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of the
Legislative Assembly of Manitoba

STANDING COMMITTEE
on
PUBLIC UTILITIES
and
NATURAL RESOURCES

40 Elizabeth II

Chairman
Mr. Ben Sveinson
Constituency of La Verendrye



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MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Fifth Legislature

Members, Constituencies and Political Affiliation

NAME	CONSTITUENCY	PARTY
ALCOCK, Reg	Osborne	Liberal
ASHTON, Steve	Thompson	NDP
BARRETT, Becky	Wellington	NDP
CARR, James	Crescentwood	Liberal
CARSTAIRS, Sharon	River Heights	Liberal
CERILLI, Marianne	Radisson	NDP
CHEEMA, Gulzar	The Maples	Liberal
CHOMIAK, Dave	Kildonan	NDP
CONNERY, Edward	Portage la Prairie	PC
CUMMINGS, Glen, Hon.	Ste. Rose	PC
DACQUAY, Louise	Seine River	PC
DERKACH, Leonard, Hon.	Roblin-Russell	PC
DEWAR, Gregory	Selkirk	NDP
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DOWNEY, James, Hon.	Arthur-Virden	PC
DRIEDGER, Albert, Hon.	Steinbach	PC
DUCHARME, Gerry, Hon.	Riel	PC
EDWARDS, Paul	St. James	Liberal
ENNS, Harry, Hon.	Lakeside	PC
ERNST, Jim, Hon.	Charleswood	PC
EVANS, Clif	Interlake	NDP
EVANS, Leonard S.	Brandon East	NDP
FILMON, Gary, Hon.	Tuxedo	PC
FINDLAY, Glen, Hon.	Springfield	PC
FRIESEN, Jean	Wolseley	NDP
GAUDRY, Neil	St. Boniface	Liberal
GILLESHAMMER, Harold, Hon.	Minnedosa	PC
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HELWER, Edward R.	Gimli	PC
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LATHLIN, Oscar	The Pas	NDP
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MALOWAY, Jim	Elmwood	NDP
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McALPINE, Gerry	Sturgeon Creek	PC
McCRAE, James, Hon.	Brandon West	PC
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LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON
PUBLIC UTILITIES AND NATURAL RESOURCES

Tuesday, March 19, 1991

TIME — 10 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. Ben Sveinson (La Verendrye)

ATTENDANCE - 11 - QUORUM - 6

Members of the Committee present:

Hon. Messrs. Enns, Findlay

Messrs. Alcock, Dewar, Edwards, Evans
(Interlake), Helwer, McAlpine, Penner, Mrs.
Render, Mr. Sveinson

APPEARING:

Jerry Storie, MLA for Flin Flon

Dennis Wardrop, Acting President and Chief
Executive Officer, Manitoba Telephone System

Tom Stefanson, Chairman, Manitoba
Telephone System

MATTERS UNDER DISCUSSION:

Annual Reports of the Manitoba Telephone
System for the years ended December 31,
1988, and December 31, 1989

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Mr. Chairman: I call the Standing Committee on Public Utilities and Natural Resources to order to consider the Annual Reports of the Manitoba Telephone System for the fiscal years ending December 31, 1988 and December 31, 1989. I would invite the honourable minister to make his opening statement with regard to the Manitoba Telephone System and to introduce the staff present today.

Hon. Glen Findlay (Minister responsible for the administration of The Manitoba Telephone Act): Mr. Chairman, I would like to introduce Dennis Wardrop, the Acting President and CEO of Manitoba Telephone System, and Mr. Tom Stefanson, the Chairman of the board.

Mr. Chairman, I do not think there is any need for any opening statements because this is an ongoing committee that has already met once to deal with

the '88 and '89 reports, so I would suggest that maybe we would just get right into the business of looking at those reports.

Mr. Chairman: Okay, I would just ask if the official opposition critic has any opening statements.

Mr. Jerry Storie (Flin Flon): Mr. Chairperson, I am interested to receive a copy of whatever MTS release was made available yesterday with respect to the Community Calling program. I have seen nothing other than press reports.

Mr. Findlay: There it is. It is available right there.

Mr. Storie: Excellent.

Mr. Findlay: Have you got at least another copy, maybe two or three if you have them?

Mr. Chairman: Does the critic of the second opposition have any opening comments?

Mr. Reg Alcock (Osborne): No, Mr. Chairman, I think the minister is correct. We are under way already, and I have a number of questions I would like to get to as soon as we can get into it.

* (1005)

Mr. Chairman: I would appreciate some guidance from the committee. Will you consider the reports page by page or otherwise, or, in fact, would you like to consider passing the '88 and working on the '89?

Mr. Alcock: I believe, Mr. Chairperson, in the last meeting the minister was prepared to allow the questioning to be quite wide ranging, so as long as we are not restricted in the questions we can ask, I am prepared to deal with it report by report.

Mr. Storie: Mr. Chairperson, I think that has generally been the approach taken by committee. I think in all likelihood we will be able to pass the '88 report by the end of this morning's sitting. However, sometimes the questioning involved in the '89 will also involve activities from '88, so let us leave it open. I think that works best.

Mr. Chairman: That is the will of the committee. I would urge all members to keep their questions relevant to the business contained within those reports.

Mr. Gregory Dewar (Selkirk): I was wondering since this is the first time we have seen this, the new revived Community Calling program, if we could have a detailed—

Mr. Chairman: Order, please. Mr. Dewar, would you pull your mike up a little bit?

Mr. Dewar: —explanation of the new Community Calling program, please?

Mr. Findlay: I will call on the president to give that detailed information.

Mr. Dennis Wardrop (Chief Executive Officer and Acting President, Manitoba Telephone System): Community Calling is part of a larger program called Service to the Future that Manitoba Telephone System has embarked upon, and the whole program is designed to bring modern telecommunications services throughout Manitoba. The Community Calling portion of it has to do with expanding the area over which communities can call, particularly small communities, so that they have within their flat-rate calling area many of the services that they are dependent upon in their normal trading area.

In addition to that, the program also provides for overcoming some problems that have beset rural customers over the years. One of the most noticeable ones is that a number of rural customers live on one side of a boundary, perhaps on one side of a road that forms an exchange boundary from neighbours or relatives that reside right across the road. Community Calling provides a means by which they will be able to make those calls without having to incur long distance charges simply to call their neighbours. This program, which is designed to be completed by 1996, is aimed at accomplishing those two objectives.

Mr. Dewar: What is the major difference between this and the old program?

* (1010)

Mr. Wardrop: Mr. Chairman, Manitoba Telephone System yesterday announced that it was filing with the Manitoba Public Utilities Board for revisions to the previous plan for Community Calling. The major changes have been first in the area of rating structure. The previous program had been rated in

such a way that there was a rate applied to each customer as they received Community Calling or became part of the Community Calling area. With the new rate structure, that still prevails, however, at a much lower rate spread over a larger group of customers and also spread over a larger number of years. The result of that is the immediate impact on the individual's rate is much less than it was previously. That was a concern that had come out of the many consultations and the many letters we had received from the public.

The second change has been that we also received a considerable amount of concern expressed that in certain areas there really was not a requirement for the service to the extent that it did not have the value that was associated with it. We have, therefore, removed 22 cross sections from the original plan that would revert to long distance calling from those communities that indicated they really did not have a need for this service and there was no other reason to leave it in.

Mr. Storie: Just to follow up on that, I notice in your press release a number of communities that had expressed concern have been eliminated from the Community Calling program altogether.

Mr. Wardrop: Mr. Chairman, that is a result of a community that perhaps only had one cross section previously and that there was an indication that that cross section was not required. So there are some instances of that nature.

Mr. Storie: In looking at the list, I think that there are going to be many people in the communities of Flin Flon, Snow Lake in particular, but probably many others in this list that will consider this certainly a victory in some respects.

I would like to know, and I know MTS has spent considerable money, and I think it was appreciated, in surveying the attitudes and the interests of the people in Snow Lake and Flin Flon with respect to Community Calling, I am wondering whether you can provide us with any updated information on the results of those surveyed.

Mr. Wardrop: Our information was drawn from a large number of sources. There were some surveys. There was also a large number of letters received directly from the public. We held information sessions. There were our annual public meetings at which concerns were expressed of that nature.

The sum total of that whole process established two guiding principals that led us to develop the changes we have made. The first one was that generally speaking Manitobans felt there was a need for such a program. It was not a case that it did not have merit in a large number of areas in the province, but there were selected cross sections where the program was questioned. Secondly, there was a general feeling the cost of the program should be shared over a wider base, that the impact on individual customers was felt to be rather severe and, therefore, in a sharing process that would be relieved and we proceeded in fact to adopt those changes.

Mr. Storie: Just further, for example, the community of Flin Flon, which has expressed an interest in having a Community Calling arrangement with a smaller community, which happens to be on the Saskatchewan side at Denare Beach, I am wondering whether MTS will be going back to communities and looking for more specific or perhaps better Community Calling patterns. How do communities then go about becoming part of this, what would be the fee structure, and will they be treated in the same manner as the people who are being put into the existing Community Calling program?

Mr. Wardrop: Mr. Chairman, as time goes on there will undoubtedly be changes in the telephone network and the various rearrangements, and Manitoba Telephone System is always very responsive to its customers. We will attempt to listen to what their needs are and, within the limits of our financial ability and our resources to effect those changes in a way that is meeting the customers' needs, we certainly will do that. However, at the present time in this program that has been filed with the Public Utilities Board, it is a fairly extensive program and will take a few years to complete, so we have a fairly large undertaking on our hands. Notwithstanding all of that, however, we certainly would always listen to our customers and give consideration to whatever requests may be advanced to us.

* (1015)

Mr. Storie: Well, having led this fight with a lot of people from Flin Flon and Snow Lake, I want to indicate to you that on behalf of everyone there we are very appreciative of the fact that MTS did relook at that in a serious manner. Having said that, I am

sure the people of Flin Flon and Snow Lake and other communities in the north are always looking for ways to improve their telephone service, and I am glad to hear that MTS remains open to the concept of adding communities at some future date when it is reasonable and obviously when it can be fitted into MTS' schedule as well.

I have a couple of other questions relating to that. When will this change take effect? When do you expect the PUB to rule, and are people in Snow Lake and Flin Flon still paying the additional rate that was charged as of September last year?

Mr. Wardrop: Mr. Chairman, there are a couple of questions there, and I will take them one at a time. Firstly, we filed only yesterday with the Public Utilities Board and, understandably, they have not had time yet to schedule whatever public hearings they may wish on this or, in fact, to develop a full schedule on this, so it would be purely speculative on our part as to when they may rule on this. Certainly we would hope that it would be in a reasonable period of time, given the length of time these things take, and we would then get on with the job of serving the customer.

