it was received by Mr. Holland. It was subsequently copied to board members and I'll get into that at a later date if you wish.

**HON. R. PENNER:** At what date was it copied to the board members?

**MR. D. ORCHARD:** It is somewhat unclear by the board minutes and Ms. Edmonds may wish to, but it appears to be . . .

**HON. R. PENNER:** Well, this is pretty important because I'm trying to follow this.

**A MEMBER:** It's the end of October according to the minutes. It's not unclear.

**MR. D. ORCHARD:** Given time, I will explain what we have. There are a lot of questions to be answered here.

**A MEMBER:** He's only at May on that issue.

**HON. R. PENNER:** He was up to September of '85 and jumped back to May, so I was trying to get the sequence.

**MR. D. ORCHARD:** Have I got the floor, Mr. Chairman?

**MR. DEPUTY CHAIRMAN:** Mr. Orchard has the floor.

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

**HON. R. PENNER:** It was just a question for clarification. I'm sure Mr. Orchard wants to be helpful.

**A MEMBER:** He will answer it . . .

**MR. DEPUTY CHAIRMAN:** Mr. Orchard, would you entertain a question for clarification?

**MR. D. ORCHARD:** The question he's asking will be clarified.

**MR. DEPUTY CHAIRMAN:** Mr. Orchard has the floor.

**MR. D. ORCHARD:** Mr. Chairman, now let us go to the October board meeting, which is 1985. We have Ms. Phillips in attendance; we have Mr. Feaver in attendance; we have Ms. Edmonds in attendance as chairman. We are told at this stage of the game, No. 1 - and I'd better dig out my exact minutes so that we don't have a problem - we were told that - now let me just refer back to the September meeting because it's

important to know what the board approved in September. In September, the board approved a request to the Minister which was then subsequently sent to the ERIC committee of Cabinet, with Mr. Cowan, Mr. Kostyra, Mr. Schroeder and Mr. Parasiuk on it, asking for additional capitalization to go into the Saudi Arabian operation which was losing money. But the increased capitalization of \$2 million is to be matched by the Saudi partner. That's the condition under which the board went to the Minister and he approved it and subsequently it went to ERIC and subsequently they approved it on October 18, 1985, which is interesting.

Mr. Chairman, we have at that October meeting, October 21, 1985 . . .

**A MEMBER:** October 18th or October 21st?

**MR. D. ORCHARD:** October 21st is the meeting day. We have Ms. Edmonds requesting a report on SADL and we're told that SADL will not meet forecasted revenue target still in a net loss position. Now this is after the board has recommended to the Minister that these extra funds be put in. The Minister has taken it to ERIC committee of Cabinet, this pretty powerful committee of Cabinet, the heavyweights of the Cabinet - Mr. Cowan, Mr. Parasiuk, Mr. Kostyra, Mr. Schroeder as part of the membership - they have already approved this thing on October 18th, in which you are informed, Mr. Chairman, of the approval at ERIC committee of the \$2 million Saudi riyal investment.

Now, Mr. Chairman, I would like to find, if I can find in the minutes here. I've got so many things noted here. It's October 21, 1985. At this same October 21st board meeting, bearing in mind that they have recommended to the Minister that this \$2 million be matched by the Saudi partner, the Ministers agreed, ERIC has agreed, and we find out at the meeting on October 21st that the Saudi partner has put in \$2 million Saudi riyals, not dollars, roughly one-third of what was required, and we do not have one single warning bell go off saying: what's going on here? Not one single warning bell? I find that quite interesting, but let us deal with the October 21st board meeting and we'll talk about other areas that were discussed.

In conjunction with that application for an extra \$2 million, Canadian, into the Saudi Arabian operation. They are also asking for, in total, \$8.5 million of additional capitalization from MTS to MTX. Bear in mind there have already been some Cabinet directives come down controlling what MTS should do. ERIC committee has approved that \$8.5 million. They've approved \$2 million of it to SADL.

