

**LEGISLATIVE ASSEMBLY OF MANITOBA**  
**THE STANDING COMMITTEE ON PUBLIC UTILITIES**  
**AND NATURAL RESOURCES**  
**Tuesday, 7 July, 1987**

**TIME — 10:00 a.m.**

**LOCATION — Winnipeg, Manitoba**

**CHAIRMAN — Mr. C. Santos (Burrows)**

**ATTENDANCE — QUORUM - 6**

*Members of the Committee present:*

Hon. Messrs. Doer, Schroeder, Storie

Messrs. Derkach, Dolin, Enns, Matoway,  
Manness, Santos

**APPEARING:** Mr. William Fraser, Vice-President,  
Finance

Mr. E.J. Robertson, Acting President, MTS

Mr. D. Delgatty, General Regional Manager,  
Western Region, MTS

Mr. Ed Tinkler, General Regional Manager,  
Eastern Region, MTS

Mr. C.E. Curtis, Acting Chief Executive Officer,  
MTS

**MATTERS UNDER DISCUSSION:**

Annual Report of Manitoba Telephone System

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**CLERK OF COMMITTEES, Ms. S. Clive:** Before we can start this morning, we have to elect a new Chairman. Are there any nominations?

**MR. M. DOLIN:** I move, seconded by the Minister of Industry, Trade and Technology, that the Honourable Member for Burrows, Mr. C. Santos, be Chairman.

**MADAM CLERK:** Mr. Santos has been nominated. Are there any further nominations?

Seeing none, Mr. Santos, would you please take the Chair?

**MR. CHAIRMAN:** Could I accept on the condition that only for this occasion?

The Committee on Public Utilities and Natural Resources, please come to order. We shall start with a statement from the Honourable Minister.

**HON. G. DOER:** Yes. This is the fifth hearing on the MTS 1985-86 Annual Report. I would, by way of introduction, like to introduce Doug Delgatty who is the Western Regional person from the Telephone System; and Ed Tinkler from the Eastern Region, who we've asked to be here today. We understand there are going to be some regional and rural issues, so we thought that it would expedite the follow-up of issues

that are raised at committee for a follow-up back in the field.

MTX is on stand-by. I have Mr. Curtis awaiting the call from this committee. He needs a two-minute notice period. So if we want to proceed with MTX this morning rather than this evening, we are prepared to go.

From our last committee meeting, Mr. Chairman, there was an issue that was raised by the committee in terms of the internal auditing problems at the Telephone System. I did raise at the last committee meeting that we had serious internal auditing problems that we were working on. Subsequent to that there has been a press report, about a \$640,000 unaccounted for number. I did say at that time that the internal audit hadn't been completed, but that \$160,000 had been accounted for.

Since that time the preliminary information I've had is the outstanding accounts have been identified; up to \$29,000 is still outstanding. We have some \$611,000 out of the \$640,000 accounted for. In the internal audit we will be producing a report.

The coding has been wrong in terms of the office information system and, Mr. Chairman, as I stated in the House and I stated at the last committee meeting, there are some serious auditing and accounting procedures in the Telephone System that we are working on in one area at a time.

In fact, the kind of procedures were established in 1980 dealing with the office information-type projects. The type of procedures put in place were very informal, inadequate, and have been identified through this audit which will identify a lot of areas to improve on and for future operating procedures.

As I've identified also to this committee before, that we are also strengthening the staff budgeting procedures in the Telephone System. Since for years, literally years, through various administrations of government, the staff budgets have been on the basis of pay cheques issued, not on the basis of actual staff years, and we're putting into place staff budgeting and project budgets.

We are going to produce retroactive project numbers with full costs, including interest and depreciation, which we expect to be completed shortly in the 11 projects we've identified, and all future projects will have accounting procedures that will be tightened up to tell us whether the bottom line is what we've stated it to be and whether we have "winners or losers," so that this committee of the Legislature and the public will know full well what are the actual numbers of the various projects within the Telephone System.

Since our last committee meeting, Mr. Chairman, there has been a paper produced by the Federal Government, a White Paper produced by the Federal Government, on enhanced taxes potentially for the area of telecommunication. I should say that the major concern that we have in terms of the Telephone System is a set of mixed messages going on in terms of the future telecommunications.

On the one hand, we have federal-provincial meetings going on dealing with trying to arrive at a cooperative federal-provincial agreement on telecommunication policy, interconnect and long distance competition. As I've stated in this committee before, that has gone very well with Mr. Mass and followed up by Mrs. MacDonald.

On the other hand, we have the issue of telecommunications in a deregulated telecommunication environment on the free trade table now and, hopefully, the Premier will receive an update this evening.

On the other hand, as we decrease long distance rates to get ourselves in a more competitive position in North America, still using the long distance revenues to subsidize particularly rural rates, we have a situation where a major tax increase is being proposed in a White Paper.

So what I'm basically saying - I'm not trying to fedbash; I'm just trying to present the issue - the conflicting messages we're getting from Ottawa in terms of where telecommunications is going. You don't tax something in a very, very enhanced way if you feel that the future competitive area of the telecommunications means we have to radically decrease the long distance rates in North America.

That also has implications, Mr. Chairman, for the rural services because, obviously, if we're looking at the option of single lines as they are in Saskatchewan, and the issue of extended areas, if extended areas have increased implications with the taxes if the areas are extended and there's less long distance rates paid by those rural consumers.

A couple of questions we took as notice, Mr. Chairman, was the severance pay for employees terminated. There have been no severance payments made of the senior executive officers and department heads. We have some lawsuits that are asking for voluntary severance pay and there have been no severance pays in answer to the question. The other entitlements have been paid pursuant to our legal obligations.

There was a further question on the trend of consultants to the Telephone System. In 1985, the consulting fees initiated by MTS were \$1.4 million; in '86, the initiated consulting fees were .4 million, approximately, rounded off; and in 1987, it's \$341,000 initiated in this year. Primarily, the two primary areas of consulting has been the major expenditure for the rural survey, both the survey itself and the follow-up, and money put aside for three projects that Coopers and Lybrand are working on: (1) was the depreciation study; (2) was the reorganization of MTX into MTS; and, (3) is the money put aside for the 11 projects which I've already reported to this committee on.

So, as I've stated, MTX is on call and I am awaiting any questions the committee may have.

**MR. CHAIRMAN:** The Member for Morris.

**MR. C. MANNESS:** Mr. Chairman, I thank the Minister for those introductory remarks.

What those of us in the Opposition propose to do in this sitting, Mr. Chairman, is to ask some questions as to the financial standing of MTS at this point in time; and also then to move into some specific questions

arising out of rural service, particularly, and also some specific constituency matters.

Mr. Chairman, I would ask the Minister, in reviewing the Annual Report 1985-86, one notices that there was a loss in place even before the extraordinary item, that meaning the loss associated with MTX.

Can the Minister tell us what the equity ratio is at this point in time of MTS, the debt equity ratio?

**HON. G. DOER:** Debt equity ratio is about - I'll have to get the exact figures - 91 percent, 91.3 percent.

**MR. C. MANNESS:** Mr. Chairman, we are now well past the fiscal year end of 1986-87. I'm wondering if the Minister would be so open with us to share the unaudited results for the fiscal year just completed. And when I say just completed, I'm talking now four years.

**HON. G. DOER:** For the '86-87 fiscal year?

**MR. C. MANNESS:** Yes.

**HON. G. DOER:** We projected in January, Mr. Chairman, when we released the numbers for the '85-86 year, a \$19 million loss - 19.1 I believe was the figure loss - projected for the '86-87 year. The majority of that loss would be made up of a major loan repayment which we have reported publicly, the 10-J issue. Some \$17 million of that \$19 million loss would be in the 10-J issue, which is reported in the . . .

**MR. C. MANNESS:** \$7 million, how much?

**HON. G. DOER:** . . . over 17, which we have reported to the committee and to the public previously at the press conference, or at the public release.

So as I understand it, we are on target for the projected loss - I don't like the term "target" for loss - for this last fiscal year.

Mr. Chairman, we are projecting, we're in the range of about two up or two down for the '87-88 fiscal year, and we are taking internal measures to reconcile - I'm even projecting a year ahead - to have a break-even position, or a surplus position in '87-88.

Keeping in mind there's probably one major difference, for the member's attention, between MTS and some other Crowns insofar as the Telephone System, in addition to the paying back the major loan requirements; and in addition to the other losses which we have reported to the public, we also have an accelerated pay-back of the employers' portion of the pension fund in a separate account. So we are paying somewhat over \$15 million additional money for pension, which I think may be of interest to the member insofar as that issue has been raised in other - I think at the Public Accounts committee - by the member.

**MR. C. MANNESS:** Well, a question on the latter part maybe a little later on, Mr. Chairman, but I can't help but notice when I look at the debts payable by the Manitoba Telephone System, I see another series debt and I don't know what the currency is. It is payable October 1987; another one coming due in 1988; a U.S. issue in 1991, and so on and so forth.

Can the Minister indicate how many other issues borrowed in currencies other than Canadian are coming due within the next two years, which also may have against them, major foreign exchange fluctuations that will result in a loss?

**HON. G. DOER:** I'll ask the V.P. of Finance to correct me if I'm wrong, but approximately 73 percent of the borrowing that is represented in the Telephone System, there are a couple of factors on the board. One is the amount of money we are borrowing for the capital projects versus 1980-81 in percentage terms is much less. In other words, we're generating more money for the capital expenditures internally rather than borrowing.

This, to compare figures, I believe in 1981-82 there was some '82 in fact there was \$45 million borrowed out of \$103 million capital program; in 1987-88 there's \$45 million in the Loan Act Authority which we will be reviewing in the Legislature on Friday, out of \$165 million of Capital. So the percentage of money generated internally for the Capital requirements is much higher.