The second question pertained to certain communities that already have the service and, in fact, are receiving it under the approved rate schedule of the Manitoba Public Utilities Board. That rate would cease and change immediately upon the ruling of the Public Utilities Board rescinding that rate and adopting a new rate structure, a new basis, which of course is part and parcel of the application which we made yesterday.

Mr. Storie: Two more specific questions to Mr. Wardrop or Mr. Stefanson. How many subscribers, residential and business, are there in Flin Flon and Snow Lake?

Mr. Wardrop: Just give me a moment. I will attempt to check that for you. It is in the range of 5,000 and 10,000 customers. I do not have an absolute count up to date today what it would be.

Mr. Storie: That is for both communities?

Mr. Wardrop: Flin Flon is between 5,000 and 10,000. The other community, I am sorry I did not—Snow Lake? Between 700 and 1,300 customers, somewhere in that region.

Mr. Storie: Mr. Chairperson, I think what we heard yesterday was an acknowledgement on the part of MTS that it made a mistake, a big mistake. I do not

think anyone at MTS believes for a minute that they were not told that this was a mistake, publicly and on many occasions. If we can assume that there are 5,000 subscribers in Flin Flon who are paying \$2,000 per month more than they should have been paying, the people in Flin Flon paid \$10,000 more per month to MTS than they should have. We have had Community Calling in place already approximately six or seven months. It is likely the PUB will not rule for a couple more months. That may mean that \$100,000 has been taken out of the pockets of the people in Flin Flon on a program they did not want and they did not need. In the case of the people of Snow Lake, we are talking about \$4 a month for 700 subscribers for 10 months, talking about potentially \$28,000.

* (1020)

My question is to the Minister responsible for Manitoba Telephone (Mr. Findlay): Will the people of Flin Flon and Snow Lake get the money back that they deserve?

Mr. Wardrop: Mr. Chairman, the system in their application has not made application for any refunds of past payments. This is, of course, a matter for the Public Utilities Board to finally rule upon, if they so choose to do so. We believe that the monies were taken in accordance with the provisions of the Manitoba Public Utilities Board. There were very extensive hearings and opportunities for hearings throughout the process that led up to the ruling on those rates, and I think in the last session that we had I outlined those in great detail.

Having done that, the ruling was made, and it was subsequent to that ruling, in fact it was subsequent to the introduction of the service, that it first came to our attention that indeed there was fairly widespread concern about this matter, and we acted on it and suspended the program and then went forward.

However, during this period of time the community of Snow Lake along with others who had the service were certainly receiving the service and, from our counts and from our measurements, certainly made very great use of it. For example, in the case of Snow Lake to Flin Flon, counts done just prior to introducing the service through to what in fact has occurred over the period of time from October, November, December of 1990 when the plan was in force in that community, the change was on the order of four and a half times the calling that

had previously existed. So as well as getting no toll charges on the calls that they would have ordinarily made, they also had four times the number of calls in the use of it.

So the service was certainly used. It was provided under the ruling of the Public Utilities Board, and Manitoba Telephone System's position has been that it would be in order, therefore, to collect the ruled-upon rates, the agreed-upon rates, by the Public Utilities Board during that period of time.

Mr. Storle: Well, I am sure that is Manitoba Telephone System's position, but I can tell you without a moment's hesitation that will not be the position of the subscribers in Flin Flon and Snow Lake. Manitoba Telephone System was operating under an order of the PUB. In November, without any order from the PUB, they suspended the program, suspended the inclusion of Cranberry Portage, for example, in this Community Calling package.

MTS was asked at the time to suspend this program for Snow Lake and Flin Flon. It was MTS' decision, not the PUB's decision, not to suspend it. MTS could have easily suspended it. They were well aware of the public opinion at that time. They had been to public meetings in Snow Lake and Flin Flon by that time, and in the end the people in Snow Lake and Flin Flon have paid \$128,000 or potentially more for a service that clearly now, in retrospect, MTS has concluded did not really suit the needs of the people in that area. I think there are going to be legitimate questions about why this program was not suspended for Flin Flon and Snow Lake in November and why people would have to continue to pay those service charges.

Two other points, and perhaps this is not something that can be corrected at this kind of public committee, but MTS continues to say that they had extensive public hearings on this issue. Perhaps these are simply some suggestions for improving the quality of those public meetings. It is difficult to get people out to discuss something in the abstract. Community Calling meetings were never held in the communities affected before the implementation of this program. There was one meeting held at the request of the Public Utilities Board in The Pas. There was very little understanding of the concept and absolutely no understanding of what the financial implications would be in these changes, so you are asking

people to drive from Snow Lake and Flin Flon, an hour-and-a-half drive, to discuss a concept that most people could not relate in any concrete way to what their bills were going to look like at the end of the month.

* (1025)

That is simply not an acceptable way to run public meetings of that sort. Somehow we have to have more information about the cost, because in the final analysis, determining what a service is worth boils down to how much you have to pay. Whether we like it or not, that is generally the way people assess those kinds of matters.

To say there were extensive public hearings I think is perhaps, in my opinion, stretching the situation a bit, but it also overlooks the fact that even though public meetings were held, and I acknowledge they were, they did not give people the relevant facts to make logical decisions. I think MTS saw very clearly, once they had the facts in their hand, i.e., a notice from MTS that their bills were going to jump \$4.60 in Cranberry, they said this is not such a hot idea. Perhaps the nature of the meetings has to be changed somewhat or the information MTS provides has to be changed.

My question is, perhaps, to Mr. Stefanson or Mr. Wardrop. Why did MTS not cancel the Community Calling between Snow Lake and Flin Flon in November when they suspended the rest of the program?

Mr. Wardrop: Mr. Chairman, the cancellation of an existing service, which Snow Lake was in November, requires an application and ruling by the Public Utilities Board. The process involved in that was of such a nature and takes a considerable length of time. In view of the fact this was a review that was an interim situation, it was not deemed at that time feasible to make that change that quickly, that it in fact would be covered off in the general review.

The second factor, too, is that while we have received representation from the communities subsequent to that, there is a large portion of that community that is not interested in the service. There was nevertheless at that time, and there still is, evidence it was being used quite extensively. I have put on the record what some of the figures have been to that. Those were the factors that led us to act quickly in those communities where we could, namely those where we have not yet

introduced the service. That does not require a Public Utilities Board ruling simply to change the schedule, but it would have to actually remove the service.

Mr. Storie: Well, I assume that MTS' relationship with the PUB is sufficiently positive and businesslike that any application for suspending in a circumstance, where clearly there was much opposition, would have been dealt with fairly expeditiously. MTS certainly suspended the implementation of the program, and probably or possibly for communities that may have wanted it. I do not think that is an explanation that is going to satisfy the people who have been paying this who have absolutely no use for that service.

The second point is, and we have discussed this in previous meetings, it is rather a specious argument to say, when MTS has the power to change the bills unilaterally for people in Snow Lake to charge them \$4.05 more a month, to say, well, they are using this service, so obviously they wanted it. They are already being charged for it. They have no choice. I suppose anybody can find a way to use a free service. Whether they need it or want it is, of course, the more important question. I think there were all kinds of signals that should have led MTS to conclude that prior to even November they should have been suspending this program.

I guess, Mr. Chairperson, the acting president suggested that the PUB could, in fact, order MTS to repay those service charges which commenced in September, and I am wondering whether MTS would oppose any recommendation to the PUB of that kind.

* (1030)

Mr. Wardrop: In the event that such a request was made of the Public Utilities Board, Manitoba Telephone System would certainly review the financial impact of such an action on the corporation.

In the intervening months, we have clearly had a loss of long distance calls for which in fact the service was received. There was a considerable amount of investment in plant in order to provide the services and to handle the expanded calling. All of these are burdens on the corporation. We would point that out to the Public Utilities Board, and in considering it, I would expect that the Public Utilities Board would take into account those factors and make their decision.

Mr. Storle: I was not clear whether the answer was that MTS would oppose it based on their costs, or whether they would leave the PUB to decide in their own wisdom.

Mr. Wardrop: We would certainly present all the facts as we saw them surrounding the issue, and the decision would have to be made by the Public Utilities Board. To that extent, it is not a simple case of opposing or not opposing. It is simply putting on the record for the consideration of the Public Utilities Board the various factors that bear upon the decision that they would be dealing with.

Mr. Storle: Well, Mr. Chairperson, I feel fairly certain that someone is going to request a rebate. I think MTS can anticipate that.

Another question, are there any community calling relationships remaining in the north? Are any of the existing community calling relationships still operating or still expected to be operating?

Mr. Wardrop: A number of the cross sections that were in the original plan, many of which have not yet been turned up, would be proceeded with under the revised plan if it is approved by the Public Utilities Board in the form that we have filed it as of yesterday.

Mr. Storle: Now, my understanding was that the PUB is responsible for calling the public hearings on this application. Does MTS have any intention of holding public meetings in communities like Flin Flon, Pikwitonei, other communities that are being affected by this, prior to the PUB ruling?

Mr. Wardrop: The Manitoba Telephone System has the intention of holding information meetings around the province as part of a very extensive communication program associated with this service to ensure that the public fully understands the new plan that is being introduced and understands how it will impact them. As part of that, we have scheduled a number of information meetings. It is our intention to have those around the province.

Mr. Dewar: Under the new rate structure, what category would Selkirk fit in? How many subscribers would be in that particular calling area?

Mr. Wardrop: Mr. Chairman, if you will just give me a moment I will check Selkirk. Selkirk at the moment falls in what we term as a Rate Group 6, which is between 5,600 and 10,000 customers. The growth in Selkirk is anticipated over the next year or so to

move them into Rate Group 7. That being the case, when this was actually introduced in the community, they would remain in that Rate Group 7, which is what they would have grown to during sometime over the next year or two.

Mr. Dewar: So according to the schedule in 1992, Selkirk will again receive toll-free service to Stonewall, Stony Mountain, Oak Bank and Beausejour in 1992. Is that correct?

Mr. Wardrop: That is correct, yes.

Mr. Dewar: What would be the increase then in the rates that they would pay?

Mr. Wardrop: By way of clarification, just for the introduction of Community Calling.

Mr. Dewar: I just needed to ask him

Mr. Wardrop: Just give me a moment, Mr. Chairman, and I will look that up. If Selkirk had indeed, as I speculated, grown to the size of a Rate Group 7, they would receive an initial rate increase of 10 cents per month on residential customers, and it would be higher for business customers. For simplicity, I will use the residential table. That rate would increase each anniversary year thereafter until 1999 by an additional 10 cents per customer per month.