Mr. Chairman, I don't know what information was requested when they made the \$2 million approval to SADL, but some things should have been asked for by this powerful, knowledgeable ERIC committee of Cabinet, the ones who I think primarily will be taking over this new super Cabinet group who are going to direct the operations of all our Crown corporations and keep us out of trouble. This is basically the same group; I think this is the same group.

Now they're asked to approve a Cezar investment which, rough figures, was \$3.5 million. They were presented a Business Plan and, Mr. Chairman, they approved it. They approved this Cezar investment, and

do you know what the board said was their attachment of a note when they found out about the approval of Cezar?

They said that comments were received from ERIC - this is the board minute - "Comments were received from ERIC re: aggressive profit expectations for the Cezar proposal." It would seem to me from that the ERIC committee didn't buy the proposal that was put before them on the financial expectations of Cezar when they approved it. I want to tell you what they approved, because the Minister gave me this Business Plan last Session.

When they approved that on October 18, 1985 they were to achieve, by the end of July 1986, which is about eight months, \$11.3 million U.S. in sales, with earnings before tax of \$5.4 million, available for dividends, hence, profit to them, as an investor, \$2.6 million, U.S. I think, as of July 31 1986, they haven't sold anything yet.

The note to the MTS Board important, coming from ERIC committee, this powerful group of Cowan, Kostyra, Schroeder, Parasiuk - the think tank of the NDP Government, the heart and soul of the NDP Government - said to the MTS Board: "We believe that it may be an aggressive profit expectation for the Cezar proposal." They already didn't believe it, but they approved it and now, consequently, I think the Coopers and Lybrand group says that may never pay profits. That's a very, very questionable investment.

So I think it's important at this time that we pause slightly and we review where we've been. Starting in 1982, we had the Provincial Auditor warning that there was financial exposure to Manitoba Telephone System and the ratepayers as a result of MTX. We have, in successive meetings, Mr. Scramstad, as Commissioner, expressing concerns about accounts receivable, exposure to the ratepayers of Telephone System at successive meetings and asking for monthly reporting statements which were promised as of April 1982 to come from MTX to the MTS Board and were never delivered. Three years later they were still asking for those monthly reports while Mr. Miller was the Chairman of the MTX Board, etc., etc., etc.

Bear in mind also that all during this period of time the MTX Board Minutes had been distributed to the likes of Mr. Miller, because he was the chairman of that board, but Ms. Phillips got them, Mr. Scott got them and we're going to be checking to see whether Mr. Feaver got them, as the Minister's policy advisor at the board.

We have in January 1985 Mr. Miller reviewing the Plunkett Report which laid out some very clear danger signals to the MTX Board; those minutes available to Ms. Phillips; then chairman, Saul Miller, because he was the chairman of the same board. January 1985 we had the internal MTS audit which I attempted to find out and MTS couldn't tell me this morning what date it was available and when it was available. It was dated April 2, 1985, but Mr. Miller was copied with this one. There are significant warnings in this one. This is all going on in early 1985.

We have Mr. Miller resigning - and some people have called it a retroactive resignation - from the board because it's noted in the April minutes that he resigned March 15th. He doesn't sign the 1984-85 Annual Report wherein the first public disclosure of the problem in Saudi Arabia is brought to public attention. He allows

Ms. Phillips, as acting chairman, to sign this report because he resigns March 15th.

I pause to also add that this Minister and Mr. Holland received a copy of a letter on February 7, 1985 that I wrote, concerned about accounts receivable, the exposure to the Telephone System of the Saudi Arabian operation. That was on February 7, 1985. All of these warning signals and evidence were there in early 1985.

I don't have it with me this morning, but I'm reminded by my colleague that the Provincial Auditor's letter is available, in 1985, and it has some questions that should be asked - and we'll get into that with a professional auditor and we'll ask him what a Minister responsible should have done having received that letter. We'll find out about that; we'll get to that, be patient.

In May 1985, we have Mr. Holland and subsequent distribution of the Arthur Andersen very devastating report on the analysis of SADL in Saudi Arabia. All of this information is there and here's what we have. We have this powerful committee of Cabinet, the ERIC committee of Cabinet, the heavyweights, Cowan, Kostyra, Parasiuk, Schroeder, the Minister responsible, Mackling, is there. He's headmaning this whole effort to get an extra \$2 million in Saudi Arabia when the warning signals are there.