Secondly, 73 percent of the borrowing is being made in Canadian funds as opposed to foreign funds. Thirdly, in terms of projected major losses in borrowing, there is one other issue which I believe is due in 1991, a Swiss franc issue which this committee has already had identified to it, as opposed to the other issues that there has been some calculations of the cost, but it won't be a radical cost increase as the 10-J issue and a Swiss franc issue, which is due I believe in 1991. Is that correct, Mr. Fraser? Is due in 1992, I'm sorry.

**MR. C. MANNES:** So, Mr. Chairman, what the Minister is saying that once we've swallowed this 10-J loss . . .

**HON. G. DOER:** We have swallowed it.

**MR. C. MANNES:** Well, yes, it was swallowed in the past fiscal year, that really we don't have another currency loss to swallow until 1992 - foreign exchange, when I'm talking about currency loss, obviously I'm talking about borrowing in a foreign currency.

**HON. G. DOER:** In a radical way. There may be some minor variation but in terms of the radical - I mean we have to be honest with this committee - the 10-J issue was a major, major loss. The Swiss franc issue certainly won't be to the magnitude of the 10-J, but it is one that we have identified as a future problem.

**MR. C. MANNES:** Then, Mr. Chairman, in an indirect or a sort of unrelated, or a little bit related question, what the Minister is telling us, this Minister who is also Minister in charge of other Crown corporations, he's telling us that now with the new bill presented to the Legislature, where indeed Hydro losses under these same types of situations will no longer be safeguarded by the taxpayers of the province; that those major borrowings under Hydro, similar to 10-J, will have to be faced immediately thereupon their maturing.

**HON. G. DOER:** Mr. Chairman, I would not want to speak for the Minister responsible for the Hydro system or the Minister of Finance who, as you know, is

responsible for the borrowing requirements, collectively, for the province. So I don't want to . . .

But speaking on the Telephone System, I certainly feel that there have been the two issues that we have identified in this committee, and that the foreign borrowing is at the - or the Canadian borrowing is at 73 percent or 74 percent. Obviously I feel personally more comfortable with the Canadian borrowing, obviously, than some of the foreign borrowing.

**MR. C. MANNES:** Mr. Chairman, moving on, can the Minister then, over the next two or three years, give us any indication what the debt equity ratio will be forecasted at, given the fact that as the Minister indicates that it's 91 percent today, are there any projections at all that Telephones can provide to us which will show how that number will change in the next two years?

**HON. G. DOER:** Well, Mr. Chairman, there are three priorities from a policy sense that one has to consider in terms of the financing of the Telephone System. One is the fact that we do have - and it's been identified by two independent studies - we're the lowest rates in the country. We would like to keep our rates at the bottom end of the low consumer issues than move toward a position somewhere in the middle, or at the other end where telephone systems have a lower debt ratio than we do, but certainly have much higher consumer rates.

Two is, there's no question in our minds that the Telephone System, that the Capital spending and the investment necessary in our telecommunications highways in all areas of this province must be fairly aggressive to meet the (a) the changing technology, and (b) some of the obsolete equipment, I'm sure that we're going to hear about today.

So the fact that we're spending \$165 million in Capital spending, and spent some \$155 million last year, and \$143 million the year before, I believe - I'm just going roughly by the numbers - that that would also be a major priority for the Telephone System because that is an asset for all Manitobans and I do not want to starve the spending necessary to get a change in the debt equity when telephone services must be enhanced to meet the changing economy. There have been major expansions in the economy in the last couple of years, which has meant major spending of money, which hasn't necessarily resulted in positive cash flows.

Secondly, we have major rural improvements to make, in my opinion. We have to start and it will cost money. Whether we're going to move in the single-line area as a first priority in extended areas or a combination of both, it will require major degrees of spending of money.

Then the third priority, Mr. Chairman, would be the debt ratio which we have identified to this committee as being high. I would like to see that lowered over the next couple of years pursuant to your question, but it has to be considered in combination with the other factors.

**MR. C. MANNES:** Mr. Chairman, one tries to put the results of the Manitoba Telephone System into some type of perspective and, when one compares the

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operating results in a financial sense with that of our sister province, Saskatchewan, one realizes that SaskTel this year reported profits of \$36.5 million on gross sales of 456.

We had gross sales of 356 million and it depends what year one wants to look at given the past year, of course we had the extraordinary loss associated with MTX. But in spite of that, if that's factored out and indeed if one factors out in this past year, the one that we're not talking about in detail, but the one that the Minister gave an answer to basis my question, that because of a foreign currency loss that again, net revenues were either below or above zero by the measure of \$2 million. Can the Minister tell me why other utilities seem to be profiting to a much greater degree than Manitoba Telephone System, factoring out the extraordinary events that occurred last year?

**HON. G. DOER:** Yes. It costs you 40 percent more to phone from Yorkton to Regina than it does from Dauphin to Winnipeg.

**MR. C. MANNES:** So the Minister is attributing that completely then . . .

**HON. G. DOER:** No, that's just one of the factors.

**MR. C. MANNES:** . . . to the fact that in Saskatchewan there are higher telephone rates, long distance rates?

**HON. G. DOER:** They receive a lot more revenue inside the province from calls made, notwithstanding the different demographics, but the rates they receive more revenue for each mile called in Saskatchewan than we do in Manitoba, that's one of the factors.

A second, there are other factors. They have a higher rate to begin with, base rate to begin with. If one looks at the federal-provincial table that was produced in terms of rates that was not prepared by the Manitoba Telephone System or the Manitoba Government by a federal-provincial study under the CRTC last October of '86, which is the most current document, one shows a bar graph in - and part of that is attributed though to a 19 percent one-year increase in Saskatchewan of rates a couple of years ago which all officials of Saskatchewan have told us has produced tremendous revenue. If you look at the rates in all categories between Saskatchewan and Manitoba, you'll find that they're lower. I would pass that over to the Member for Morris. We'll take all the confidential notes out of here . . .

**MR. C. MANNES:** I don't think there's too much MTS has in confidence any more, is there?

**HON. G. DOER:** There may be the odd piece of paper, I don't know.

**MR. C. MANNES:** Mr. Chairman, I'm intrigued by this and I don't want to move into great detail on the figures. But I can remember the Minister saying just awhile ago that Saskatchewan had a system where indeed they have a greater access to single-line service.

**HON. G. DOER:** No, the opposite, Mr. Chairman.

**MR. C. MANNES:** At least I thought that was the impression . . .

**HON. G. DOER:** There are 72,000 single lines in Saskatchewan; 49,000 in Manitoba. Both are too high.

**MR. C. MANNES:** Mr. Chairman, is the Minister then saying in Saskatchewan they have greater numbers of people on a greater number of party lines?

**HON. G. DOER:** The number of people per line, I would want to take that as notice. But I do know that they have more multiparty lines.

The Member for Lakeside has argued that is because of the demographics between Manitoba and Saskatchewan. That may well be true but there are more net multiparty lines in Saskatchewan than there are in Manitoba. Both figures are too high. We want to eliminate a lot more of the multiparty lines and that's why the rural services survey is going on in terms of where we should be spending the majority of the future capital in the Telephone System.

Both figures are too high. The one concern, when one looks at the fact that telephones now are not only becoming communication devices, but potentially computer devices for the farm rural economy, you can't have that future technology available to people if they're on multiparty lines.

**MR. C. MANNES:** Mr. Chairman, I don't want to belabour these comparisons because they really don't lead anywhere, but I just want to ask one final question of the Minister.

How does the employee component in Saskatchewan compare with Manitoba? The Minister seems to be dwelling on the revenue side. I don't pretend to have a strong understanding of either of the telephone systems. But it would seem to me that to be fair you may also want to draw some conclusions on the expenditure side and therefore I ask, is the employee complement under both systems similar?

**HON. G. DOER:** The employee size per 1,000 telephones is comparable. There is a figure that Telecom Canada uses, amount of employees per 1,000 telephones. I believe it's a comparison of 9.1 to 9.2, if I can get those figures out, if I recall correctly. They're comparable. I would say that Saskatchewan has headed in a slightly declined way in terms of employees over the last couple of years. Up till '86 we have not. We have begun the first stages of identifying where we can have appropriate attrition in the Telephone System in terms of where the areas are "soft" because we are moving in.

All telephone systems are moving into a more competitive environment and, quite frankly, we have to be leaner in the Telephone System in the years ahead.

**MR. C. MANNES:** Can the Minister then tell us specifically, moving to that area - and the area I'm talking about of course is . . .

**HON. G. DOER:** Excuse me, I have that number for you, if you want it.

**MR. C. MANNES:** Well, maybe the Minister could provide it in his answer. But to this area of a leaner

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plant, not in the physical sense, but in the employee sense. Can the Minister tell us then when a study will be done? Was the Hay Management Consultant Study part of this or have any part of this at all in trying to help Manitoba Telephone System become a more lean, more efficient operation?

**HON. G. DOER:** My personal opinion is, we've studied the problem to death. Year after year, we've studied it and studied it and studied it. It's time to have our own management action plan and implement it.

So quite frankly, I am a little skeptical of all the studies that have gone on over the last 10 years in the Telephone System, to be perfectly honest. It's time to act.

Two is that the - and I was going to mention the salary component is much lower on a per employee basis in Manitoba than Saskatchewan. There are two elements of cost for a telephone system, one is the number and the amount of how much we pay.

The average salary in Saskatchewan in the Telephone System is \$33,000 in 1985, the most current data; the average salary in Manitoba is \$28,000; the amount of employees per 1,000 telephones in Manitoba in '85 was 6.15 - I'm sorry I was wrong with the 9 - and Saskatchewan is 6.15, so they're the same. But I believe

**A MEMBER:** So we give them more profit.

**HON. G. DOER:** Well, it's in the rates, as I said. We've got the chart. The difference is in the rates and the other difference, major difference by the way, Mr. Chairman, is in the capital spending. We're spending more money on the capital plant than they are in Saskatchewan, and you did when you were in government, in constant or real dollars.