Mr. Dewar: So it would cost them 10 cents a month more to gain this additional access to these adjacent exchanges?

Mr. Wardrop: Yes, Mr. Chairman, that would be the change in their rate as a result of gaining this access.

Mr. Chairman: Order, please. Would any members at this committee mind, if they are going to carry on a conversation, do so towards the back, please.

Mr. Dewar: Will this new proposal affect the Urban Unlimited program at all?

Mr. Wardrop: No, this program is not expected to alter the Urban Unlimited portion of service for the future that we have already received Public Utilities Board approval for.

Mr. Dewar: Are there plans to expand the Urban Unlimited program?

Mr. Wardrop: Not right at this time. Urban Unlimited is an extensive program, and right at this time we would not expand it. In the future there are always possibilities.

Mr. Dewar: So Selkirk will not be included in the Urban Unlimited program?

Mr. Wardrop: Not in the initial introduction of Urban Unlimited.

Mr. Dewar: I have a question. What is the timetable for Red Sucker Lake and Island Lake communities receiving the expanded toll-free calling areas?

Mr. Wardrop: What were the communities again?

Mr. Dewar: Red Sucker Lake and Island Lake.

Mr. Wardrop: Mr. Chairman, Red Sucker Lake to Island Lake would be introduced in the year 1990, according to the original schedule. Because of the delay, however, that will obviously have to be done in 1991. It would be our hope that we would attempt to complete that before 1991 is through. We do not have a firm schedule on that yet because we do not know the precise date at which we would receive approval from the Manitoba Public Utilities Board. Upon receipt of that firm date, we would then proceed to rework the schedule in a way that allowed us to complete the work in the time frames that we had, and I can assure the committee that we would do that most expeditiously within the constraints of weather and working conditions in the north at that time, and so on.

* (1040)

Mr. Dewar: I have no further questions on Community Calling at this time.

Mr. Alcock: I have no questions on Community Calling, but I have a number of other questions if you are prepared to move on. Okay?

I have a series of questions, some of which began in the committee when we were here last. The first, though, I would like to talk about is the date of transmission in this agreement that the minister has signed with the federal government, and I wonder if the minister could just sketch the terms of the agreement for us and the impact that they anticipate in Manitoba.

Mr. Findlay: I assume the member is referring to the MOU signed with the federal government on CRTC regulation. There are a number of elements to it, but I will try to recapture as many as I can off the top of my head.

Back a couple of years ago the federal government moved unilaterally, or attempted to, with Bill C-41. We fought it because it was a unilateral takeover without Manitoba having any opportunity for input as to how we could protect the interests of Manitobans once that takeover occurred. They

backed off the further action on C-41, and over the period of time since then we have had negotiations on an ongoing and continuous basis to arrive at the MOU.

The affect of the MOU allows a number of things to happen—first, that there will be a council of ministers annually to allow us to have input to the federal minister. The CRTC regulation will occur with a CRTC commissioner located in Winnipeg for easier access for people affected by the regulation of the CRTC. It will be the first time there has been decentralization of CRTC commissioners.

Any panels that are struck to deal with issues in Manitoba will be done with a majority of Manitobans. The minister, the Lieutenant-Governor-in-Council has the option of nominating the people who will serve as a commissioner or on the panels.

The size of the office for the CRTC in Winnipeg will obviously be larger and more fully staffed to service the needs of the people in the province of Manitoba, and the process will start after the communications bill is passed by the federal government. I am not aware at this moment in time whether it has been introduced yet or not. We expect it to be introduced before too long and, once it is introduced and passed, the effective operation of the naming of the commissioner locating in the province of Manitoba could take place but, nonetheless, it will not take place until September 1st of 1991 at the very earliest.

It looks like now in a time frame it will probably be later than that. There will be an intervening period of time between then and 1995 where a committee of experts will be reporting as to what method of regulation should be used on a trial basis in that period and beyond 1995.

Those are a number of the elements. There are probably a couple more that have slipped my mind at the moment, but it is a fairly extensive MOU. We believe it protects Manitobans in terms of allowing us to have input and, at the same time, it gives a national regulatory framework which, I think, is important, that we have a national telecommunications policy in this country.

Mr. Alcock: Mr. Chairman, I certainly agree that it is important that we have a national regulatory framework. I think the minister has done quite a good job in negotiating the agreement he did.

I would like, though, to get a sense of, as this shift in responsibility and shift in the policy structure occurs, does the corporation have a sense of what the impact is going to be on long distance rates and on data transmission rates and then on local rates?

Mr. Wardrop: Mr. Chairman, the change that will result from the memorandum of understanding basically is a change in a regulatory jurisdiction. That in itself would not in any way, shape or form affect rates. However, subsequently, as time goes on and things change, there undoubtedly will be rate revisions as time goes on, but it is not directly necessarily related particularly to a change in jurisdiction.

Mr. Alcock: But there have been some suggestions that the change in the regulatory environment will lead to greater competitiveness, particularly in long distance and data transmission rates. Have there been projections done on that?

Mr. Wardrop: Mr. Chairman, once again the actual change in the regulatory jurisdiction does not have a direct bearing on whether one has a more competitive environment in telecommunications or not. We do know that at the present time there is an application before the federal regulator, the CRTC, by Unitel for the introduction of competition in a long distance message service. That undoubtedly would proceed to whatever conclusion it reaches, whether there was a change in this jurisdiction or not. So as far as this particular change is concerned, there is really no direct effect on that, although there are other things happening such as the application I mentioned that are moving in those directions.

Mr. Alcock: Then let me ask the question this way. Is the corporation predicting revenues from long distance rates to increase or decrease over the next few years?

Mr. Wardrop: We believe that over the next few years, there will be a reduction in out-of-province long distance rates. We are hopeful that there will be sufficient stimulation to maintain the amount of revenue received at a level that will make the corporation financially viable. However, whatever that might be or how it might change is pure speculation at this time. Those are matters that the regulator, I am sure, be it a federal regulator, in that time frame would examine very carefully and would take the necessary steps to ensure there were adequate revenues flowing to the corporation. That is one of the functions of the regulator.

Mr. Alcock: So the speculation is lower rates, and the wish is greater uptake to keep the revenues at the same level.

Right now it is claimed that it costs more to transmit data from Winnipeg to Toronto than it costs to transmit data from Toronto to Winnipeg. Can the corporation comment on whether that is true and, if true, why?

* (1050)

Mr. Wardrop: The transmission of both voice and data between Winnipeg and Toronto will vary in rates from time to time. It is not that we are not meeting the general rate structures across Canada. It has to do more with timing. For example, there was a recent reduction in long distance rates in Bell Canada which would lead to the lower rates for any data transmission that was transmitted on the voice network as well. We have a filing before the Public Utilities Board at the moment to adjust the Manitoba rates to match that by July 1 of 1991, so in the interim period there is a difference in the rates, but it is a matter of just scheduling and timing of various rate hearings and regulators and so on.

Mr. Alcock: I am interested. You say the submission is to adjust to match a rate structure of another company. Do you do your pricing based on the pricing of other companies, or do you do your pricing based on your cost to deliver the service?

Mr. Wardrop: Mr. Chairman, I believe what I at least intended to say was that it is matching what are the contemporary rates in Canada. It is not a single company's rates; it is simply the norm across Canada. We operate on a standard rate schedule across Canada within the limits of various time differences in the schedules that I explained, and it is really to meet that contemporary rate structure right across Canada. It is not any one company's rate structure.

Mr. Alcock: Then perhaps you could explain to me how that rate structure is arrived at. Is it based on the costs of providing that particular service alone, or are there other elements that enter into it?

Mr. Wardrop: The actual rate schedule is developed within the Telecom Canada consortium, of which Manitoba Telephone System is a member, and it is the situation at present and has always been the case in Canada. The long distance rates contain an element of surplus in excess of the cost of providing the service, and that excess is used to

support other areas of the telecommunications industry that are not as viable or do not have that level of profit. That continues to be the case. When rate reductions take place in out-of-province traffic, it is an adjustment to the rate. In fact, there is still a substantial surplus left in those revenues and continues to be the case.

Mr. Alcock: So in Manitoba businesses, data processing businesses are concerned about the cost of data transmission, given the distances that we are from some of the major centres. Their concerns are legitimate, that they do not have a price advantage despite the fact they are further away? In fact, they have a price disadvantage being further away from the markets they might wish to serve?

Mr. Wardrop: The rates that are applied in the telecommunication network are applicable to all businesses, so any business relative to another business operating in Canada would not have any advantage or disadvantage over their competitor in that respect within the Canadian area.

Mr. Alcock: A further allegation that is made, and there would seem to be some support for it, is, if Manitoba companies were to ship their data south of the border and send it to the networks there, they can effect a considerable saving in their overall costs of operation. Is that true?

Mr. Wardrop: Insofar as telecommunications is concerned, of which I am really only qualified to speak on, rather than the full—there are many costs in data processing in addition to the telecommunications aspect, but with respect to telecommunications, the rate structure in the United States tends to be lower than the Canadian telecommunications rates. To that extent, if there were large volumes of data being carried through the United States, one could, in fact, effect a lower cost than what applies in Canada.

Mr. Alcock: That does seem to be the case, that it is considerably cheaper to ship the information through the United States, and that as people become more able to do that, and particularly given the increasing flow of information now between the U.S. and Canada under the agreement, is there going to be an attempt to reduce data transmission rates in Canada to the U.S. level?

Mr. Wardrop: Mr. Chairman, Manitoba Telephone System, in consortium with its other members of Telecom Canada, have been on a price reduction

program for long distance calling out of province for a period of some two years. We have, in fact, over that period of time reduced rates in the order of 50 percent of what they were two years ago. There are likely to be further reductions of that nature and that will progress in the future and, undoubtedly at some point in time, would more closely match those of the United States as that program rolls out.

Mr. Alcock: Then what happens to the surplus?

Mr. Wardrop: It depends at that time on what arrangements are made, and it would be very highly speculative because you are talking some years in the future, and it would depend upon the nature of the rulings of the CRTC and so on.

(Mr. Gerry McAlpine, Acting Chairman, in the Chair)

It likely would mean a reduced amount of surplus in individual calls, but one has to weigh into that how much increase in business there would be, all kinds of other factors in that. So that there certainly will be financial adjustments required, and part of the plan in having an orderly roll out of the plan and an orderly development of those rates is in order to ensure that there is the necessary protections placed at each stage along the way, to ensure that there is a continuation of universal telephone service. Certainly the principle of universal telephone service is accepted and very strongly supported by all regulators, and undoubtedly the regulators will in the course of those years ahead take that very much into account in whatever their rulings are and the direction they go in.