Mr. Chairman, I don't know what an ERIC committee should do, but I would speculate that if someone came to me and I was in a Cabinet committee and they said we need another \$2 million for capitalization of our operation in Saudi Arabia. I think I'd ask: what does the latest financial statement say? Show me the latest financial statement.

I don't know whether that question was asked, but I can assure you, given some of the discussions that I had with Mr. Beatty this morning, that the Arthur Andersen Report, which is right here, because the Minister gave it to me, is sent by covering letter to the shareholders of MTX Telecom Services October 25, 1985. That's seven days after ERIC committee approved it, but it wasn't just created in those last seven days. A draft copy was available, had the request been made, a draft copy as was so conveniently mentioned by earlier members in this committee, that certainly the financial reports of MTS were available well in advance of the final printing of the report. We make that assumption here, but I suggest to you that this ERIC committee of Cabinet did not ask any single questions.

Can you honestly say, if you're an impartial - and I admit I'm not impartial - but if you're an impartial outside observer of all this going on, can you say, with the warning signals there, known by the chairman who resigned, they changed Ministers, they have done all sorts of changes, but one thing is consistent, Ms. Phillips is always there, she's acting chairman, but can we be expected, as taxpayers of Manitoba, to believe that this government acted responsibly when they approved an extra \$2 million to SADL without even asking to see a financial statement? And had they asked, Mr. Chairman, here's what they would have seen in this financial statement: "The recoverability of the investment in SADL and the related trade receivable described above is uncertain at this time." That's where it came from.

They didn't ask for that. They simply rubber-stamped two more million dollars of taxpayer monies to be squandered in Saudi Arabia whilst we don't have money

for education, while we don't have money for hospitals, CAT scans and all the other things that the Premier last night at the Union of Manitoba Municipalities told us they didn't have money available for. But the ERIC committee of Cabinet, the Cabinet committee, no doubt and membership of which it is going to now take over

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

**MR. M. DOLIN:** A point of personal privilege, Mr. Chairman. As fascinating a scenario of circumstantial evidence the Member for Pembina is leaving, he has now had the floor for over two hours.

On Wednesday I requested that Mr. Cumming, the author of Volume 6 of Coopers and Lybrand be present. I know he is present. I'm wondering, are any other members of the committee going to have the opportunity to deal with the Coopers and Lybrand Report. If not, I would like to ask whether or not Mr. Cumming will be available on Monday. I would be willing to postpone then if he is available, but I did ask on Wednesday. I was told he was going to be here. I see the time is running out. Mr. Orchard can have all the time he wants, as long as I know I have the opportunity to question him in the area of human rights that I am concerned about and that I asked about on Wednesday.

**MR. CHAIRMAN:** Mr. Dolin, you do not have a point of personal privilege. It might be a point of order, but it's not a question of personal privilege.

**MR. M. DOLIN:** Could I perhaps get a response whether Mr. Cumming will be available next week?

**MR. CHAIRMAN:** There is some question raised as to whether Mr. Cumming will be available . . .

**MR. D. ORCHARD:** Just will he be, yes or no? Mr. McKenzie can answer that.

**MR. G. MCKENZIE:** Yes, Mr. Cumming can be available on Monday.

**MR. M. DOLIN:** Okay, thank you.

**MR. D. ORCHARD:** That's all right, I appreciate your concern.

Mr. Chairman, the whole argument the government is putting down is that they knew nothing. You know, I guess it's an easy argument to fly by when you simply ignore all the warning signals and never ask any questions, which is why we want the resignation of this Minister, because he was Minister for the whole period of time that these pieces of information were coming to light.

This Minister sat back, made recommendation to Cabinet for \$2 million. The incompetence that's rife with this is indescribable. Now we've got, Mr. Chairman, further up the government we've got the ERIC committee, the heavyweights, the brain tank, the brain trust of the NDP Government, the heart and soul of this government making bad investment decisions at the ERIC committee, and we're asked to believe that these people are competent enough to govern. I say no, and you can't plead on ignorance.