But I would say that we still must get a much better plan in terms of the Telephone System, notwithstanding Saskatchewan.

**MR. C. MANNESS:** Mr. Chairman, I'm glad to hear the Minister is going to throw away the desire to continue to study the problems of the Telephone System and is going to move to act. You know, let me remind him that the NDP has been in government now for six years and one of the first actions taken by the first Minister under the Pawley administration, I believe, Mr. Evans, was that indeed a diminished work staff - that was one of the edicts given the board by the government of the time - should not occur. So I'm glad the Minister is going to take some action, if indeed he sees these soft areas where there is not a high degree of productivity because there just isn't enough work and he's going to act accordingly. I'm encouraged to hear that.

Mr. Chairman, the Minister, though, the more he tells us about some of the comparisons as between Manitoba and Saskatchewan, the more he causes my intrigue to build. He says Saskatchewan is paying their employees more and he says on some measure of employee per 1,000 miles of system, or 1,000 subscribers, I believe, that there's a strong similarity. He indicates that one of the reasons for their increased revenues is the fact that there are higher rates.

I would ask him the question whether or not then they have lower interest payments. Maybe they have

a much more favourable debt equity position and maybe they have lower degrees of debt. Could that also be a reason why they are more profitable?

**HON. G. DOER:** The debt equity, as I recall it - and I'll have to get the numbers - they were in the mid-Eighties as I recall it in terms of debt equities. You're reading it in en français? Good for you.

**MR. C. MANNESS:** Mr. Chairman, could the Minister tell me more about the Hay Management Consultants report? I understand this consultant firm has reported some time ago. Can the Minister in a very few words tell me what their objective was and can he tell me how the employees of Manitoba Telephone System have accepted the report at this point in time?

**HON. G. DOER:** In terms of classifications, employees that are perceived to be frozen or not improving have received it poorly and those who are perceived as receiving some benefit from it, perceive it positively. It's not dissimilar from other consultant studies in terms of the reaction of employees. I would say generally it's probably perceived with some skepticism in the Telephone System.

**MR. C. MANNESS:** The Minister indicates it's basically a consultant study dealing with job classification. Can the Minister basically in 25 words or less tell us what the major general conclusions were, the general recommendations of the study?

**HON. G. DOER:** As I recall, there were assessments in terms of responsibilities and numbers of classifications and pay - made recommendations in terms of pay classifications and decreasing the number of classifications within the Telephone System. Perhaps Mr. Robertson wants to elaborate on that. Well, there were also some statements on effectiveness and efficiencies as well.

**MR. C. MANNESS:** The Minister says there was a decrease in the number of classifications as a recommendation. Were there any pay recommendations as to which levels of remuneration these classifications should achieve?

**HON. G. DOER:** Yes.

**MR. C. MANNESS:** Well, Mr. Chairman, I didn't get an awful lot from the Minister's answer. Could he tell us again generally what those recommendations were?

**HON. G. DOER:** I'm not going to go into a lot of detail. There is a bargaining unit presently in negotiations now that is using this document as part of its bargaining thrust and I certainly don't want to prejudice sensitive negotiations that Mr. Robertson is involved in carrying out, on behalf of the Telephone System.

**MR. C. MANNESS:** It's my understanding, Mr. Chairman, that MTS employees are the lowest, or among the lowest paid in all of Canada within the telecommunications industry.

Will this continue after the negotiation? Will this be impacted by some of the recommendations if they come

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into being, recommendations of the Hay Consultants Report that I am talking about? Or is the objective of the MTS, is it subjective to exact a greater measure of efficiency wage rate rise under the employees of the Manitoba Telephone System?

**HON. G. DOER:** One of the problems that we have to deal with in terms of employee costs and future bargaining - and I think again these are areas that are going to be on the bargaining table corporately so - is the whole area of where the Hay study ends and where some of the other bargaining units begin.

Secondly, where there is demonstrative proof, particularly of retention problems or severe competitive problems in other jurisdictions, I think it has to be taken into consideration by MTS, for example, computer operators, etc., just could not be retained at the Telephone System. There was a massive turnover in those issues that must be addressed and had been addressed to some degree in the Telephone System prior to . . .

But we are in negotiations for many of those groups and I do not believe we should - I apologize to the committee for not being more forthright, but one does not want to prejudice one's bargaining position.

**MR. C. MANNESS:** Mr. Chairman, I can understand that. Would the Minister though, do the members of the committee the courtesy, by providing to them a copy of the Hay Management Report?

**HON. G. DOER:** I'll take that as notice. I will. I want to know what has been released and what it means for the bargaining situation that is in a very critical state. It's not in a critical state, it's in a sensitive state.

**MR. C. MANNESS:** Mr. Chairman, what was the cost to MTS of developing this report?

**HON. G. DOER:** I'm trying to recall. I'll see if I have it. I did have it somewhere; \$59,800, and that was part of the numbers of - it was produced earlier in terms of global . . .

**MR. C. MANNESS:** Mr. Chairman, I understand there was another report done. This may be a matter of record already, but can the Minister give us some further information on the Stevenson Kellogg Report, which I understand looked at executive remuneration.

**HON. G. DOER:** Yes.

**MR. C. MANNESS:** Could the Minister tell us what the thrust of that report was, and indeed, the general recommendations?

**HON. G. DOER:** Well, the Stevenson Kellogg Report is a report for all Crown corporations, not just the Telephone System.

The report has not been completed and the decisions have not been made on it. The fundamental results of that report will be made public as it will be used as a document for CEO's of Crown corporations, as a reference point, but the Cabinet ultimately will make those decisions because they're Order-in-Council appointments.

I should that if one looks at this in context of the Telephone System, I can assure the members here that the Telephone System is identified as a very - in comparison to the industry and other comparable Crowns - the CEO salary is inadequate.

So in terms of the Telephone System, in the Telephone System Annual Report, the Stevenson Kellogg study which hasn't been completed yet, I'm sure will come up with that conclusion.

**MR. C. MANNESS:** On that point, Mr. Chairman, can the Minister tell us what salary he will be recommending to his colleagues in Cabinet that the president of MTS be receiving, or is that again a figure that will be forthcoming very shortly?

**HON. G. DOER:** Mr. Chairman, it will be a figure that will be forthcoming shortly. I can say that in the present salary, we're not just in the ball park of other Telecom systems with comparable size, either in the private or the public sector, and I want to be honest with this committee on that regard.

So the salary is low in all comparative ways, but I would like to have the study done and the decisions made, so we can have not just the micro and the Telephone System, but the overview as well.

**MR. C. MANNESS:** Mr. Chairman, I'm a little troubled with this because just awhile ago the Minister seemed to concur with my remarks when I suggested the employees of Manitoba Telephone System were the lowest paid within the land; and at that time, I didn't note the Minister jumping to their defence and yet at this point in time he quickly jumps to the defence of the CEO's present pay position, and I wonder why, particularly this member - who has been a representative of workers before in the past - would care to rush to the defence of this senior position and not the workers, who are presently negotiating with . . .

**HON. G. DOER:** It's not a question of rushing to the defence. It's a question of primary - the first consideration of any pay plan should be, from a management or a union perspective, should be recruitment and retention of qualified individuals. As such, I identified a group at the lower rung as an example over recruitment and retention problems within the Telephone System, that being the computer operators. I identified another area that is certainly, by all standards, a definite compensation problem.

Mr. Chairman, there are other means by which the government itself is looking at the whole area of the workers; No. 1, of which is the normal collective bargaining process; and No. 2, is that in the Telephone System as well as other Crown corporations, we have pay equity committees dealing with some of the systematic discrimination going on at the Telephone System.

The Pay Equity Committee, I believe, even in the last issue of Echo, has selected a consultant to deal with the classification problems. I think they've even identified the classifications to compare the operator classification, which is low paid, and I believe that through collective bargaining and through pay equity, we can resolve some of these problems of low pay.

I think it would be very silly of us to make any precipitous moves right in the middle of pay equity and allow, again, the bargaining and the legislation to work on behalf of many of the workers, and let the collective bargaining also take its fair course.

**MR. C. MANNESS:** Mr. Chairman, a final question at this point, on the finances of MTS. The Minister indicated that in the '86-87 year that some significant portion of expenditures were directed towards pension appropriations, not all of it dealing with the 50 percent requirement to be paid to those former employees now retired, but also as a result of some of the legislative statutory Pension Act changes. The Minister though, alluded to the fact that some portion of that was also to cover future year liabilities. I guess I take some encouragement from that. Can the Minister be a little bit more definitive and tell us what percent of future year liabilities are being covered presently?

**HON. G. DOER:** As I understand it, the Superannuation Fund now receives the contributions of employees, the 7 percent, and through a legislative change made some 25 years ago and carried on by a number of governments, the employer's share is paid out at the time the retirement cheques are issued.

The wisdom of the existing Superannuation Fund relative to other jurisdictions in this country, where the money just comes willy-nilly out of general revenues, it's a much better plan than probably almost every other province in Canada, but it still has a weakness and I think you've identified it at Public Accounts of not having both shares paid in at the same time.

Now that represents a major financial commitment, as particularly in the short term when one considers this situation developed over 25 years - I can't remember who exactly made that decision and I'm not trying to politicize that - but the Telephone System has . . .

**MR. C. MANNESS:** . . . 25 years, 3 months and 2 days.

**HON. G. DOER:** Well, I don't know exactly, no, I have to be honest. But the Telephone System has put aside \$20 million last year which represents a significant amount of money and has over - I think it's close to \$55 million put aside separately I think, Mr. Fraser, is that correct? -(Interjection)- \$52 million. So it's a significant amount of money.

There hasn't been a specific policy decision of whether we're going to pay it back over 15 years, 20 years or 25 years, and I would like to look at that with the board of directors and with the finance people, but the principle is we're putting the money aside; we've established an investment committee so it can be used intelligently.