Mr. Alcock: I am wondering if the CEO could comment on the nature of the relationship between the system here in Manitoba and the one south of the border. We are obviously interlinked with them. What happens with pricing north-south? Is there any relationship, any discussion as there is east-west?

Mr. Wardrop: Mr. Acting Chairman, as part of Telecom Canada we have agreements with the major carriers south of the border for the exchange of calling, and part of that agreement includes a settlement of revenues between the two. Very roughly, they tend to be about 50-50, 50 percent and 50 percent in terms of the share in revenues, so that those are all worked out by separate agreements with the various major carriers down south, such as American Telephone and Telegraph, MCI, Sprint and so on.

Mr. Alcock: So hypothetically, if I make a call to Minneapolis, MTS gets half of the tariff of that and the service south of the border that carries that call gets half the tariff.

Mr. Wardrop: As a general statement, yes. The formula is much more complex than that but, as a general statement, that is approximate.

Mr. Alcock: The price for that call is dependent upon the place that it originates from. If the pricing is lower in the States and it comes back this way, it is still a 50-50 share, but I am paying a lower amount.

Mr. Wardrop: Yes, that has an effect on it.

Mr. Alcock: Perhaps you would just respond to the general question that I hear constantly from Manitoba businesses who have a significant telecommunications component to their service. They are at a competitive disadvantage being located in Winnipeg, because they receive nothing in the pricing that gives them any offset to the distance they are from major markets. In fact, it works the other way around. They pay more for data transmission than they would have to pay elsewhere in this country.

Mr. Wardrop: The price they would pay for data transmission or long distance service would depend on where they are calling. In fact, I would think that on average Winnipeg or Manitoba would be ideally located in that the distance to the far East Coast of Canada and the far west is that they are about midway in that arrangement. For example, a call from Toronto to Vancouver would be considerably more than a call from Winnipeg to Vancouver, so there would be an advantage there.

* (1100)

It really depends on what their calling pattern is and where it goes. There are advantages and disadvantages and, for each individual customer, that make-up would be different, depending upon their calling patterns.

Mr. Alcock: Moving on a bit, I notice in relation to Community Calling that there was an identification of 15 grades of the various areas on which their pricing was set. I notice in some information on Datapac that there is a similar system of grading centres across the country. They use a three-levelled grading where certain cities are graded 1, 2 and 3 obviously, but the claim is made that the assignment of this is relatively arbitrary. If you are in

a grade 3 city, your data transmission costs can be eight times the level of that of a grade 1 city. Why?

Mr. Wardrop: Datapac is a competitive service, and it tends to fall more on the cost of provision than voice telephone service, which has elements of subsidy in it that work more on an average basis. It may be that you are referring to. If there is a specific case that you would like us to check out, if you could forward the information after, we would check out the specific instance, but that is likely what we are running into.

Mr. Alcock: I do have a couple of specific cases that I wish to talk about, one from a perspective of the policy, although I may reference a specific piece of information here. It has to do with the connection of a business service here in the city of Winnipeg.

In this particular instance, the person who applied for service—and they were operating a business—signed a contract with MTS on the 14th of January to have a Centrex service installed on their site later in the month. On the 21st of the month, the installers arrived as per the agreement and informed the company that they were unable to install the Centrex service at that time but, to get them up and running, installed two temporary lines.

(Mr. Chairman in the Chair)

The people operating the business were a little concerned by this, because they need the phones. It is a telemarketing business that they operate, but they understood that these things happen. On the 6th of February the company again appeared and installed three lines of a different type of service saying they could not yet install the Centrex service, but they would at least get them these three lines in. For the remainder of the month of February there were all sorts of problems with the lines and servicemen were in and out, et cetera, et cetera.

Early in March the company arrived again and finally installed the agreed upon equipment. The service got up and running after some considerable problems in getting the equipment installed. The question is not the fact that you had problems installing the equipment. I mean those things occur. It may have been all sorts of things that happened in the environment it was being installed in, in the age of the equipment, et cetera.

As it appears, the corporation then went and charged the company for every installation. They did not charge them the agreed upon installation

costs that are contained in the contract for installing the Centrex system. They charged an installation cost for the two temporaries. They charged them an installation cost for the three lines they put in at their request to change the service, and then finally they charged for the installation of the Centrex. It just strikes me that if the problem is the corporations in delivering the service that it has contracted to deliver, then I am not certain why the company needs to bear those costs.

Mr. Wardrop: As you have described it, I would be inclined to agree with you. If you are able to leave me the name of the company after the meeting, I will certainly look into it and see if that was the case. We will make it right if there has been a situation developed like this.

Mr. Alcock: I will provide the background information on this at the conclusion of today then.

I just have one other question that comes out of the same situation, which I will also give you the background on. The same company needed a couple of headsets, signed a 36 month rental agreement to have headsets from the corporation at a particular rate and entered into the contract to do that, and six weeks later got a letter from the company saying that they could now buy headsets from the corporation. They got the promotional material and the indication that as soon as their equipment broke down, despite the fact they had a three-year contract on their existing equipment, that contract would not be honoured, and they would have to then purchase headsets from the corporation. It just strikes me as a little odd the corporation would enter into a contract to deliver a service and then not honour it.

Mr. Wardrop: Once again, Mr. Chairman, if you can give me the name of that customer, we will certainly look into it and see what was involved there. I understand your concern and will address it.

Mr. Alcock: One other specific concern that references this particular case, and I would not spend a lot of time on individual cases as a committee like this, except that I already have corresponded with the corporation on it, or with the minister in any event, not the corporation, and I still am not satisfied with the response that I received.

In this particular case, the corporation entered into an agreement—and I have a copy of the agreement here—to lay a fibre optics cable through this gentleman's property. The gentleman in

concern had a great deal of concern about the trees on his property and was so concerned that when he was approached about the right-of-way agreement he notified the corporation of this and signed an agreement in which the system agreed that the right-of-way agreement shall be subject to the following conditions, and one includes this concern about the trees.

Subsequent to that, a surveyor surveying for the installation of the fibre optics line for MTS, went on the gentleman's property and cut down 23 trees. The corporation is disavowing any responsibility or involvement with this particular case. It strikes me that the contractor that did it was operating on behalf of the corporation, and the corporation was aware that this particular individual was quite concerned about the trees on his property. He was entitled to some consideration, and he did not receive any. To date, he has not received any other than a reference from the corporation that it is not their problem and he should go sue this other company. It is a matter of 23 trees. It is not the sort of huge financial item that is going to allow somebody to hire a lawyer and go to court, but this gentleman is rightly annoyed in that he served notice to the corporation that he did not want his trees cut and, despite that, his trees were cut down.

Mr. Wardrop: I am somewhat familiar with the case I believe you are referring to. It sounds familiar, and it has been in very extensive legal investigation. I certainly can get you the information and the whole background on it. The liability, as I understand it, and I am not a lawyer but as I understand it, the liability does very much rest with the survey company. That is basically where it is at the moment. If it is the one I am thinking of, we can certainly provide you with more information on it.

Mr. Alcock: It does strike me, though, that the corporation which is a large public monopoly designed to serve all the people of this province has some responsibility. This gentleman—I mean, it is fine to step back if it is a huge court case that is going to ensue from this and there are all sorts of questions about suit and damages and all of those kinds of things. In this case, in many ways it is a tiny incident. You have a person out there who, it is not as though he did not let you know. He came forward, he raised the concern the very first time he was approached. The corporation has just gone ahead through its agent and completely disregarded the agreement that it signed and has now left him out in

the cold saying it is not their problem. Well, I think it is your problem. I think you have a need to make things right with this gentleman. To date, the only information I have is a suggestion that it is not your problem, you should go sue somebody else. He does not want to sue anybody. He wants his property made right.

Mr. Wardrop: Once again, I will review it again but if it is the one I am thinking of, I believe this has been very thoroughly investigated by the lawyers, but leave me the name and I will certainly undertake to review it once more.

Mr. Storie: Mr. Chairperson, I apologize if I am going over some ground that was covered by my colleague from Osborne, but I would like to spend some time discussing the minister's news release of March 11 regarding the need for some protection for residential subscribers in the province of Manitoba.

* (1110)

I would like some information, I guess, first of all on MTS' long distance revenue, some comparative information on their revenue over the past few years, and perhaps some information on their projected revenue. Where are we going with long distance revenue? I gather from this news release, if you read between the lines, that there is a genuine concern that what happened in the United States when deregulation became a fact in the telecommunications industry may in fact happen in Manitoba, that Manitobans may be facing a doubling of local telephone rates. I would like to get to the bottom of this press release, and what fear perhaps sparked this press release on the minister's behalf?

Mr. Findlay: I certainly would like to comment on it. The member is well aware that the long distance competition application is in front of CRTC, a long distance application by Unitel that does not involve the Provinces of Manitoba, Saskatchewan or Alberta at this time. Clearly, the hearings that are being held will develop regulation guidelines for any future consideration on long distance revenue sharing by competitors.

Our approach in addressing this issue is that we are not opposed to competition. Competition exists in many services now that MTS is involved in like cellular, business terminal attachments, the private home terminal attachments, but that competition must be on a fair and level playing field—fair and

equal. There should not be a 15 percent advantage to one of the competitors or a 15 percent disadvantage to another one. We do not believe that competition should be limited to a duopoly, so we are opposed to both of those two elements of the application.

I think first and foremost we clearly understand that we have set up the Manitoba Telephone System to supply a universal telephone system to all the residents of the province of Manitoba at an affordable rate. One of the ways to pay for that is the contribution that comes from the profits, if I use that word, from long distance, which really is a contribution right now of some 60 percent to 65 percent of the gross income from long distance revenue.

Any application that is to consider competition must have a regulatory structure that maintains that contribution from long distance revenue over to support the maintenance of the local infrastructure to keep the costs for the user of that, particularly residential users in the city of Winnipeg, rural Manitoba, northern Manitoba, at an affordable level. On the basis of wanting to maintain that contribution, we are not going to oppose competition, provided that it is on a fair and level playing field, fair and equal to all people who want to enter that industry.

The consumers of Manitoba, the consumers of Canada want the broader range of services that they believe competitors can offer. The Consumers' Association of Manitoba is fairly clear now. They do not oppose competition. They believe that the users of the service want the broader range of services that may be available in that direction, but I think they also support the principle that affordable rates must be maintained so the contribution must be maintained. That is the backbone of our discussion with the CRTC when they were here, and it will remain our position.

Mr. Storie: I guess the crunch comes, of course, when you have to make a decision over which way you are going to go if you cannot meet both objectives. I think history has shown that in the long run it is the residential subscriber who loses.