Now, Mr. Chairman, I want to go onto another part of this report . . .

**HON. A. MACKLING:** No, Mr. Chairperson, I think the honourable member . . .

**MR. D. ORCHARD:** Mr. Chairman, is he on a point of order?

**HON. A. MACKLING:** The honourable member does not have a right to dominate and the Minister not have an opportunity to reply. Now I am going to reply to some of the concerns that -(Interjection)- I'm sorry.

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

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

**HON. A. MACKLING:** You can't dominate forever.

**MR. D. ORCHARD:** This is not the political . . .

**HON. A. MACKLING:** I have a right to respond within the time.

**MR. D. ORCHARD:** You've got Monday.

**MR. CHAIRMAN:** Order please.

**HON. A. MACKLING:** . . . deal with it today.

**MR. D. ORCHARD:** Mr. Chairman, let's go over 12:30, we've got nothing else to do.

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

**MR. D. ORCHARD:** Sure, we'll keep going.

**MR. CHAIRMAN:** Order please.

I believe the understanding was that members would continue on a line of questioning, that other members could also participate on that same line of questioning. Perhaps Mr. Orchard could indicate if he's moving to a new topic, if he's continuing on the same line of questioning . . .

**HON. A. MACKLING:** He paused and said he was going to go to some new questioning.

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

We seem to have functioned rather well thus far, largely because of the willingness of members of this committee to facilitate its proceedings. If Mr. Orchard is continuing on the same line, I would indicate that I will recognize him on that. If there are other members having comments on the same line of questions or the same line of discussion, I will recognize them at the point at which Mr. Orchard has finished his discussion on that same line.

Mr. Orchard.

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

Mr. Chairman, we've got the scenario developed, I think, as pointed out which led to the ERIC committee approving investments, \$8.5 million worth, a large

portion of those appear to be in severe risk, some less than a year later, those are in severe risk.

As I've said, ample warning indications were there from internal audits of MTS to Plunkett documents of the president of MTX, to Arthur Andersen audited statements available. All it had to do was be asked for and it was available. Every one of them was available that was asked, "Is the MTX operation viable and sound?" But obviously they didn't ask. They simply poured money, bad money after worse, and, Mr. Chairman, we find that unacceptable as Opposition members protecting the people of Manitoba and their scarce resources. We do not believe the stakeholders of the Manitoba Telephone System were well-served by that decision of this irresponsible Minister and by the ERIC committee of Cabinet.

Mr. Chairman, I want to refer to the November 18, 1985 MTS Board where we get into the discussion of Note 11 led by Ms. Edmonds, because Ms. Edmonds requests an outline of the current activities of MTX. The status report by D.J. Plunkett was reviewed in detail by Andersen. Board requested MTX prepare a briefing note dealing with Note 11 in the MTS Board minutes. That's the one that gives us the first public warning that we never got till after the election.

Now, it is indicated in the minutes that a lively debate ensued. I have no idea whether that is correct or not, but that's November 18, 1985, but they wanted clarification, according to the minutes, of the uncertainty of realization of assistance investment in MTX.

Now, that was November 18, 1985, so there's concern at the board level, very serious concern. Whether that was discussed with the Minister we don't know because apparently information, if I understand the process, maybe didn't get to the Minister from the chairman of the board.

But here's an interesting thing and I know the members of the media will be greatly interested in this one. The board decides that there is need for improved public information on MTX and encourages media interviews to bolster image; i.e., Roger Newman, Winnipeg Correspondent, Financial Post. Can you see the scenario already developing? They know they've got a problem. Now they are trying to manipulate the media into political damage control. It started 18th of November 1985, improve and polish the image of MTX by utilizing and I add "manipulating the opinion that media that might form of MTX."