Mr. Fraser set up a procedure so . . .

**MR. J. DOWNEY:** I hope you didn't put any of your Cabinet colleagues on it.

**HON. G. DOER:** Well, Mr. Downey, you know when some of these stories from the late Seventies and early Eighties start coming out in terms of losses, you won't be so happy either.

Mr. Chairman, so we have got an investment committee established . . .

**MR. H. ENNS:** Those were good years.

**MR. CHAIRMAN:** The Member for Arthur.

**MR. J. DOWNEY:** Mr. Chairman, I'm somewhat shocked, to tell you the truth, Mr. Chairman, and I'm sure that the majority of Manitobans would be as well; and I haven't got a report in front of me, so the Minister could probably help me with the numbers that I'm going to be asking for.

Basically, what is the value, what is the investment that the taxpayers have in the Manitoba Telephone System? What is the plant valued at of the whole system?

**HON. G. DOER:** \$1.13 billion, I believe. Maybe I'd better bring those numbers out of the bill, I'm just working from memory.

**MR. J. DOWNEY:** \$1.13 billion, is that it?

**HON. G. DOER:** I'll be off for a bit, I want to get the exact number.

**MR. J. DOWNEY:** \$1.2 billion, of which 90 percent of that is in hock, so to speak. There's somebody carrying a mortgage, or it's mortgaged; over 90 percent of that is money owed by the people of Manitoba through the Telephone System. So you might say that we owe, through Manitoba Telephones, \$1 billion or \$999 million, just to put it in terms that I can understand.

**MR. CHAIRMAN:** Mr. Fraser.

**MR. W. FRASER:** The long-term debt, as of March 1986, is \$642 million. Now although the gross plant is \$1.2 billion, a good portion of that has been depreciated, so there's \$571 million in depreciation, leaving a net plant of \$686 million.

**MR. J. DOWNEY:** So the actual depreciated value of the plant is \$686 million. The amount of money owed by the taxpayers through Telephone System is \$642 million.

**MR. W. FRASER:** Yes, but there are other assets besides the plant that are on there and . . .

**MR. J. DOWNEY:** Okay, let's try to get it in terms of the Manitoba Telephone System, which is basically a plant to operate the phones in Manitoba.

**MR. W. FRASER:** Okay. The figure that highlights what that difference is between the assets and the debt is the reinvested earnings which is \$87.5 million.

**MR. J. DOWNEY:** So we have reinvested earnings, but basically we owe \$642 million through the Telephone System. What is the annual debt carrying charge that the taxpayers have to pay through the Telephone System? And I haven't got what the ratepayers have

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to pay. I haven't got it from the book before me, so maybe you could give me that figure.

**HON. G. DOER:** While Mr. Fraser is getting that number, Mr. Chairman, I would like to . . .

**MR. J. DOWNEY:** Well, I would assume that if you get the money at 10 percent, you're looking at \$64 million approximately.

**MR. W. FRASER:** Slightly more than that, Mr. Chairman. The total debt charges, including the foreign exchange amortization from March 1986, is \$84.7 million.

**MR. J. DOWNEY:** \$84.7 million.

**MR. W. FRASER:** Of which 17.2 is foreign exchange amortization.

**MR. J. DOWNEY:** What does that break down to on the average monthly bill? What portion of your average monthly bill would be interest or debt-carrying charges? We're talking about the lowest rates. I'd like to know what the actual carrying costs of the debt of the Manitoba Telephone System is incorporated in an average monthly bill, and I don't need it immediately, but I would like that information.

**HON. G. DOER:** Well, Mr. Chairman, when we dealt with the issues of the priorities of the Telephone System, I mentioned that there was three factors: No. 1 is rates; No. 2 is capital spending; and No. 3 was obviously the debt ratio which I think is high and must be lowered, but I don't want to lower it on the backs of the world services that we must make in the future.

The Bell Telephone System has overcharged \$3 or \$4 per year and has a much lower debt ratio, there's no question. Bell Telephone System has overcharged, in fact, the courts and the CRTC have ruled that they've overcharged \$3 to \$4 per consumer for the last 10 years and yes, they have a much lower debt ratio than we do in the Telephone System.

But I want to make it clear, Mr. Chairman, that I see that the rates are very important. I think the depreciation issue in terms of how much we have to borrow is very important, and that's why this year we're borrowing \$45 million out of the \$165 million, compared to 1982 where we borrowed \$45 out of \$103 million, the ratio of borrowing is less, but we must build that physical plant, and that will cost money and it will cost interest.

**MR. J. DOWNEY:** Mr. Chairman, an expenditure in capital plant this year shouldn't come into the operating expenses. Just a portion of it should come into the operating expenses.

**HON. G. DOER:** \$145 or \$125 . . .

**MR. J. DOWNEY:** If you put in a major plant investment, that isn't charged off on this year's total - or supposed to be recovered in one year. It should be amortized over a period of "X" number of years, and the interest charges and the depreciation would be the actual operating costs applied to the Telephone System. So I don't buy the Minister's argument. Yes, you need

capital to do it, but it doesn't have that major of an impact on the rate, or shouldn't have, that each telephone user is paying.

I would like to know, and I would like a commitment from the Minister, as to what the average telephone user is paying in monthly interest charges for the the \$642 million we owe, or the \$80-some million of interest charges. I'd like that broken down so that we know.

You know, Mr. Chairman, as I said, I can't understand. The Telephone System has been in operation, for what, 70 years in the Province of Manitoba? They've had a monopoly situation. They've had the rate-setting structure ability; they've had to go to Public Utilities. The plant, my goodness, after 70 years, should have been paid for, it should have been in a positive position, Mr. Chairman. I can't understand why the Telephone System is in such financial - to be quite honest - bloody disarray.

It's incredible that the ratepayers have got a Telephone System that's virtually or almost bankrupt, and that's where we're at.

**HON. G. DOER:** It's not bankrupt and that's totally false to say so. We're writing off, in fact there have been independent studies on depreciation, which is one of the major financial issues per year; I think we're writing off \$125 million in depreciation. There have been independent studies again on depreciation, both conducted by MTS and by outside groups that shows that we are depreciating on a conservative - small "c" - basis in relative terms probably better than any other telecom system.

The new technology and the new expanding economy does have a lot of up-front costs for it. We do have the lowest rates. We are spending a lot of money on capital expenditure and constant and real dollars compared to before, but yes, the debt ratio is high, and I've said it must be lowered. But it's not going to be lowered in terms of some of the - it's going to be lowered in relationship to those other two factors, not in isolation from those other factors.

**MR. J. DOWNEY:** The point I'm making, Mr. Chairman, is after being in 70 years of operating a monopoly, and we're in the financial shape that we're in, I'll tell you there's been some terrible mishandling of the whole program for not only a few years ago, but it must have really escalated in the last few years with the mishandling of funds and the experiments and the adventures that we're on, and I'll ask a particular question.

There has been a fibre optic cable put between Winnipeg and Elie a few years ago. What's the current use of that particular piece of equipment and what was the cost to the ratepayers?

**HON. G. DOER:** Project IDA?

**MR. J. DOWNEY:** No, it was between Winnipeg. It could have been IDA, which was cancelled, I know, by our administration.

**HON. G. DOER:** It was started and cancelled by your administration.

**MR. J. DOWNEY:** I'd like to know what the current use . . .

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**HON. G. DOER:** I've gone back to '81. I could take the question as notice.

**MR. CHAIRMAN:** Mr. Robertson.

**MR. E. ROBERTSON:** Mr. Chairman, the line in question, I understand, is currently being used for single-line service for a number of residents in that area and for supplying cable television.

**MR. J. DOWNEY:** A further question. In the area which I represent, Mr. Chairman, there is a major undertaking of laying of, I guess, it's fibre optic cable again, to replace the microwave. Is that my clear understanding of what's taking place now?

**MR. E. ROBERTSON:** That's the Manitoba portion of the fibre optic transmission system, which is a Telecom Canada undertaking, which is due to be complete in 1990. We're on major construction, as you know, now for that line. I guess it will be finished - and I stand to be corrected - but I think our portion will be substantially finished next construction year. The entire Canadian-wide line will be completed toward the end of 1990. That's all of the companies cooperating in that. And you're quite right, it will get rid of a lot of other outdated equipment.

**MR. J. DOWNEY:** So we're investing in fibre optic cable throughout Manitoba as a nationwide hookup and we'll see the towers being dispensed with - the microwave towers will no longer be in service. What is that portion costing the Manitoba Telephone System, the ratepayers, the installation of our portion of the connect-up?

**MR. E. ROBERTSON:** I could give a figure from memory. It is in the order of \$27 or \$28 million, but I can supply the exact figure for the member in a moment.

**MR. J. DOWNEY:** And what's the projected payback on that investment? Has that work been done? How do we enter into these projects? Do we have a pretty good business plan laid out for the investors?

**MR. E. ROBERTSON:** Mr. Chairman, the business plan for the fibre optic transmission system is a business plan, not of Manitoba Tel, but of Telecom Canada itself.

It's undertaken for one major reason and it is that it's Telecom Canada's big weapon in the forthcoming very sharp competitive atmosphere of long distance calling.

The line is being commissioned and is being built by Telecom Canada with that objective in mind. So essentially there's a defensive investment against other forms of competition in that area.

**MR. J. DOWNEY:** You see the reason I asked the question is because we see this major undertaking of some \$27 again, that's a famous figure with the Telephones and MTX systems, \$27 million seems to bounce up fairly often.

As ratepayers, we continually see investments made of this nature . . .