My question is: What assurances can you give the people of Manitoba that this is not going to happen, that revenue in fact will not be skimmed off by the people who are getting involved in the long distance communications and in the interconnect that is

going to be allowed between businesses or groups?

Mr. Findlay: The assurance we can give the subscribers of Manitoba is we are fighting on their behalf to achieve that objective of maintaining their rates low and maintaining the contribution from long distance services.

Just a little other item, that competition in long distance has really been going on, as Mr. Wardrop indicated in previous answers. Over the past two years, long distance rates have decreased by some 50 percent. We have decreased them here in the province of Manitoba. It is somewhat obviously in response to the fact that they have been reduced in the Bell territory, so the calls coming into Manitoba were actually cheaper than calls made in the reverse direction.

While we reduced rates some 50 percent, the actual degree of revenue flowing from long distance has increased, because there has been a pent-up demand or an increased use. Lower rates lead to greater use so that the revenue flowing back through the contribution direction for supporting local services has actually been maintained. That has been the good news of lowering the rates and allowing our subscribers here to call out at comparable rates to what is available to the people who live in the Bell territory. Competition in one sense has already been occurring, and we have been able to maintain the contribution. In the context of other suppliers of long distance, our position is very strong that we must maintain that contribution to maintain affordability of local service and to keep the rates down for all subscribers of the province of Manitoba. We will continue to fight that. That is the position of the province, and it is supported by certainly Alberta and Nova Scotia at this time. Some other provinces remain relatively silent. They are not standing up and arguing the principle. Our telephone system, universal access, has been developed on contribution, and we want to maintain that contribution by whatever supplier is supplying that long distance service.

Mr. Storle: I am wondering what level of comfort the minister has with the intentions of some of the applicants right now to get into the long distance—the telecommunications business. Maybe the better question is, what is the minister's sense of where the CRTC is going with this?

Mr. Findlay: I guess I would have to say I cannot imagine the CRTC allowing somebody to come in and compete on an unlevel playing field—that minus 15 percent—so I would think Unitel would have difficulty having their application approved the way it is presently structured.

I also think that they are very receptive to the concept that the level of contribution must be maintained, but I also remind the member that—and it was mentioned earlier this morning when the member for Osborne (Mr. Alcock) raised it—it is cheaper to carry transmissions in the United States, so that if our larger companies, who make a lot of that contribution, who do a lot of that long distance calling, find it is cheaper to go south of the line to do their cross North America transmissions, we lose the revenue of that contribution that they should be making.

We have to be careful that the regulations in place and the rates we charge in Canada keep them using the Canadian system, so we can maintain that contribution. We are in a tough balancing act to get the contribution and to get the use of the system in this country. We cannot just keep the rates up and the regulations high, because we will lose the big business who are the big users who make the big contribution.

Mr. Storle: Well, I am getting concerned because it makes sense to me.

Mr. Chairperson, I recognize the dilemma that MTS is facing. What I would like to know is—and I appreciate the assurances that the minister has given the residential users who really are the innocent bystanders in all of this, who do not require that level of service and for whom, I guess, this debate is in some sense kind of an abstract debate other than it will affect them in the long run. I think history has shown that the local user over time ends up the heavy loser in this process.

I would like the minister, perhaps if he could, to explain why the Unitel representative, who was interviewed in the media, was suggesting that commitment was already there, that in fact there would be no loss of revenue to Public Utilities as a result of their application. How is that possible? Does the minister have any sense that, in fact, is the case?

Mr. Findlay: Well, I certainly cannot answer for a Unitel official. If he made a statement of that context, maybe he is putting some evidence in front of the

CRTC commissioners that in fact their application will achieve that. I guess I am relieved to hear that they have actually recognized the issue and are trying to assure the system and the commissioners that they are going to continue that contribution. I have a tendency to be concerned that is really going to happen to 100 percent of the case that exists right now, the full contribution.

Like I said earlier, the contribution right now is 60 percent to 65 percent of gross revenue from long distance. I have also heard them say they are prepared to offer at least 50 percent, which is not quite equal to what I think is necessary. If they have a 15 percent lower price, then obviously would be contributing 7.5 percent less right there. If they mean their statement, that is good news, but I think in the context of the application, they have not fully met our request that the full contribution be maintained and they compete on a level playing field.

I do not have any doubt in mind that MTS can compete on a level playing field, but if you put a 15 percent disadvantage nobody can compete because the user of the service will always take the lower price, naturally. So it is just not fair competition in any sense.

Mr. Storie: Is the minister saying that he has not read, or MTS officials have not read, the application? I mean clearly this official was, if I heard what I heard, suggesting that the system for MTS is not going to lose any revenue, that in fact they are going to be paying revenue back in this kind of cost-sharing way. Is there no way of confirming what they were saying?

Mr. Findlay: Well, I have already given the answer. They are saying in their application at least 50 percent. We are saying it has to be at least 60 percent, so his statement is a general statement. Yes, they are offering a contribution but it may be, it would appear from the nature of the application, not fully equal to what we believe is the existing contribution.

We believe that the principle of the existing contribution must be the same for any competitor. So the statement is correct in essence, but it does not meet the full objective of all the contribution we believe that is necessary to maintain the local service at the present level.

* (1120)

Mr. Storie: Now assuming that this application were accepted, what is the net impact, I mean given that they are offering 50 instead of 60 percent return on MTS's long distance revenue?

Mr. Findlay: I would ask the president if he might be able to comment. It is a bit hypothetical at this time, but does he have any context of how he could hypothetically decide that?

Mr. Wardrop: Mr. Chairman, I do not have any figures I could give you at this time that would answer that question. There are a number of factors that have to be taken into such an assessment, and even when one does, it would be a forecast at best. That, indeed, is a prediction of the future, so I could not supply you at this time with an answer to that.

Mr. Storie: I assume this is only one of the potential players in this market, that Unitel is—that there are perhaps many others. I guess the question is, once they start competing it is quite conceivable, obviously, that they will start also undercutting each other or attempting to improve their position by offering less of a return to the system generally. How do you prevent this once the barn door is open?

Mr. Findlay: No matter how many people might aspire to offer that service in a competitive fashion they have to satisfy the regulator, CRTC, before they can enter the market in Canada. That is why we have a Canadianized system. We are trying to have a system that meets the needs of all Canadians, and Canadians do want the competitive services in a wide variety of ways. The regulator is there to be sure that the degree of competition, I believe, is fair and equal and should be on a level playing field. In this case, it should maintain the same level of contribution, whoever he may be.

People cannot just walk in, you know, put up a store front and start offering the service. They have to go through the regulator and satisfy all the regulatory requirements of this country, and that is the process that Unitel is in right now. Unitel is actually proposing a duopoly, them only. We do not think that is fair. Other suppliers, if they want to come in and try to satisfy the regulator, should have that right.

In this process of hearings, the Province of Manitoba requested a hearing here so that Manitobans had a chance, and we had a chance in front of Manitobans, to put our concerns on the record with regard to how this service should be supplied in the future if the regulator chooses to

allow the competition to occur. So we have had our opportunity for input, and the hearings will certainly be in an expanded fashion in Ottawa next month. We will be watching closely what happens there and determine whether we have to have further input, but I have confidence in the CRTC, because they have gone through this process back in 1985 and rejected the application. This application is not supportable by us in the present context, because it does not create a level playing field and equal opportunity for all competitors who might be interested in supplying the service.

Mr. Storie: Mr. Chairperson, I had asked for some sort of background information on long distance revenues the last couple of years and projections. It seems, I think, quite obvious that one of the reasons why there has been substantial increases in the long distance revenue has been the introduction and the sort of exponential growth in the use of business machines like faxes.

I am wondering whether we are seeing any levelling off of that. Are there new technologies on the horizon that are going to see that continued growth in long distance revenue? Right now we seem to be protected by the fact that there has been, I think, if I read the last report, something like a 10 percent or a 12 percent increase in long distance calls. So where are we going with that? Is this just a temporary aberration, or are we going to see the continuing growth of long distance revenue?

Mr. Wardrop: Mr. Chairman, there is a great promise in the future for telecommunications services that will use the network. They encompass greater applications for computer-based systems, so-called data platforms, enhanced services. There is a whole area called software-defined networks that will give new flexibility and new services available to customers. Many of these are in the prototype stage or are already working at the laboratory stage, so that the promise for a great flow of new services and new applications for use of the network is certainly as optimistic as it ever was at this time.

So one could expect from that, that at least some of them will, in fact, be successful in finding their way into day-to-day application and as useful tools and, in fact, will generate revenue for the network. So I think I would be confident that there will be additional revenues flow in the future from at least some of these new services. Like any projected new idea,

only a certain percentage of them become successful, but there certainly is enough of them to suggest that the residual that will be retained will be large and will provide that opportunity in the future.

Mr. Findlay: I might just add another little comment. I have talked to different businesses, and the cost of doing business is fairly high in this country, particularly if you do a lot of travel. The idea of replacing travel by fax transmission of messages, teleconferencing and all that, is ongoing. When things are tight, there is increased telecommunications activity, because people use it as a lower-cost way of communicating on a more regular basis. I think that will stimulate the use of the system as much as anything in the future as business has become more cost conscious in trying to deliver their service and service their clients wherever they are distributed across this country.

Mr. Storie: Yes, Mr. Chairperson, I would still appreciate receiving the numbers, I guess, from MTS. Obviously, the last report is December 31, 1989. What has happened in the last year? What do the statistics look like in the first part of '91 for long distance revenue?

Mr. Findlay: We will get those figures for you to give you a more up-to-date projection on what those long distance projections are.

Mr. Storie: You will forgive my suspicious nature, but the minister is saying that the March 11 press release had nothing to do with falling or declining or weakening long distance revenues.

Mr. Findlay: No, it was based on principle of what we believe has to be maintained, and that is the contribution from the long distance activity to maintain a local network. No, it has nothing to do with any projection of any perceived loss. We are interested in maintaining the principle of that contribution. That is the underlying desire, that competition be on a fair and equal, level playing field.

Mr. Storie: Mr. Chairperson, Mr. Stefanson can perhaps answer this more general question: Has there been a change since the last MTS report?

Mr. Tom Stefanson (Chairman of the Board, Manitoba Telephone System): Mr. Chairman, the change to date is very minimal. As a result of the recession, there was a slowdown of long distance revenues since about last November. However, the revenues are still exceeding those of 1990.

Mr. Storie: I can understand and I was only guessing, but I assumed that sooner or later we are going to see a plateauing of the rates. My concern is that MTS has been able, I think quite successfully, to maintain service and avoid large increases to residential services as long as this trend continues, but what I am looking for is some indication that MTS is actually planning for the day when this bonanza ends. What happens then? Also, if we start getting into—I mean, if the CRTC does approve this application—some impact on our revenue. The net effect of all that could be MTS being forced to go to the PUB and instead of asking for 4.5 percent, asking for 6 or 8 or 10 or whatever. I think there is a signal on the horizon there that we had better be paying attention to.