Whilst they had all of this information at their disposal, they want the media to be given a polished image of MTX, and why? Because this is a government over its four-year mandate, approaching an election with a 1983 Cabinet document saying that there shall be nothing controversial come out of Cabinet or departments. Everything must be kept under cover, quiet, so there's no controversy, and here they are, the Board of MTS deciding we're going to polish the image of MTX. Incredible, Mr. Chairman.

At the December meeting of the board they're talking about wind-down scenarios for SADL, downsizing in operation in Alkhorbar, two months after they just went to the ERIC committee of Cabinet and said we need \$2 million more. Two months later they're talking about winding down the operations. Is that a responsible activity of a Board of Commissioners, of Ms. Phillips, a member of the New Democratic Party and board member?

They talk further of three-phase cutback, third-party equity candidate, etc., etc., in MTX and MTS up to March. But, Mr. Chairman, the note I want to end with is a very interesting one from the August 18, 1986 board meeting in which already the bubble has broken on MTX.

MTX is now known to be in serious problem. Ms. Edmonds reminds the board that the special Arthur Andersen audit of May 1985 was distributed to MTX Board and reviewed by MTS Board in September 1985.

**HON. R. PENNER:** Your note here says distributed to MTX Board and reviewed by MTX Board.

**MR. D. ORCHARD:** I'm sorry, MTS Board is the proper correction - reviewed by MTS Board. I apologize for a typographical error in your copy, Mr. Attorney-General, and the media might want to note that. That is a typographical error and I'll repeat it again.

August 18, 1986, Ms. Edmonds reminds the board that the special Arthur Andersen audit of May 1985 was distributed to MTX Board and reviewed by MTS Board in September 1985. This is the document described by Mr. McKenzie yesterday as the first serious warning signals of troubles in Saudi Arabia, reviewed by the board in 1985, and Ms. Edmonds told us that she doesn't think that she talked to the Minister specifically about that.

Mr. Chairman, I have no particular axe to grind with Ms. Edmonds, but as Mr. McKenzie answered to me yesterday, or Wednesday in committee, that that kind of information should have gone to the very top in any organization so identified to have that problem. The Minister is pleading ignorance that he did not know.

Mr. Chairman, you can plead ignorance if you don't ask the question. I think it was an editorial in the Winnipeg Sun that said ask any cub reporter and he'll tell you it's all in the way you ask the question, Al. This Minister never asked any questions. The warning signals were there, the danger signals were inherently evident. ERIC committee of Cabinet approved \$8.5 million of additional investment after most of this financial information was available if they had requested it.

Where was the Minister responsible? Where were the ERIC committee Ministers? Where were these high-priced advisors that we pay in government in the Crown corporations?

Remember, ladies and gentlemen, we have a government that established a Ministry of Crown Investments to look after 18 Crown corporations. What were they to do? Simply collect salaries and do nothing? Because here is a Crown corporation; all the danger signals were available if asked. They simply approved \$2 million to be squandered in Saudi Arabia. They simply approved another \$3.5 million to go into a U.S. highly speculative venture which, subsequent to the signing of the legal agreements, I understand we even had a tax problem that our legal advisors did not recognize when they signed in and we assumed the tax responsibility.

Mr. Chairman, I don't think that this Premier can ignore the depth of problem that this whole MTX issue is causing to his government. The Premier, I think - unless the role has changed - is ex officio member of all committees of Cabinet, including the ERIC

committee. Was the Premier also there rubber-stamping the investment in SADL when the danger signals were on the wall? Was the Premier also there when the Cezar investment was made, which ERIC committee commented they appeared to be pretty aggressive, they had some doubts. I believe that's a fair assumption.

So, Mr. Chairman, what we have is a government now that is attempting to tell the people of Manitoba every single fault in the MTX affair lies with senior staff that we have gotten rid of, that we have either fired or asked to resign, and that they attempted - and the Premier did this very deliberately but it wasn't correct - he said the Coopers and Lybrand report absolved his Minister and his government of any political blame. He used the Coopers and Lybrand report, claiming it absolved his government of political blame and knowledge. That is simply not the truth, Mr. Chairman, because as was confirmed to us at the last hearing, Coopers and Lybrand had no mandate to investigate political involvement by Mr. Mackling, as Minister, or the government or committees of Cabinet. There was no request to identify political responsibility, so the Premier was not telling the people of Manitoba the truth when he said Coopers and Lybrand absolved the government.