**A MEMBER:** It's \$25 million. I think \$27's Freudian.

**MR. J. DOWNEY:** Twenty-five, it's still a lot of money. Mr. Chairman, we see this investment taking place and, as an investor - and I have constituents come to me, people who the cable has crossed their land, and they say what is the Telephone System doing? What is it costing? I'm a telephone user, they say, I'm invested in it. What's the rate of return, because they are businesspeople? That's what I'm asking the questions for.

We're investing \$27 million. What is the payback on it? What impact is it going to have on our rates? Will it restrict - and I have a letter which is from the Municipality of Cameron and, you know, again for 10 years, the 10 years I've been in the Legislature, I've put this argument to the Manitoba Telephone System is: Why have we still got horse and buggy exchange areas throughout our province? We can do all these exotic things. We can make the argument that we're going to do away with obsolete telephone equipment yet, my gosh, we can't change our exchange rates in the Province of Manitoba. That continually makes me upset and it makes a lot of my constituents upset.

I have a letter from the council at Cameron again, dated June 26. It's a response from the Telephone System, a Mr. Hall, to the Secretary-Treasurer. Again, it's not as direct a letter as I would like. It's again the same old story that we're moving as quickly as we can. Well, if we're moving quickly, 70 years ago, we had the same exchange rates and we still have them today.

I would have thought that, when we're continually asked to pay more money and with modern times, one of the things that could have been done is an increase in the size of our exchange rates and not have to pay long distance to go - communities of interest, that's my argument. We have many communities of interest that have to phone long distance throughout the province. Half the people or over half the people can phone without long distance in the City of Winnipeg without any charges. The other half have to pay long distance to phone their neighbour a half a mile down the road if that exchange rate happens to lie between them, or that boundary.

So I say, we're spending \$25 million here. Everybody like to deal with big money because it seems to have more appeal to it than dealing with the little customer who has the black-and-white telephone, or the little telephone that really is the mandate of the Telephone System to provide.

So I hope the Minister is sincere when he says that he's had enough studies and it's time for action, that he's prepared to spend some money in the plant in rural Manitoba and to update it.

I have one other question, Mr. Chairman. I would like to know where he got the obsolete equipment that he's put in our Caucus Room and our offices, and what he did with the modern equipment that we had a couple of years ago that seemed to work not too bad. I think we're going backwards instead of forwards.

**HON. G. DOER:** We were informed you could work the old stuff, you couldn't work the new stuff, Mr. Chairman.

**MR. E. ROBERTSON:** We were asked to put correct ones in afterwards, so he . . .

**MR. J. DOWNEY:** If that's progress, if we have progressed in this Telephone System, yes, don't give

us any more progress. Let's back up for awhile and get telephones that we can use and work with. It's typical of your Government the way it's working, I agree.

But these are very valid concerns . . .

**HON. G. DOER:** This came up, Mr. Chairman, in the Estimates of Government Services, and the Minister took the comments of your caucus members under notice. So this high-tech stuff, I know, must be developed in consultation with your caucus through the Department of Government Services, which is actually the contractor to the Telephone System. So I can't blame MTS. It's the group that orders it. It's through Government Services.

I understand that the Minister of Government Services undertook to take the specific concerns, not only of your caucus office, which I understand has got one phone at one end and people can't run back and forth and the fact that some of them like to have two phones in the office, I think that they're taking that under notice.

I wonder if the member did read the study on - I wouldn't call it an independent study - but the Inpropo (phonetic) Report - Did the member read that report I tabled with the Opposition in January?

**MR. J. DOWNEY:** No, I didn't.

**HON. G. DOER:** Because I think I'll send a copy to the member. It does describe the subsidies that go on in the Telephone System between long distance revenues onto the local and business user, the subsidies from business onto the local consumer, and the subsidies from urban onto rural, in terms of the low rate. So there are, certainly in terms of the person using the black telephone, major subsidies in terms of their rates from long-distance revenue in this province, which is part of the Telecom Canada commitment.

I also understand that the - and I asked the same questions the member is asking in terms of the Telephone System - I understand it has some utility locally as well as on the long-distance system. It's being hooked up with the Saskatchewan system shortly, which has also been under way last year. But it does have some utility to take some pressure off local calling in the province in some of the exchanges.

There's no question, and I've met with a number of people from outside Winnipeg - well in fact, in Winnipeg, there's also demonstrative overcapacity in some areas or demands on the capacity of the system of Winnipeg, especially with the increased economic development in the last number of years, but there is no question the equipment in many place in rural Manitoba is inadequate and must be changed and the areas must be extended. There's absolutely no question about it.

**MR. J. DOWNEY:** I'll conclude my remarks, Mr. Chairman, because I know there are some other colleagues have some questions as well.

But it seemed strange, as I indicated before, that we've probably been in business with the Manitoba Telephone System for 70 years. We're generating \$356 million, I believe, of revenue last year. We've been able to get into debt to \$642 million. We've got interest charges of \$84 million, and the Minister is now hamstringing as far as trying to spend more money.

**HON. G. DOER:** No.

**MR. J. DOWNEY:** Well, we're spending another \$27 million, which I haven't got the answer, on an inter-Canadian hookup on fibre optics. I haven't seen or I haven't been told in this committee what our rate of return will be on that investment, whether we're going to get 10 percent on \$27 million, or whether we're going to get 15 percent. The reason to do it is not only to be a part of Canada and tie us together as a communication link. There has to be some, down the road, profitability motive or why the devil would we change? Why would we tear down the towers which probably were paid for? Let's not continue to spend money that we haven't got. Let's continue to get it back on a bit of a business basis. I would like to know - and I don't need the answer today - what will be the return that we're getting for the investment in the fibre optics program.

As well, I would like a breakdown on what we're getting paid on the Winnipeg to Elie piece of cable.

Mr. Chairman, I as well know that the cable between Winnipeg and Brandon is being extensively used by one of the commercial users in Brandon, the CKX Pulse News people, which is a substantial cost to those people. I would as well wonder what they're doing to try and make sure the costs are continually maintained at a level that they can afford because, I can tell you, they're paying a substantial amount of money for use of the cable services. I would hope that it wouldn't continue to put pressure on those people because of other investments. Yes, I agree we've got to maintain rates. We've also got to encourage commercial users of the system, the big payers as well, to use it.

If we've really progressed in the Telephone System over 70 years, somebody else should tell me because I'm not sold that we're really in a very sound situation.

**HON. G. DOER:** Mr. Chairman, approximately 40 percent of the revenues from the Telephone System are derived from long-distance competition outside of the province. So in terms of the Telecom Canada investment, it is certainly an area where we do derive a considerable amount of revenue and, if you read the -(Interjection)- Well, Mr. Chairman, as Mr. Robertson has stated and I've stated at the first committee meeting, there are huge competitive realities going on that could blow the whole situation and, particularly, rural rates right off the map.

If you look at rural United States, you will find that the long-distance rates or the local rates are \$25 to \$26 to start with before you even get any enhanced services; for cities just the same size as Winnipeg between DesMoine, Iowa and Winnipeg, Sioux City and those places, if you look at the deregulated environment.

Mr. Chairman, there are CRTC decisions now, which I disagree with by the way, to allow long-distance calls to go down from Vancouver into the United States, across United States into Toronto, with the lower long-distance rates in United States - and they are 40 percent lower than we have - but our local rates and the rural rates on a farm are much less than the deregulated environment in the United States. There are other trade-offs.

If we go to a deregulated environment, the rural rates and the local consumer rates will skyrocket. The big

business rates for long distance calling will go down 40 percent. So that's one competitive reality.

I think there's a split in the Federal Government, quite frankly, and I'm not trying to fedbash, but I think we can get an agreement with Flora MacDonald on a cooperative -(Interjection)- No, but I think it's important because, otherwise, we lose the substantive issue with the partisan issue. I think that we have got some cooperation from Flora MacDonald, but I see there are some people who believe that it's better for Bay Street to have a deregulated telephone environment. That has major implications for all the prairie provinces for local rates, and for particularly the rural users.

So, Mr. Chairman, I do think it's appropriate that we get up to speed in terms of the technology for long-distance competition, to maintain those revenues which, in essence, subsidize the local customer all over Manitoba and particularly in rural Manitoba, notwithstanding the fact there still have to be major improvements made to those exchanges and some of the other realities, like too many multiparty lines.

**MR. J. DOWNEY:** Mr. Chairman, that probably is as sound an argument as I've heard, although there aren't any dollars and cents attached to it. The argument that he's putting forward is that you're defending yourself about major increases because of the competition that's coming in to be able to maintain the rates as they are. I can't, Mr. Chairman, perceive that happening, particularly with the debt that we're carrying that, at some point, has to be paid off and dealt with.

Just a final question, Mr. Chairman, how does the Minister plan to get us in a better debt equity position?

**HON. G. DOER:** As I mentioned before, Mr. Chairman, there are three factors, three major macro factors, I think, in the Telephone System in terms of the financial situation. One is: What is the consumer paying? That's still a priority for this government to maintain, rather than go to a much lower debt ratio as they have in Bell Telephone System and some other places.

I believe the debt ratio, by the way, just to put it in perspective, is higher in Alberta, by the way. We're lower than Saskatchewan - we're higher than Saskatchewan and lower than Alberta. But the rates are very, very important.

The second issue is the capital spending and the capital plant, and the third issue is the debt ratio. So, as I mentioned to the Member for Morris, it would be considered in conjunction with those other figures.

Mr. Chairman, if one considered the fact that 40 percent of the revenues for MTS are from long distance out-of-province, and one considers the fact that, at a minimum, that would be \$150 million or \$140 million a year, if we were to lose 50 percent of that revenue through competition, one is looking at \$70 million to \$75 million a year, annually. So that's some rough numbers in terms of justifying the \$25 million expenditure. I'm just doing this on the top of my head. I hope those numbers are not off, but those are just some of the macro numbers.

There is no question we are under tremendous - I mean, the public issue has been MTX, but the real issue facing - and I respect the fact that there are serious issues raised by MTX, but the real financial challenges

ahead are competition, deregulated environment, and those kind of issues in terms of what it's done in the United States.