Mr. Findlay: There is no question there is, and we have to watch the future very carefully with regard to what the member is indicating. Naturally, there is a saturation point somewhere down the road, but in the process of trying to position the corporation for that, the corporation is doing a good job of using the revenues they are receiving now in a profit sense to fund the pension liability and reduce the overall debt load so that the company is paying less debt charges on an annual basis. It is now from what it was three years ago and it will continue to move in that direction so they position themselves for the more belt tightening that might have to happen in the future so that we do not have to automatically go back and ask for rate increases at the user level.

* (1130)

Mr. Storie: Mr. Chairperson, I did not get a commitment out of the minister with respect to my earlier questioning on the rebate for the people in Snow Lake and Flin Flon. I would like some indication from the minister whether he believes it is fair for the people of Flin Flon and Snow Lake to have been charged \$125,000 roughly in fees and charges for a service that they did not want and they did not ask for and they do not need? Is it fair?

Mr. Findlay: I think the president certainly gave the case fairly carefully to the member—

Mr. Storie: Very carefully. I would like to know that this minister thinks he is fair.

Mr. Findlay: Yes—that the people between Snow Lake and Flin Flon in the period of time when they have had this service available to them did increase their calling rate on a monthly basis of a roughly fourfold. Instead of 5,000 calls per month, there were

20,000 calls per month. So they were using the service and when they were using the service, they were not paying toll because toll was removed, that long distance toll between those two points.

Mr. Storie: Four dollars a month, some never used it.

Mr. Findlay: Mr. Chairman, for that \$4 a month charge, they were receiving toll-free calls between those communities so that the corporation should make all those facts and figures available to the PUB, and the PUB can rule as to whether they received value for the \$4 in terms of the reduced tolls—or the elimination of those tolls, I should say—between those two communities. I cannot tell the member whether the roughly—what figure did he use that they paid?

Mr. Storie: \$125,000.

Mr. Findlay: \$125,000—whether they received more than that in terms of toll charges that were not charged by the people that made those fourfold increases in calls. That has to be sorted out. I would recommend that the corporation put all that information in front of PUB and ask PUB, as an independent arbitrator, to determine whether it is fair that the charges just be dropped, and get on with life.

Mr. Storie: Mr. Chairperson, the minister has avoided answering the more thorny question of whether it is fair.

However, would the minister now acknowledge publicly, contrary to what he suggested at the committee last year, last November, that this "revolt" was being fomented somehow by the member for Flin Flon and some others? Will the minister now acknowledge that what MTS was told in July, in August and September of 1990, that people were opposed to this, was in fact correct, and that in November, when the decision was made to suspend the Community Calling program for many other communities, it should have been suspended for the communities of Flin Flon and Snow Lake, and people should not have been continued to be charged the 56 percent increase they were charged in the community of Snow Lake, for example?

Mr. Findlay: Let me just give the member the same information I had in front of me when we made that decision way back when.

In October of 1988, between those two communities some 3,917 calls were made. In

October of 1990, they made 14,839, 3.8 times as many calls, so there was a clear indication that there was a user out there who was happy to have the service. That was the information available at the time. The member advocated that, no, they used it because it was free. Okay. -(interjection)-

Mr. Chairman: Order, please.

Mr. Findlay: Then MTS temporarily suspended further communities being put into the system and went back and did a review. Out of the review they came forward with the idea that these people, even though they did use it, they are still saying they do not want it, so they are acting on that. Many, many communities in southern Manitoba have very clearly indicated, and we have lots of resolutions from RM council saying please, get that service started up again because we like it. They were not arguing very much about the charge, because they really thought they were getting value for service in terms of what they were paying in that extra charge.

So MTS has gone back, revisited the issue—and the member acknowledges that public hearings that were held were actually held, but maybe there were not enough. I will acknowledge there were not enough hearings, and not everybody got an opportunity to put their point of view across. Now we have suspended it. They have gone back, had a number of methods of contact with the community, whether by letter or by phone calls or by public meetings, and have come back with a revised plan, I think, that more fairly and more responsibly meets the needs of all Manitobans.

Mr. Storle: Well, Mr. Chairman, using that as an argument, that after the people were paying for it even though they did not want it they went ahead and used it, using that as a defence of the introduction of this program is the most convoluted logic I have ever heard. God forbid the government uses that kind of logic in the introduction of any other program. You charge someone for it and then expect them to sit on their hands and not take advantage of it, not to make frivolous unnecessary calls, not to use it whenever a whim came across them. That is not the way we do programs in this province, heaven forbid, and to use that kind of logic to defend this program is just totally unacceptable.

However, I want the minister to be put on notice that this issue is not dead until there is real justice here and the people get their \$125,000 back. That is when this issue will be over. No one has ever said,

not I, not anybody who talked to MTS officials in Flin Flon or Snow Lake, that this program was not a good idea in some areas. All we said was do it in those areas. Do not come into Flin Flon and Snow Lake and impose this on us without our consent, without some sort of demonstrated need for this kind of a service.

Clearly that was not demonstrated, and I thought MTS heard that message. So the minister will know that this issue is not dead until the \$125,000 is paid back to the telephone subscribers in Flin Flon and Snow Lake. I leave the issue.

Mr. Chairperson, another question. My question is to the chairperson—

Mr. Chairman: Order, please. Mr. Penner does have a question, I do believe, on the same subject. Are you carrying on with that, or—

Mr. Storle: I am carrying on, I will be carrying on.

Mr. Chairman: Okay, Mr. Penner had one question prior to this.

Mr. Jack Penner (Emerson): Thank you very much, Mr. Chairman. I certainly do not want to in any way intervene in the questioning that the honourable member for Flin Flon is on. He raises some good points and also, I believe, has indicated clearly his view of what should happen in Flin Flon and Snow Lake. That, of course, is not the view of all the members of those communities, and I will not comment any further on that.

I want to congratulate Manitoba Telephone System for embarking upon the Community Calling process, as well as the Expanded Adjacent Exchange process. It is a process, I believe, and a program that many of the municipalities and villages, towns, individuals in rural Manitoba have waited a long time for. I have heard nothing but congratulations to Manitoba Telephone System and the ministry for embarking on this kind of a program. Many communities are looking for even expanded coverage and use, even though it would cause an increase in the basic fee.

The question I have is on long distance charges. Maybe I should make a comment in regard to this, being a relatively new member of this Legislature and having for the first time had some indication of what the costs are, to many rural members, of communicating with their constituents, especially constituencies as large as mine are. I am sure the

member for Flin Flon (Mr. Storie) would concur with this, that the costs are very, very significant.

Prior to the implementation of this program, my average phone bill was anywhere between \$200 and \$400 a month, so I say to the honourable member for Flin Flon and also to all members of this committee, the charges applied to individuals by MTS for the use of their service are rather significant to some rural people—I would suggest to all rural people—who have cause to do business outside of their communities, and many do.

* (1140)

Therefore, the program that is being implemented here, I think, will have significant advantages over and will add a measure of competitiveness to many of the businesses that have to do business on a long-term basis and, therefore, I think we need to say these kinds of things.

Secondly, I believe that the approach and the question is to the MTS President and also the chairman of the board whether, in fact, they are looking at implementing policies, putting in place policies, that will further expand the calling areas, maybe over all of the province of Manitoba and not cause long distance charges to be applied, and that some other method of charging for telephone services might in fact in the future be a reality.

I suggest to you, because you are a public corporation and serve all of the public of Manitoba, that we might look at a similar type of an arrangement for telephone that in fact we use for Manitoba Hydro and that we charge maybe on a use basis more than we do now, maybe a per-minute charge to everybody regardless of whether you live in an urban centre.

I sometimes wonder what advantages the businesses within the city of Winnipeg, for instance, have because they can reach 600,000 people without charge by telephone and communicate virtually for nothing with all of these people. City of Winnipeg and members here, MLAs, are similar, and those of us who are in rural Manitoba, do business in rural Manitoba, have to pay for these long distance charges.

I wonder if in fact there is a consideration being made that policy be developed that would negate the necessity to in fact charge only those who use and put some other—maybe I should not say only those who use, but put in place a system that would

in fact charge those who use in another way than we do today, in a different way than we do today, and that that be applied to all people in Manitoba.

Mr. Findlay: I will just comment very quickly to the member for Emerson that really that principle is used in the cellular right now, that you charge by the minutes of use, and maybe ask the president if he would want to comment on whether that principle could or should be considered for the entire use of the system.

Mr. Wardrop: Mr. Chairman, the use of a pricing system that is based on the amount of use is in place in a number of jurisdictions around the world. The matter does occur from time to time. The most recent one in my memory was in the early 1980s. This way of charging again became a subject of some intensive review and study. In fact, there was in eastern Canada a small trial in a community at that time of using this charging. At that time, the result of that was that there was a very strong negative reaction from the public in the trial area. We got similar indications in Manitoba and therefore did not proceed beyond that basis. Certainly where an operation of the corporation point of view is concerned, notwithstanding the customer reaction which of course is very important, it would be perfectly feasible to have such a system, but the key here is really the public reaction, and if there was desire for that generally among the public, it could be introduced sometime in the future.

Mr. Penner: On another matter relating to this—and the minister mentioned MTS Cellular and services through Cellular—we live in an area which is fortunately served by cellular phone, and it has some great advantages. However, we also live very close to the American border and do business very close to the American border. We find ourselves in a very interesting situation now, whereby the Grand Forks people, and I do not know the name of the system that operates out of North Dakota, have increased their capacity and the strength of the tower. I do not know where it is located, I believe it is close to Grafton somewhere, and it is infringing into our areas now. We find that our cellular phones are tying into the North Dakota tower, and therefore we are charged Grand Forks rates plus Winnipeg rates into our area by making local calls. It is causing us some concern.

The question is: Is MTS considering some reciprocal types of arrangements with the

communications companies south of us that we in fact, in those areas where these services overlap, could in fact be applied at a similar rate than all the rest of Manitoba?

Mr. Wardrop: Mr. Chairman, Manitoba Telephone System is well aware of this problem and we view it as a very serious problem. The problem arises because the corporation that has just been described, on the U.S. side, which is U.S. West, has cellular towers close to the border and they in fact interfere into Manitoba. Ordinarily that should not have happened.

It is part of the licensing agreements between the Department of Communications of Canada and the Federal Communications of the United States, and there are technical specifications that should prevent that. I can assure the committee that the engineering people in Manitoba Telephone System have been meeting regularly and working very diligently with the U.S. West engineers to overcome the problem. Hopefully, they will have success in that in the near future and there will be a satisfactory degree of isolation between the two systems.