Mr. Chairman, this, I want to assure you, took considerable time to develop, the paper trail, the warnings, and who was there and who should have been responsible. That's why we called it "those in the know." Because those people at the board who we've identified were there; they had access to the MTS Board minutes which outlined concerns; they had access to Mr. Scramstad's comments wherein he was the only commissioner saying: What are we doing in Saudi Arabia? What is our exposure? What are our potential losses?

We've got all this going on, Mr. Chairman, whilst this Minister is saying, "I knew nothing. If only someone had have told me, I would have acted." I want to point out to this Minister that for three years prior to this July's committee hearings, I was attempting to point out the problems in Saudi Arabia to deaf Ministers who did not care to even ask me what my concerns were. I wrote a letter to this Minister, February 7th, in which I wanted to know the financial recourse, the exposure. This Minister in February 1985 did nothing.

Mr. Chairman, the Minister and the Premier now have set a course, a political damage control. That course started - if I can find my little presentation - at the board level in 1985 wherein they say we must get better public information out. They started to manipulate the media in 1985 and they've continued to do it ever since this House rose. They have attempted at every turn of the way to exercise political damage control and not be responsible to the taxpayers of Manitoba, to the people of Manitoba, to the subscribers of the Manitoba Telephone System, the stakeholders who are at risk for a minimum of \$25 million.

The only thing they're concerned about, Mr. Chairman, is their own political hide. Given that has been the only thing that drives this Cabinet, ERIC committee, the Premier, on down to Mr. Mackling, is saving their political hide, that is why we make the accusation that the Annual Report of the Manitoba Telephone System was not made public during the election or prior to the election because it fits with the

pattern. It fits with the pattern, Mr. Chairman.- (Interjection)- I beg your pardon?

**HON. A. MACKLING:** You forgot your notes. You forgot what happened this morning.

**MR. D. ORCHARD:** I'm sorry.

**HON. A. MACKLING:** Oh yes, you're sorry.

**MR. D. ORCHARD:** But the Minister had copies of the Annual Report of MTS in his office February 20th and didn't choose to make them public, which he had done in previous years.

So, Mr. Chairman, that's why, following along the lines of the delayed second quarter annual report, the change in year end of the Manfor Crown corporation year end was changed to deliberately not be available before the election. That's why we say that this information was withheld from the people of Manitoba prior to the election, because I ask anyone here, including the Member for The Pas, or anybody, would you like to have fought the election in 1986 on the basis of having your culpability in MTX as a public issue? You certainly wouldn't have, and that is why this information was kept under cover, kept under wraps, because the September 1983 Cabinet document said nothing controversial.

Furthermore, Mr. Chairman, we now understand fully why the Premier of this province stood up in the House, in the Legislature, and responded to questioning by my leader asking for a public inquiry saying absolutely no, never. Do you know why, Mr. Chairman, this Premier and this Cabinet did not want a full public inquiry? Because they could not clearly define the mandate as they did with Coopers and Lybrand to not investigate political culpability. A full public inquiry would have pointed out to the people of Manitoba that this government was irresponsible from Day One; that this government had all the warning signals necessary; that this government, this Minister, the ERIC committee, the most powerful committee, sub-committee of Cabinet, with the heavyweights, and I repeat them again: Cowan, Kostyra, Parasiuk, Schroeder, all members of the ERIC committee, would have been proven incompetent, inculpable, in a public inquiry into the MTX affair. That's why the Premier did not want the people of Manitoba to have a full public inquiry. He wanted a neatly packaged Coopers and Lybrand, competently done report. I have no argument with the way Coopers and Lybrand have reported but, as Mr. McKenzie told us on Wednesday evening, they had no responsibility to determine Ministerial and political responsibility for the MTX fiasco and, therefore, did not report on it.