We know what a person is paying Des Moines, what a person is paying in Sioux City. We know what they're paying south of us. I also tabled this. So those are some of the future challenges.

**MR. C. MANNES:** Mr. Chairman, the Minister talks about the additional costs that may be imposed upon rural subscribers through deregulation . . .

**HON. G. DOER:** All subscribers.

**MR. C. MANNES:** All local subscribers, the Minister clarifies.

Mr. Chairman, my question to the Minister is dealing with MTS party line either policy or targets. Mr. Chairman, I have a number of constituents in my area who, because of the fact that rural Manitoba is depopulating these days, find themselves or did find themselves basically in a private-line situation, whereby their neighbour or somebody else on their portion of the line moved away. In effect, they had private-line services.

In Southern Manitoba at this time, there has now been a regrouping policy being put into effect where indeed, once again, individuals would be brought to a party line status.

Can the Minister give me some greater clarity as to whether this is a policy or target or whatever? Because I've asked constituents to write to MTS for a policy delineation on paper and, of course, they've refused to provide this. I'm talking about the regional offices.

Can the Minister provide greater clarity on this issue?

**HON. G. DOER:** I think, in fairness to MTS, the government has to establish the priority of where we're going in terms of decreasing the multiparty lines versus spending money on EAS, versus doing both, and identifying that publicly in terms of what it will mean for capital and what is the projection.

I hope to have a plan this fall that we file with the PUB to state specifically how many multiparty lines we're going to have, by what year, and how we're going to pay for it. Secondly, where do we move from the 49,000 in Manitoba down?

There are two potential options right now which we want to bounce off many of the rural subscribers.

How does that fit with extended areas in terms of expanding the areas? Where do we expand them, how much does it cost, and who's going to pay? Because there is no free lunch as the member can appreciate.

In fairness to the Telephone System, we've moved from a decrease of multiparty lines to moving into an increase in extended service areas over the last five years. I believe that we have to have a very specific plan that targets every year so that we can communicate not only to the Telephone System what it is, but to this Legislature and to the public.

**MR. C. MANNES:** Mr. Chairman, the Minister is giving me some general direction that he wants to take the Manitoba Telephone System, and I don't reject that, but my question was more specific.

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I asked the Minister why in situations, or through attrition, individuals find themselves as being the only people on a line? Given the fact that lines are in the ground buried, the plant is in place, why indeed today individuals are being regrouped, taken back up to a party-line status?

**HON. G. DOER:** I was trying to explain the lack of clarity in terms of the longer-term planning for the government, because I don't think it's fair just to dump it on the MTS. The specific question, perhaps an official of the Telephone System can answer it.

It would be my hope that we're decreasing the number and not increasing the number. Talk's cheap. I know you have examples of it and we've discussed it.

**MR. E. ROBERTSON:** If I may, we have Mr. Delgatty from the Western Region who is prepared to deal directly with the question.

**MR. CHAIRMAN:** Mr. Delgatty.

**MR. D. DELGATTY:** Without knowing specifically where these have occurred, I can make a general statement.

It's true that in some parts of some exchanges, there are fewer customers remaining because they move away or things of that nature - perhaps bankruptcies. In other parts of those same exchanges, there will be growth and, in general, across the province, there is continuing growth of telephone subscribers.

What happens is that rather than adding plant on a gross basis to provide service to new customers, we attempt to efficiently utilize the existing plant. In many cases, this means that where there has been a decrease of customers on a line, there will be customers added to that line to avoid adding additional plant perhaps a few miles down the road. The policy is not more than four customers per line and not fewer than two.

**MR. C. MANNES:** I thank - is it Mr. Delgatty?

**MR. D. DELGATTY:** Yes.

**MR. C. MANNES:** I thank him for that response.

Mr. Chairman, it appears then that in situations where the plant is in place and, indeed, where subscribers who at one time again found themselves having private-line service by virtue of the fact that neighbours had moved away, and also are many, many miles away from even a hamlet, are being caught in this policy. Surely, you can't transfer the plant that's buried outside of their homes elsewhere.

So then it has to be part of the plant that's elsewhere, either the switching capabilities or wherever, that Mr. Delgatty is talking about. Or is it something beyond the line which is buried outside their door, which now will have a spare line, quite frankly, unless somebody is prepared to purchase, at \$515 a month initial installation, the private-line service?

What is happening to that excess-line capacity that is now occurring in areas many miles away from a rural population which may be increasing?

**HON. G. DOER:** Mr. Chairman, in terms of the technical question, I think it's fair that Mr. Delgatty answer that.

In terms of the policy issue, I don't think it's fair. Mr. Robertson and I'll try to take that . . .

**MR. C. MANNES:** Fine. I direct my comments to the Chair.

**HON. G. DOER:** Just in terms of the line question, you would know a lot more about that . . .

**MR. CHAIRMAN:** The technical matter will be dealt with by Mr. Delgatty.

**MR. D. DELGATTY:** Again, without knowing specifics, I can only comment generally. Generally, on a line that is, say, 10 or 15 miles long, a customer could end up as the only party on that line in that area, but farther down the line, there could be growth of two or three customers. In general, the policy is to utilize the existing plant before adding an additional plant. This is basically the way it's done - not less than two customers per line and not more than four.

**HON. G. DOER:** Just in terms of the policy issue - and I've said this before at this committee - I said at the first hearing that we have to have a plan about where we're going in rural services - where the priorities are, what is the timetable, what it's going to cost, and how it's going to be paid for. At that point, and I've discussed this with the board and Mr. Robertson and others, we'll present that to the Public Utilities Board, because it will have potential tariff presentations, and present it to this body.

We are on target for the major survey because we have been getting tremendously conflicting advice, and very hard advice, but very conflicting advice about whether we should be spending, or the major priority for spending should be in the multiparty line versus the extended area zone versus the option plan. This survey will be completed by August 15. We are on target on the completion of that survey.

We will be consulting with the municipalities this fall and having a plan that we not only will be prepared to share with the public but with the Opposition. Many of you represent a lot of rural areas in terms of where we're going before we even thought about the Public Utilities Board, because I think some of these policy decisions are going to have to be changed.

**MR. C. MANNES:** Well, again, I take some encouragement from that, Mr. Chairman, but I'll be more specific.

Mr. Delgatty, I'll direct my question to the Chair.

Mr. Chairman, I represent, in part, the Sanford exchange. I have a constituent who has had basically private-line service over two years now because of the fact that a neighbour has moved away. There's only one growth area in that particular exchange maybe in the Town of Sanford itself, which is some 15 miles away from this particular area where this grouping has taken place.

Mr. Chairman, can the excess capacity that has developed because of the regrouping in that area be transferred, be used, in a growth area as far as 15 miles away? That's my first question.

**MR. D. DELGATTY:** Well, at the risk of sounding defensive, Sanford is in the eastern region . . .

**MR. E. TINKLER:** Mr. Chairman, the answer is "yes."

**MR. C. MANNES:** So, Mr. Chairman, then that individual, who at one time, basically again through attrition, had private line service, can now buy back that service for \$515.00? In other words, if he decides that he wants it, first he can stand up and pay for it, for the same service he's had, but on the basis that he pays \$515 flat crack right at the beginning, and nothing is changed, but he then has the private line service guaranteed to him?

**HON. G. DOER:** I said that we have not changed some of these policies. Some of these policies, by the way, Mr. Chairman - and I won't hide behind the PUB - are tariff considerations in terms of paying for some of these things. All these policies will be on the table when we take a very, very active look this fall at where we're going with improving rural services. There's no question of that, but Mr. Robertson may want to comment on that.

**MR. E. ROBERTSON:** Mr. Chairman, the situation described by the member is essentially - as he described himself - by attrition. Somebody, in fact, has enjoyed private line service without paying for it.

In terms of present policies governing utilization of plant, it's essential that we avoid new installations. I should add that the premium charge, which is charged for individual link up, is a tariff charge, but on strictly cost-accounting principles, we really don't make money on the 500 charged.

So the implication that we endeavour to regroup, to make money by charging thereafter for premium service for somebody who previously enjoyed that by accident, is not correct. It is really not to our advantage. In financial terms, it is a charge which is agreed by the PUB but represents a cross-subsidization charge like many of our other charges. So it is, I suppose, I guess the simplest answer might be in real terms, the present policies dictated by utilization of line. As Mr. Tinkler's answer indicated, that line can go 14, 15 miles, and that's where we are.

**MR. C. MANNES:** Mr. Chairman, I would then ask the Minister whether individuals found in this position and who are told today that if they don't step up quickly and pay their \$515 that there are other people waiting to do it and they therefore will lose the opportunity to have private line service?

Given the fact that some are moving quickly to safeguard the service they have, is the Minister telling me that given a new policy then - and I won't say this fall, the Minister is saying he may be prepared to discuss this fall how he'd like to see the policy in future developed. As soon as next year, some of these same individuals may have had a more advantageous policy applied to them, even though as of today, over the last year, they've had to meet this cost?

**HON. G. DOER:** I wouldn't want to make any predictions that would prejudice decisions on the basis of not having specifics. I'm just saying that everything in terms of rural services will be on the table for review in terms of what will we be doing, how the priorities

will be, what it's going to cost and how it's going to be paid for. All those things have to be considered.

**MR. CHAIRMAN:** The Member for Roblin-Russell.

**MR. L. DERKACH:** Mr. Chairman, I discussed this with the Minister previously and I don't intend to get into the details of a specific situation, but I'd like to address the policy aspect of it. It just follows on what my colleague, Mr. Mannes, has been speaking about. That is, that in some of the rural areas, and I guess they've experienced it in the Sanford area and we have in the Russell-Roblin area, that individuals who may have been on a party line but they were the only individual on that particular side, for not only one or two years, but perhaps as long as four or five years, are now being told that because of the Manitoba Telephone policy they are going to be put on to a line with somebody else on it.