Mr. Penner: The question is though, has there been any discussion relative to the exchange, in other words, a reciprocal type of an arrangement that the Americans might use our system at times and we use theirs or is that possible?

Mr. Wardrop: There have been no direct discussions on that matter primarily because the rules that apply to cellular service by both the international agreement and by federal agreement do not allow at this point for an interchange of that nature. So that the most viable option that seems to be open is to have a physical isolation of the signals which is what we are working on in that direction.

Mr. Penner: Have you given any discussion, Mr. Chairman, to opening discussions in that regard between the two jurisdictions, in other words, between Canada and the Americans and/or MTS and U.S. West, whether in fact policies could be developed whereby that exchange could in fact take place? I think there are some tremendous advantages to be gained by in fact doing that.

Mr. Wardrop: No, there have no discussions along that line. I would think that if such discussions were held we would have to include the Federal Communications Commission of the United States and the Department of Communications of Canada in them. It would have to be an international

spectrum agreement of some course, an interchange of business and so on, but nothing has moved in that direction at this point in time.

* (1150)

Mr. Storie: My question is to the minister. Has the Minister responsible for MTS (Mr. Findlay) met with representatives of the Northeast Manitoba Community Futures Committee?

Mr. Findlay: The two representatives, at least one representative—I presume the second person there was a representative—came to my office and met with me last week, that is right.

Mr. Storie: Mr. Chairperson, the Northeast Manitoba Community Futures group has sought some assistance from the government and from MTS on a project they are putting together that would really involve a world first, a project of significant scope. Having had an opportunity to meet with this group recently certainly became concerned about the government's either lack of perception or lack of willingness to become more concretely involved in this project. Perhaps I could ask the minister to explain his understanding of what this project involves and its possible connection to MTS.

Mr. Findlay: I would have to ask the member to indicate which project, because we did discuss two projects. Certainly one of them would be one that I am sure they would want some confidentiality on, but I would like him to indicate to which project he is referring.

Mr. Storie: I was referring specifically to the telecommunications network that was being discussed with some fairly large funding organizations in the United States and also connected with a couple of major, what I would see as competitors of MTS, namely Hewlett-Packard and IT&T.

Mr. Findlay: Certainly. Of the two items discussed at our meeting, that one was barely touched on. They did not come forward with any request for anything on it. They just told me very briefly what they had been involved in, that they had had previous discussions with an official of the Manitoba Telephone System. We had suggested that maybe that was not the appropriate official, they should at least talk with the vice-president of the area or the president on that particular issue, because the kind of discussion they had with the official they had

talked to had not given them the kind of response they wanted. Beyond that, the issue was not discussed any further. In that meeting it was the second issue that was discussed, of greater significance to them on that particular day.

Mr. Storle: Well, I do not think we have to be nearly so circumspect in terms of what we are talking about. What we are talking about would be initially an aboriginal communications network that would basically tie in aboriginal communities around the world. This group, really working out of the Northeast Manitoba Communities Futures office, have put together really quite a spectacular list of supporters. They include a multimillion dollar commitment from Hewlett-Packard, a multimillion dollar commitment from IT&T, hundreds of thousands of dollars in commitment from independent funding agencies in the United States, and yet they seem to have had very little success at garnering support from the provincial government or MTS. This group is looking at headquartering a significant telecommunications operation in Winnipeg, in Manitoba, and perhaps the minister can tell me where they should be going or why, if they did meet earlier with MTS officials, that information has not come to the president or to the board, or perhaps it has. Perhaps the board or Mr. Wardrop can discuss it.

Mr. Findlay: We had requested a meeting. We had requested that they meet with an official of the executive of Manitoba Telephone System to flush out further detail of what the proposal is and how we might participate. I do not know if the president has anything more on it, but that issue was not discussed at any length at all in our meeting. I just became aware of it at that meeting that they had actually approached a more junior official and had not really received the kind of answer they wanted. I am not aware that it has surfaced any higher in the executive of the corporation. The president is not aware of it at this time, but we are willing to have them meet with appropriate officials at the executive level of Manitoba Telephone System to further explore the situation and the opportunities that they are looking at.

Mr. Stefanson: Mr. Chairman, there has been no approach made to anybody at a senior level at Manitoba Telephone System. Mr. Wardrop and I have spoken quite briefly about it, and we anticipated that perhaps they might be approaching us. That is all I can say.

Mr. Storle: Mr. Chairperson, again, my involvement in this has only been at a meeting where concern was expressed over the relative seeming lack of interest on the part of the government and officials to the potential involvement of the province in a project that is gaining support quickly, significant support, and when it involves competitors with MTS.

I guess the issue that this raises, since it has not been brought up in MTS is, do we have a problem in MTS with the information flow between senior levels and lower levels at MTS? We have an example where there were significant environmental problems at MTS' doorstep and senior officials and the minister responsible were not informed. We now have an example of a project that could have significant benefit for Manitoba in which someone at MTS was talked to but nobody at the senior level, the decision-making level, perhaps knew. This is a very major concern. MTS involvement in this project at this time will have—certainly could have—significant spin-off benefits for the province. What is wrong?

Mr. Findlay: I will just say very briefly that we want to know what the opportunities are. We would like the opportunity for those individuals to interrelate with the appropriate officials at MTS, and I am sure the president would like to also have an idea knowing what the opportunities are so that they can have an opportunity to assess whether we should be involved and to what extent we could be involved.

Mr. Storle: Could the minister indicate who else was at the meeting that he attended with Mr. Fiddler and Mr. McDougall?

Mr. Findlay: The Minister of Industry, Trade and Tourism.

Mr. Storle: Can the minister indicate what concrete action he or his colleague, if he is aware of it, took to attempt to flesh out the merits of this proposal?

Mr. Findlay: As the chairman has indicated, we are waiting for an opportunity for those individuals to talk on this issue with more senior members of Manitoba Telephone System, and we would like to see that happen. On the second issue that was on the agenda, IT&T, as far as I am aware, assigned a staff or two to work with those individuals from Northeast Community Futures on that issue.

Mr. Storle: Mr. Chairperson, I am a little confused. Did the minister undertake to do anything on behalf

of this group on either issue, and I will talk about the second issue in a minute? Did the minister contact the president? Did the minister contact the board chairman to ask them to investigate this opportunity or did we just sit on our hands?

Mr. Stefanson: Well, this meeting took place—what was it, about a week ago now?—and the only thing that has happened to date is that I have informed the president that he should be expecting something. No senior person, no vice-president has been approached by anybody within our organization. It is my understanding that they were told that they would have to make an approach to somebody at a vice-presidential level as opposed to going down somewhere in the organization. What you mentioned earlier, if there is a problem, I am sure that Mr. Wardrop is going to look into it.

Mr. Storie: It concerns me, and I think it should concern the minister that we have a situation where we are talking about a project of international scope, ballpark figures of commitments like \$20-\$40 million from companies like Hewlett-Packard. Ballpark figures, I have no idea of their legitimacy. We have an opportunity in which the response of a Crown corporation is saying, well, get back to me on that. Where is the sense that this might be important for Manitoba? Where is the sense that this might be important for Manitoba? Where is the sense that this might be an opportunity we are missing?

I mean, we have people from a very small group with limited resources, a Northeast Manitoba Community Futures group, working on behalf of many communities in the northeastern portion of the province. They get a commitment of \$100,000 from two tribal councils in the region because this project has a lot of merit, a lot of potential benefit. The best we can do at MTS is, well, I told one of the vice-presidents, maybe we could expect something on this. Where is the initiative? Where is the looking into possibilities? Is the minister prepared to accept that kind of attitude?

Mr. Findlay: Mr. Chairman, if I may comment. I want to say to the member, we met last week, the first time I was aware of their interest in pursuing this. We want to see them pursue it. They have not come back, as we are aware at this point, with any other member of the executive of Manitoba Telephone System. I will commit to the member that now we will pursue them. If they have not come to us, we will pursue them from the executive level of Manitoba

Telephone System to see what they have in front of them, what the opportunity is for Manitoba Telephone System in the context of what they want to do. We would like to see that contact occur.

* (1200)

I guess I was surprised at the time when they said to us they had spoken to a junior official, had not gotten the response they wanted and sort of left it at that and did not pursue it any further. When they came to meet with me last week it was, they phoned me one day and I gave them a meeting the next day. I responded instantly to them because, yes, they had raised opportunity and we are after opportunity. So we responded by meeting the very next day.

I had the Minister of Industry, Trade and Tourism there and the chairman of the board from Manitoba Telephone System, not knowing that they were going to talk about an issue related to Manitoba Telephone System. I kind of assumed that it was communications involved in their request for a meeting. So we have acted as quickly as we could, instantly in fact. We will now ask somebody in the executive level of Manitoba Telephone System to get back to them, because they have not gotten back to us.

Mr. Chairman: Mr. Stefanson, did you have

Mr. Stefanson: No, I think Mr. Findlay has stated

Mr. Chairman: Okay. Mr. Storie, would you allow Mr. Alcock some time here?

Mr. Storie: I would like to just finish.

Mr. Chairman: Okay.

Mr. Storie: Mr. Chairperson, I appreciate the fact that the minister responded by meeting with this group. What I am concerned about is what happened after the meeting, whether there was any actual follow-up, because we are not dealing with Bell Canada here. We are dealing with a group who basically are the people this minister met. That is the resource.

They do not have 12 people doing research or, you know, knocking on doors to get support for this project. The schedule for these two gentlemen was, like, after they met with me they were going to New York and then to Los Angeles, into Seattle to meet with IT&T officials there or whatever, that in fact this group is onto something. We can sit by and watch IT&T and Hewlett-Packard put this together, but we

are going to miss the boat. That was the concern that these people expressed as well to us.

Mr. Chairperson, I gather the minister is undertaking to pursue this and that he will be talking to this group.

Mr. Chairperson, we have not dealt with the other side of that meeting, which perhaps the minister would like to elaborate on, what the focus of the other part of that meeting was about.

Mr. Findlay: Well, the meeting was called by the officials of Northeast Community Futures, and the other issue was the major reason for calling the meeting, as far as I could see. We related to events that should be handled by Industry, Trade and Tourism, and the Minister of Industry, Trade and Tourism has indicated to me he has assigned an official to work with them on the project that they are trying to put together that involves activities of a global nature. We are hopeful that through I, T and T we can be of some assistance in their operation with regard to developing a package of some significant Canadian content. I do not know if I want to say anything more at this time because you know it is a competitive opportunity for a number of companies and Northeast Community Futures is, as he has mentioned, going and having meetings in different places in North America trying to pursue this objective and through the Manitoba government, through I, T and T, we will be working with them.