Mr. Chairman, the people of Manitoba will be the ones who decide, because I want to tell you right now that knowing the past record of this NDP Administration, we will not see this Minister, the Member for St. James, do the honourable thing and resign completely from Cabinet because of his responsibility in the MTX affair. That is not something that this Minister would do because that is an honourable course of action that he should do. We will not see any disciplinary action or any questions asked by the Premier of this Minister or the ERIC committee of Cabinet. This will be swept

under the carpet; this will be managed in a very tightly controlled, monitored media presentation, very polished and, after all, you don't hire hundreds of PR people and not expect to achieve that, but they have.

So, Mr. Chairman, we know that the evidence is there, the case can be made, but we know exactly what the government is going to do. They are going to sweep it under the carpet as they did for the last three years every time MTX questions come up. This is not a government that is responsible to the taxpayers of Manitoba and if anybody believes that the Premier's newly announced sub-committee of Cabinet, which is going to headman all the Crown corporations, is going to prevent MTX fiascos in the future. I suggest to you, ladies and gentlemen, that will not happen because the membership won't be any different than the ERIC committee of Cabinet and, not being any different, they won't ask the right questions. They won't ask for the Andersen audit reports of SADL in Saudi Arabia available May 1985. They won't ask for the financial statements of MTX available October 1985. This is the same group of non-business, incompetent people that ran ERIC committee, approved an additional squandering of Manitoba money in Saudi Arabia, in a Czar investment in the United States.

We can expect nothing better from this new super committee of Cabinet than what we have received already because this government, I point out to you, has already taken political control of the Crown corporations through appointments to the board: the MTS Board, former Cabinet Minister, Saul Miller, there from Day One as the Chairman of the Board; Hydro, political control of the board. They set up Crown investments to take over 18 Crown corporations and they had a Crown investment person from the department on the boards. This government has already exercised more political control over the Crown corporations and I submit that, as we go through this committee, report by report, we will demonstrate that there has never been a greater squandering of public money in the Crown corporations than since these people in the NDP Government of Mr. Pawley have taken over more direct political control of the Crown corporations. Check Manfor; check Flyer; check Hydro; check MTS. Political control by the NDP Cabinet has meant political disaster and financial ruin, and who pays? The taxpayers of Manitoba and the people of Manitoba and the ratepayers of Manitoba.

So, Mr. Chairman, we've got a committee, and I want to just point out one last thing before the Minister gets his opportunity.

**HON. A. MACKLING:** You've left me a lot of time.

**MR. D. ORCHARD:** We can extend the committee if you wish. Mr. Chairman, the DAAC is a new committee of Cabinet, a new sub-committee of Cabinet. I've got to get it exactly right. It is the Development Agreements Approval Committee - DAAC. Now this Development Agreements Approval Committee is now taking and approving Crown corporation investment decisions, directing Crown corporations to make investments that they think is good. And who are these people? These are the Cowans, the Kostyras, the Parasiuks, the Schroeders, who were on the ERIC committee that approved the \$8.5 million that we squandered at MTX.

Now, Mr. Chairman, how can the people of Manitoba accept the weak, irresponsible and cowardly excuse offered by this Minister of Telephones, that I knew nothing and no one told me, to allow him to remain partially in Cabinet with reduced responsibilities, but at the same salaries, perks and privileges? How can the people of Manitoba accept this Minister gathering a \$20,000 salary when laid on his doorstep is a \$25 million minimum loss in the Telephone System that he had ultimate control over for two years? How can the people of Manitoba believe the Premier who stood up and said, Coopers and Lybrand absolved this government of political responsibility when they had no mandate to do that; and how can the people of Manitoba believe the Premier when he stands up and announces this new super committee of Cabinet, the very same people who are now going to control the Crown corporations that squandered \$8.5 additional million through MTX in Saudi Arabia, United States and elsewhere. It is beyond belief that the people of Manitoba should be accepting that as an excuse by this government.

The people of Manitoba will accept nothing less, at this stage of the game, than the resignation of Mr. Mackling from Cabinet, nothing less. That is the least that they can have for the price of \$25 million squandered in MTX under his guidance, nothing else will be acceptable.