If in fact there is going to be a change in the policy and the direction, why is this being done at this present time, forcing individuals to pay either their \$500 where nothing is changed? They don't get any extra service for the \$500 except that they can remain on that party line by themselves. Either they pay the \$500 or they're put on to a line with somebody else.

Now, if we're looking at a policy change in the foreseeable future, is it not wise to leave things as they are at the present time instead of disrupting the whole system?

**HON. G. DOER:** Mr. Chairman, I said the policies would be on the table this fall through the consultation of rural Manitoba. I didn't say necessarily that specific ones would change. The feedback I'm getting from many of the areas in rural Manitoba is quite a bit different than obviously the direction they've had in Saskatchewan where the extended areas are the No. 1 priority.

In fact, the last four meetings I've had with rural municipalities, a number of them have said don't spend any money on the multiparty lines; that's not a problem for us; that's not the major priority. Our priority is to be able call in greater areas.

So by saying that, I think we have to be very, very definitive about where we're going, what it's going to cost, how we're going to pay for it, what are the priorities and have a plan, a plan really to take us to the year 2000, in the next 12 years, in terms of improvements, technology, capital spending and tariff, which has to be filed with PUB.

I want a long-term plan. I think that's the only way to go based on priorities. That's why the rural survey and the rural consultation this fall will be very important.

But the feedback I've got from them, and this is episodic, I've had four or five meetings with places like Shoal Lake, just people telling me what they think, and they say, don't spend a nickel on the multiparty line, spend it all on the extended areas. Now, you would say differently. As an MLA, you'd say I want a single-party line. We may need to do both.

**MR. L. DERKACH:** I can't argue with what the Minister is saying. I'm not indicating that there is a priority to go to a single-party line as opposed to extending the

long distance areas. What I'm saying is, why are we disrupting a situation where people have been on a multiparty line but have been the only people on that line and there is lots of line available. According to MTS officials, there is lots of line available. It's not that there's a shortage of available space on lines, but it's just a matter that now MTS all of a sudden has realized that we have to live according to the policy and, although we haven't implemented the policy strictly over the last four or five years, now we're starting to take a look at these individuals and we're going to apply the policy per se.

All I'm asking the Minister to do is perhaps to instruct MTS officials to perhaps put a stay on some of this that's going on until such time that there is a development of new policy, which may mean that these people will have to revert back to what they were on a couple of years ago.

But as far as the extended service is concerned, Mr. Chairman, it depends where you live, I guess, Mr. Minister. In some areas that is a priority. In other areas it's the individual line. So, it depends which groups you're meeting with. I know in my area, for example, it depends on which town I go to. There are different priorities in different towns. How you're going to sort that out is . . .

**HON. G. DOER:** We hope to use a survey to get some scientific data, but we don't want to obviously plan rural services on the basis of - we don't want a government by Gallup Poll. So, obviously we're going to use this as a basis to discuss this issue with the municipalities, with this group, and come up with a plan on the basis of both the survey as a way of stimulating debate but not to dictate the direction and then come up with a longer term plan. I'm hoping we can have a plan in the year 2000 so we don't get situations where the regional people are caught with some of these historic policies and priorities as well. I think it's not fair to them, as well.

**MR. CHAIRMAN:** Are we ready to go to the report?  
The Honourable Member for Roblin-Russell.

**MR. L. DERKACH:** I have another question with regard to . . .

**HON. G. DOER:** Excuse me, do we want to get MTX up?

**MR. L. DERKACH:** . . . buried cable in the rural areas. We've had some problems in our entire area with regard to buried cable. Some cable is buried on farmers' property. Other cable is buried in the roadsides, the rights-of-way of municipalities. When municipalities go to rebuild roads they are now going to be assessed a fee for cutting cable or where cable is cut during construction they're going to be assessed a fee. I'm wondering whether the Minister has addressed this particular situation and whether MTS will still be charging municipalities in future since they're not burying the cable deep enough to begin with. There's not a designated area where they're burying the cable and there's no way that municipalities know exactly where that cable is buried when they go into a

reconstruction program. It's an additional cost to the local taxpayers.

**HON. G. DOER:** I believe the specific case you raised was followed up by Mr. Robertson and I think the policy interpretation was not fair to the municipality and that's been changed, I believe, in the case you've raised.

In terms of the specific policy, I would want to take a look at that with MTS management. I know the policy has been around since 1958. Well, in fact, the policy that is in existence versus what MTS is doing informally, is somewhat different. As I understood it, they have an informal arrangement that's a 50-50 arrangement versus the formal policy that was established in '58-59, which was a 100 percent cost by the municipality.

So, I'll take that as notice with the Telephone and I'll ask Mr. Robertson to follow that up in terms of the issues you raised with him.

**MR. L. DERKACH:** Another concern by municipalities is the cable that's left lying on the surface of the roadsides and also on individuals' property. In the wintertime, the cable can't be buried and there's a problem with a lot of cables just left on top of the ground. Unfortunately, when the repairs are made, that cable is never collected and disposed of, it's just left lying there. Municipalities and individuals have some concern with regard to the neatness and the repairs that are being done.

**HON. G. DOER:** It's an area that I haven't heard a lot of complaints about. I've heard, in fact, the opposite from municipalities, that the Telephone System is very courteous in those issues but, if there are specifics, the majority of people, I think, at the Telephone System would not feel comfortable about leaving a messy situation behind. But if there are specifics, we'll take that as notice and follow it up specifically because I think it certainly doesn't help the reputation of the other employees who are working in a more conscientious way than what's been described.

**MR. C. MANNES:** I ask this question on behalf of my colleague, the MLA for Virden, who may want to elaborate on it if he finishes in the other committee and comes over here in due course.

I'd like to know the policy dealing with individuals who file bankruptcy, Mr. Chairman. It's come to light that an individual - and maybe this is policy - who filed bankruptcy and a day or two later went back to his home and found that his service had been cut off by the Manitoba Telephone System even though his bills had always been paid and he had not been in arrears. When he wanted to reconnect the service, he was notified that he would have to pay a \$27 reconnection fee. Is this, in fact, policy? He was told in the field that it was. Can the Minister again amplify within this area?

**HON. G. DOER:** I'll take the question as notice in terms of the policy. I've got some handle on the credit arrangements of the Telephone System, not a complete one yet of the policies.

There have been some individual considerations in terms of credit considerations over the time. A lot of it, there is some latitude, I know, in terms of how the

Telephone System implements some of these situations so I may need some specifics on this one to get a specific answer back.

I'm not aware of a macro policy on bankruptcy. I am aware of some individual circumstances where I've seen the consumer been given the benefit of the doubt and individual circumstances where the consumer has not. I can think of two cases in Winnipeg, but it is credit confidentiality. I'll take the specifics as notice and we'll get the specifics from the Member for Virden and follow it up specifically for him because it has confidentiality aspects to it.

**MR. C. MANNES:** Well, that's acceptable, Mr. Chairman. I guess I was more concerned as to whether or not it's a policy. The Minister indicates to the best of his knowledge it is not. I accept that.

What I do wonder is, indeed, if this has happened or if it happens in a few cases outside of stated policy, whether or not some provision for prepayment could be made in these situations so that the individual subscriber wouldn't have to pay these reconnection fees.

**MR. E. ROBERTSON:** As the Minister indicates, we will certainly look into the case in detail when the Member for Virden supplies it to us. But as far as any general policy of imposing disconnect in the general situation of a bankruptcy, there is no such policy. The only reason we'll disconnect is if somebody hasn't paid their bill over a given period. I will certainly look into that case because it's by no means, if it's correct, representative of our general policy.

**MR. C. MANNES:** In a different area, I'll ask the Minister, Mr. Chairman, when it's his intention or the government's intention to fill the chair position of the Manitoba Telephone System?

**HON. G. DOER:** I have a proposal before Cabinet right now and it will be announced within two to three weeks.

**MR. C. MANNES:** Can the Minister tell me as to what the government's thinking is with respect to the present president of the Manitoba Telephone System? I believe he's in an acting position. He's been seconded from Industry, Trade and Technology for this. Can the Minister indicate what Mr. Robertson's status is with the Manitoba Telephone System?

**HON. G. DOER:** He is in an acting capacity. We have had a national competition which we expect to have the results announced within, again, probably three weeks maximum.

**MR. C. MANNES:** So to review or recap, Mr. Chairman, the Minister is saying that with both of these positions there will be some finality associated with an announcement to be made within the month?

**HON. G. DOER:** Within a month, Mr. Chairman - well within a month.

Secondly, there are a couple of other board spots vacant besides the chair which also will be filled pursuant to the minimum of four and maximum of nine requirement in The Telephone Act.

**MR. C. MANNES:** Seeing no other colleagues here, these are all the questions we have on MTS. I think we have a few questions on MTX at this point in time. Although, if I do have colleagues that show up in the next few minutes, maybe they might like to ask some specific questions.

**MR. CHAIRMAN:** Are we now ready to go to MTX?

**MR. C. MANNES:** Yes.

I asked the Minister if he's met with MTX employees who requested they be summoned to this committee to testify under oath. I think specifically of Mr. Ferguson and others. Has the Minister taken it up on himself to meet with some of the people who were very important in the revelations associated with the MTX situation? Has the Minister, on his own volition, met with these people?

**HON. G. DOER:** I called Mr. Ferguson by telephone within a couple of weeks of being appointed to the position. I talked to him on two occasions, asking him whether there are specific areas that developed out of the Coopers and Lybrand Report that he felt were inadequate or other issues that should be raised. I gave him a commitment that I would meet with him, subject to and after the RCMP investigation. I have met with Mr. Loptson, who is another employee who requested a meeting. And I've met with Mr. DeLuca, who was the third employee, although Mr. DeLuca - and I mentioned at other committee meetings - was selling us equipment rather than talking. He had left the Telephone System and went into a private operation.