Mr. Chairman, I will be the same as my NDP colleagues would be if the roles were reversed. I believe that those senior people on the ERIC committee, having squandered at least \$5.5 million as late as October 1985, should also resign from Cabinet. After all what price is left to pay for a Cabinet Minister that squanders \$5 million to \$7 million of money, hard-needed money by the people of Manitoba. I don't think that Manitobans should ever accept less. I know that if the roles were reversed, my NDP colleagues would be calling for every head in Cabinet. I simply call for the heads of the ERIC committee and most and foremost the head of this incompetent Minister, Mr. Chairman.

**SOME HONOURABLE MEMBERS:** Hear, hear!

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

**HON. A. MACKLING:** Mr. Chairperson, I do want to make a few points. I know that the hour is at 12:30, but I'm sure the honourable members want to give me a few minutes to respond to that very long dissertation on the part of the Member for Pembina.

The Honourable Member for Pembina has used minutes selectively. He's used information selectively. He always has and always will, I guess. For example, I'll just take quickly one minute that the honourable member referred to was a board minute of September 13, 1983, when he congratulated Commissioner Scramstad for asking questions and read the whole minute.

He wouldn't read the whole minute into the record because when you read the whole record you see that continuing assurance by senior staff which we've been talking about - senior staff that are no longer here. Because at that meeting Mr. Provencher reviewed the

receivables of MTX and noted that a large portion of these receivables were attributable to the delay in registration of Datacom in Saudi Arabia.

All along, Mr. Chairperson, senior staff were giving assurances to board members, were giving assurances to auditors who accepted those assurances. I will read into the record - I won't take time now - but I'll read into the record on Monday those confirmations of those assurances by audit firms. They were satisfied that progress was being made, accounts were being addressed, accountability was being addressed.

So it just wasn't members of boards that were being reassured on this question; these people who were being reassured by the same people that served the honourable member when he was Minister of Telephones. When he talks about that and he did on CJOB about those groups having airy, fairy ideas and he having known about that, he did nothing to change those senior administrators. We inherited them. He had paved the way for us in Saudi Arabia. He had left those senior administrators . . .

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

**MR. CHAIRMAN:** Order please.

**HON. A. MACKLING:** Oh, I know they're uncomfortable about that, Mr. Chairperson. He had left those same key senior administrators, those same people, he had left them providing the same kind of information to this government. This government has acted decisively. Those people are no longer here and the study that Coopers and Lybrand have brought before us clearly indicates the failure of management - management to provide the information to boards and Ministers.

The honourable member wants to ignore the findings of that report we have before us, that there was clear management neglect in providing information to the boards and to Ministers. Those same managers are gone. We had the intestinal fortitude to face up to the problems there. We appointed Coopers and Lybrand to investigate and they have investigated and they have given us a good report.

The honourable member wants to paint a picture of scenarios about warning me, warning the Minister. He talks about the letter dated February 7th just this morning, warning the Minister. He didn't send me the letter. He sent it to Mr. Holland, he sent a copy to me.-(Interjection)- The focus, Mr. Chairperson, was always - and I suggest - and I will put more on the record on Monday - that this honourable member of the Legislature was lying in the weeds. He knew more than any other member of the Legislative Assembly about the shortcomings of senior management of MTS and did nothing about it. That's the fact and these facts will come out, Mr. Chairperson.

**MR. D. ORCHARD:** Since we're over the committee, would the committee give me leave to reply to the Minister?

**HON. A. MACKLING:** You've had more than enough time. You didn't give me any.

**MR. D. ORCHARD:** Mr. Chairman, I'd like leave to reply.

**MR. CHAIRMAN:** Order please.

There was an agreement to allow some extensions or agreement to further extend the committee hearings? (Not granted) There is not leave to extend the committee hearings.

The committee will next meet 7:00 p.m. Monday, December 1st. Meeting adjourned.

**COMMITTEE ROSE AT:** 12:30 p.m.