**MR. C. MANNES:** Thank the Lord we have those types of people still left in this province.

**HON. G. DOER:** It all depends on what kind equipment you could have got, but I don't want to pass any comment or judgment on this.

**MR. C. MANNES:** Well, why would the Minister be prepared to meet with two of the individuals, and not Mr. Sinclair, before the RCMP filed their report?

**HON. G. DOER:** Mr. Sinclair is the Ottawa Minister under investigation. Mr. Ferguson is the - I did call him twice.

**MR. C. MANNES:** Ferguson.

**HON. G. DOER:** I did call Mr. Ferguson twice, and I think it would be unfair. We did agree to meet after the RCMP investigation.

**MR. C. MANNES:** Has Mr. Ferguson been given a copy of the Coopers Lybrand Report to study, and will he be giving his commentary upon it at that meeting?

**HON. G. DOER:** Well, I should say in this committee that there are the Telephone System considerations. There's also potential litigation that may go on between Mr. Ferguson and MTX, MTS.

There's a number of components to this, Mr. Chairman. I did phone Mr. Ferguson on the Coopers

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and Lybrand study, keeping in mind in this committee, Mr. Chairman, that Coopers and Lybrand was announced. I mean, things get caught, seem to be in a freeze frame. The Coopers and Lybrand Consultant Group was hired and announced at 10:10 that morning, and the affidavit was tabled at this committee dealing with the Ferguson concerns at about 12:15 that same day.

So there was in fact - the Minister had brought in Coopers and Lybrand, in terms of the many questions that he had on the information he was receiving. But, yes, I will meet with all, I have committed myself to meet with Mr. Ferguson. We have agreed that after the RCMP investigation is completed, which the Attorney-General has announced shortly, if there are legal considerations to be dealt with, I'll have to be careful about that, obviously, to prejudice future thoughts there. In terms of the Telephone System, I have said to Mr. Ferguson that if he has any advice for us, or me, I'd take it and run with it, or certainly follow up on it.

**MR. C. MANNES:** Can the Minister tell me at whose insistence it was that this meeting not be held until after the RCMP investigation report?

**HON. G. DOER:** I don't want to prejudice anybody's reputation here at the committee. It was an agreement that Mr. Ferguson and I had.

**MR. C. MANNES:** And at whose initiative will the two individuals, that being Mr. Ferguson and the Minister, that they come into communication again, to organize that date?

**HON. G. DOER:** I initiated the first call to Mr. Ferguson and we'd planned to operate consistently with that in mind.

**MR. C. MANNES:** Mr. Chairman, the Minister, at the last committee meeting, said he that he intended to get to the bottom of the issue as to who provided the advice that ultimately got us into the Cezar project. He said that he would get to the bottom of it - and I'm in essence quoting his remarks: ". . . to the bottom of it and ensure that proper disciplinary action ensued." Has he determined what persons were responsible for taking us into Cezar, and what action he has taken?

**HON. G. DOER:** Mr. Chairman, I also said that we would be reviewing some of the legal advice we received in terms of all of the contracts we had, and partnerships we had with MTX, and in addition, particularly the Cezar project. There have been individuals held accountable now. The primary individual involved with Cezar - at this point we haven't completed everything yet - has been held accountable in our opinion and subject to any litigation that may take place pursuant to that.

But we haven't completed all the areas. The statement we made - we did talk about legal counsel and legal advice, some of which, by the way, Mr. Chairman, was outside legal advice, that hasn't been completed.

**MR. C. MANNES:** Mr. Chairman, the Attorney-General yesterday in the House indicated that government may not necessarily share the RCMP inquiry with us before

the end of Session. Can the Minister in charge clarify that point? Is the Minister saying that, indeed, should the government or the Attorney-General's Department decide not to proceed on any charges, that under those circumstances we will have a copy of that report forthwith before the end of this Session?

**HON. G. DOER:** Mr. Chairman, I think Mr. Curtis can confirm that I wanted the report finished months ago. In fact, we phoned him on a daily basis to see what progress the RCMP were making, because I think it leaves an element of this issue unfinished and I would want that report public and before the members of this Legislature. It would be my preference that it be completed before the end of the Session, there's no question about that.

I do not, as any government administration or any private citizen for that matter, have any control over the timing or the release of material from an RCMP criminal investigation.

I can say that from our perspective - and Mr. Curtis can confirm this - that we said that all avenues, or all methods, or all opportunity that the RCMP wanted, or information that they wanted, etc., etc., would be made available at the earliest and almost open possible time. And that goes without saying, anybody else at the table would be saying the same thing to them.

So we did make it very clear that, however they wanted to conduct their investigation, which was their decision, that we would try to accommodate them as best we could, and I think we did. Any information they requested, they received.

**MR. C. MANNES:** Mr. Chairman, the Minister isn't answering the question; he may be deliberately doing so. My question was simply this: Was the Minister right, firstly, in saying that the government would have given to them a copy of the report, Friday, this week? And, secondly, if indeed there are not any criminal proceedings flowing therefrom, will the Attorney-General or this Minister provide a copy of that report to the Opposition the week following?

**HON. G. DOER:** Mr. Chairman, I do not have any authority on the release of that report. It goes to the Chief Law Officer of this province and he, based on the legal precedence and the legal considerations he has to work under, will make that decision as a Chief Law Officer.

It's my preference - and this is a preference only because I don't have any authority in this area - to get that report out to the public and to this Legislature as soon as possible. My preference, it would have been out two months ago, but it wasn't. It wasn't completed, the investigation hasn't been completed, so my preference, which is only a preference, is to get it out as soon as possible.

**MR. C. MANNES:** Well, surely the Minister though has asked questions with respect to the release of the report. If the Chief Law Officer of the province decides, given the evidence that's brought forward by the RCMP investigation that charges are warranted against individuals, at that time will that document become public information, or will it have to go through the process of law before members of the public?

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**HON. G. DOER:** I'm not a lawyer, but as I recall from my brief experience in this area, there is absolute required legal precedence based on law requirements of the particulars in terms of who gets it, when they get it and how they get it, in terms of criminal charges.

There are charges to be laid. There is a prescribed legal way in which information is released to the Crown attorney responsible who's assigned and to the lawyers for the persons who are going to be charged, and that must stand the scrutiny of courts based on legal precedence. The particulars obviously will be contained within the report if there was to be criminal charges.

I can't do anything about that, Mr. Chairman, nor can the Attorney-General. I mean our political preference is to get it done, but there is legal precedence for the Chief Law Officer of the province that he will follow.

**MR. C. MANNES:** Mr. Chairman, I'm not pushing the Minister to go beyond that. I'm just curious as to whether or not he has sought how the mechanics will roll from this point in time. Working towards the ultimate release of that report, it gives me some indication that he has some understanding.

My question to the Minister: What other financial deadlines are in place with respect to the final winding up of the Saudi Arabian operation? I think back here a few days ago when my colleague, the MLA for Pembina, indicated there was a July 2 deadline. I don't know if the Minister completely answered that at that time, whether there has been other information come to bear as to whether that account receivable has been met at this date, being the best part of a week later. Can the Minister give me some additional information with respect to that account receivable, or the guarantee associated with it?

**HON. G. DOER:** I'll ask Mr. Curtis, who has been attempting to contact our people in Saudi Arabia. There are, as indicated, six promissory notes; and with six of those promissory notes there are three guarantees. The other deadline is critical - well, one of the six critical dates on the financial repayment is September, partial repayment I should emphasize, very partial, in terms of the first payment being due.

There are a number of other financial issues with the tentative agreement with our Saudi Arabian people: (1) was the receipt of \$1 million Saudi riyal; (2) was the payments for the Epson guarantee which all our auditors identified as a half million dollar liability to MTX-MTS. Perhaps Mr. Curtis can elaborate on the follow-up.

We have had last November a couple of payments that we indicated would be in by certain dates. They were late but they were in.

**MR. C. CURTIS:** Mr. Chairman, I had a chance to speak with Tariq Al Bassam this morning, and I had heard that he had some health problems and in fact he'd

gone on a business trip to the United States and was taken off the plane directly to hospital for an operation that was required very urgently. And as a result instead of being away for several weeks in the States, he was away for an additional five weeks.

As a result on his return he's been in the process of obtaining the guarantees, finalizing that with our lawyer, and I understand from my conversation with him that that will probably take place within the next 10 days.

As the Minister mentioned, all of the commitments they have made to us so far, while on occasion have occurred a little later than the commitments that were made, have in fact occurred.

**MR. C. MANNES:** Just a question of information, when is the final date of the wind-down, when all the agreements that have been entered into, when will the final payment flow, on what day, such that this sordid event will finally draw its last breath? What date?

**MR. C. CURTIS:** Mr. Chairman, the last payment on the notes will be due at the end of March of 1988.

**HON. G. DOER:** '89, Mr. Chairman.

**MR. C. CURTIS:** '89, I'm sorry.

**MR. CHAIRMAN:** 1989.

**HON. G. DOER:** That's been tabled with this committee.

**MR. CHAIRMAN:** Are we ready to consider the reports?

**MR. C. MANNES:** Pass.

**MR. CHAIRMAN:** As a whole or page by page? As a whole—pass.

Any other business of the committee?

**HON. G. DOER:** I'll advise my Opposition critic upon the commitment that Mr. Curtis has made in terms of his conversation.

We do have an MTX Board meeting set for approximately two weeks from now, to deal with this issue, because we do have a contingency obviously on those payments.

**MR. CHAIRMAN:** So the committee has finished its business. It will not be meeting tonight, will it? We've got it.

**MR. C. CURTIS:** Thank you very much.

**MR. CHAIRMAN:** The pleasure of the committee? Committee rise.

**COMMITTEE ROSE AT:** 11:58 a.m.