Mr. Storie: Well, Mr. Chairperson, I think it goes beyond that. What this group has become is really a broker for a consortium of American companies who are going to be part of the \$500 billion reconstruction of Kuwait. That is what we are talking about. Telecommunications is clearly an important part of that, and the deadline for getting your name on the list through the Northeast group is either fast approaching or already past.

My question is, who in MTS or who in the minister's office is taking responsibility for a possible MTS connection in what will be probably one of the most significant reconstruction efforts in our history, in the history of the world?

Mr. Findlay: In terms of the opportunities for Manitobans, we have instructed the Minister of Industry, Trade and Tourism (Mr. Stefanson), through his officials, to work with this outfit in terms of what they are putting together. Very little detail was available at our meeting, very little detail. They

were going to these other meetings that the member has mentioned, and I am not aware of them getting back to anybody at this time with regard to the results of those meetings and what is going on, but it was an idea that was just in the very beginning stages and had a lot of work to be done yet in terms of putting it all together. They have made contact with other groups, the Chamber of Commerce and the City of Winnipeg, and a lot of activity needs to occur there. We are waiting for an opportunity for them to get back through Industry, Trade and Tourism.

Mr. Storie: Mr. Chairperson, we hear a lot of rhetoric from the government—I should not use the word rhetoric, that is too pejorative—but we hear a lot of soothing words from the minister about the importance of MTS remaining competitive and that we do not want to lose our competitive advantage. We hear the government talking about opportunities and looking for opportunities and it seems to me that we have two of them right before our eyes.

As these people, Mr. Fiddler and Mr. McDougall, put it to me, these decisions are being made by other people who they are contacting quickly, efficiently, that in fact there is not any time to waste. They sense that the government, that their meetings were not leading to significant interest or, I guess, positive enough response to make sure that things were moving from Manitoba's side. I raise it simply as a matter of concern that, you know, we just lost that Pratt and Whitney plant. It went to Alberta. Are we missing an opportunity here that is going to be picked up by Alberta Telephone or B.C. Tel or Bell Canada or somebody else simply because we sat on this, that we did not respond, that we did not see the opportunity? I think that is a major concern. I am disappointed that this group ended up feeling like this after meeting with two ministers of the Crown and an official in MTS.

Mr. Findlay: We are not neglecting an opportunity. This meeting was called one day, I met with him the next day. That is a week ago. These sorts of opportunities have to be flushed out and developed. No concrete business plan was available. No context in which companies or interested Crown corporations should be approaching them was put in front of us. We are waiting for that to come back.

We are offering officials in Industry and Tourism to work with them to do that. It is going along with the idea of "We are exploring the opportunity and

are prepared to be part of exploring the opportunity for not only Crown corps but for businesses in the province of Manitoba.”

Mr. Storie: The minister I think continues to miss the point. My question to the minister is: Is there any group within the minister's purview that looks at opportunities like this in terms of the involvement of the government or the Crown? Is the minister involved in, you know, an economic resource committee of Cabinet, or does he have any forum where these kind of issues can be raised with the government for expeditious decision making?

Mr. Findlay: Using the general context, the minister who is most directly involved in those kinds of opportunities is the Minister of Industry, Trade and Tourism (Mr. Stefanson).

Mr. Storie: So even though this may have tremendous telecommunications impact, the minister says that it is not my responsibility?

Mr. Findlay: I am not saying that. We will be part of the overall group of people who should be working under Industry, Trade and Tourism, and that is what is going on, trying to determine the opportunity that exists here. We will be communicating with the Department of Industry, Trade and Tourism in regard to how the thing is being pulled together.

Mr. Stefanson: Mr. Chairman, if I may comment, I think as far as MTS is concerned, we have to take a look at our mission goals and just evaluate exactly what our mandate is. MTS went into a business venture in that part of the world in the Middle East back in the early '80s, and the result was far from favourable.

I am not sure what the members of this Legislature really expect from MTS as far as our mandate is concerned. Is our mandate to run over the world and invest in projects over there? -(interjection)-

* (1210)

Mr. Chairman: Mr. Stefanson, are you finished?

Mr. Stefanson: No, I think that is all that I have to comment on it. I am not usually very defensive on behalf of the employees of Manitoba Telephone System, but in this particular case I might add that the employees are always very sensitive to anything that would be beyond the borders of Manitoba.

Mr. Storie: The chairperson of Manitoba Telephone System raises a legitimate question, and he wants

to bring in some parallels to another venture that MTS undertook.

The fact is that there are two opportunities here, and our Crown corporation is either going to be part of the new generation of companies when it comes to telecommunications, or we are going to be left behind. MTS is either going to be part of investment and growth in Manitoba, or it is not. It is not going to be at its expense and the expense of the people of Manitoba.

I do not expect the chairman of the board to make these decisions unilaterally. I do expect the chairman of the board and the minister responsible to have enough initiative to look at opportunities when they present themselves, to explore them thoroughly and then come to some decision about whether it is right or wrong. If that means, you know, transgressing on the perceived mandate of MTS, then that is a decision for the board and the minister responsible and the government of the day. It seems irresponsible when there are opportunities out there that are ignored. Perhaps the minister can respond. Is the minister saying that MTS should not be looking at opportunities that extend perhaps beyond the immediate provision of local services?

Mr. Findlay: Certainly, opportunities are not being ignored. As I told the member, we met last week on one day's notice with these two individuals, and no decision had been made. We are looking at the opportunities. It is an ongoing process of looking at the opportunities. This is just a very short time frame to expect us to make decisions. We are looking at the opportunity. I have committed to the member that we will pursue it with the individual. Since they have not made contact with anybody at the executive level, we will ask somebody at the executive level to make contact with them on both issues.

Mr. Storie: Is the minister then disagreeing with what the chairman has just suggested is the case?

Mr. Findlay: I am not disagreeing. I am just saying we will push on and try to get more information as to what the elements of the issues are that they are pursuing, both the international telecommunications network and the Kuwait consortium concept.

Mr. Alcock: Mr. Chairman, I would just like to note that yesterday there were some serious allegations made about the actions of the corporation relative to environmental orders, and before we get into the

specifics of that particular case, I would simply like to ask the corporation why it took eight years for them to respond to the initial problem that occurred at the Chesnaye repeater site?

Mr. Wardrop: I do not have firsthand knowledge of what occurred during the period of 1982 to 1988 which was I think it is six years that elapsed until the response was made. I was in the corporation, but it was not in the area that I was associated with at that time. However, in 1988, I had been appointed executive vice-president, and part of my responsibilities at that time was chief operating officer.

When it came to my attention that there had been an oil spill at Chesnaye, we reported that at that time to the environmental authorities. We proceeded with cleanup, and we then subsequently proceeded to develop civil construction works that were up to present-day standards in order to ensure that should there be such an unfortunate occurrence once again, there would be no damage to the environment. This was done by building a diking system with a vinyl liner around the location so that if, in fact, there was a leakage of diesel fuel, as had occurred previously, that it would be contained and not spread out over the environment.

However, since this has been highlighted recently, I am beginning an investigation as to what in fact occurred back in those years. You will appreciate that much of the information on this would be in our archives, and it will require some archival research in that the occurrence did occur some nine years ago or so, but I have undertaken to do that, and I will be proceeding with that over the next few days.

Mr. Alcock: The incident that occurred some eight years ago was only one of two. There was a later spill. That is the one that was referenced that was responded to. What is of concern, though, is that you have a major public utility that does have responsibilities for acting on behalf of the people of this province who was, at one point, refusing to respond to orders from the Department of Environment and treating the relationship with the other arm of government that is charged with protecting the environment in a very seemingly cavalier and irresponsible fashion, up to including admitting to having given incorrect information to the Environment department and not responding to

orders that were given by the Environment department.

Perhaps the corporation can tell me why this situation occurred.

Mr. Wardrop: Those are exactly the subjects of the review I referred to earlier. They will be the very questions that I will be asking to attempt to determine precisely what the cause was and why that did occur. As I say, over the next few days I hope to conduct that.

Mr. Alcock: There is an allegation, and this not an allegation that comes out of the archives. It in fact is referenced here as August 24, 1988, that there is a response from an MTS official when questioned about why MTS has not complied in the manner that it indicated it would, the response is, quote, I guess we lied, quote. I understand that the official who is credited with that particular quote was disciplined?

An Honourable Member: He is no longer with them.

Mr. Alcock: No, this is post your tenure in this particular issue. Was the official disciplined for that particular action?

Mr. Wardrop: I have no knowledge of that at the moment. That is a question that I will be asking to determine if indeed that statement was made and why it was made and with what reference and in what context. I can tell you that I was informed shortly after the spill it had occurred and immediately pressed for corrective action. That was subsequently taken, and I will have to complete my review before I could verify or comment on what precisely happened in communications that I was not part of at that time.

Mr. Alcock: This statement, however, was made, and these actions are subsequent to your involvement with this action. I mean, the second spill that initiated the action that you claim to have been a party to occurred on August 9, 1988, and the reaction and the information given out by the staff member and the request from the department to prosecute and the subsequent decision not to prosecute all occurred since the time that you were chief operating officer.

Can you assure us now that action has been taken within the corporation to see that all orders from the Department of Environment are adhered to?

* (1220)

Mr. Findlay: Just to remind the member that Mr. Wardrop has been the chief operating officer for less than six months, so another person was the president at that time. That president has now resigned from the corporation, so Mr. Wardrop is trying to catch up with the details that the member is asking for, and he is operating as quickly as he can.

I also want to remind the member that since the 1988 spill, all 11 sites have complied with Environment regulations, and cleanup has occurred, the dykes are built, the liners are in, so they have complied completely. What happened back in the NDP years, maybe they need to answer for.

Mr. Alcock: Perhaps I misunderstood Mr. Wardrop then, because I had understood him to say that prior to the time action was initiated to clean up the site, he was at a different position within the corporation, that he assumed a different position. Now he is the acting CEO, but—

Mr. Wardrop: Mr. Chairman, perhaps I can clarify. In early 1988, I was appointed as executive vice-president. At that time, I was given responsibilities as chief operating officer. However, as chief operating officer, I was not directly responsible for the group that controls our building construction and some of the civil works. That reported up through a vice-president that reported directly to the then president who has since resigned. However, as part of my responsibilities as chief operating officer, I became aware from my operating people that, in fact, a spill had occurred at one of our plant sites, Chesnaye in northern Manitoba. As a result of that, I immediately pressed the group that was responsible for buildings and land and property and that kind of thing to take corrective action, which indeed they did, and they did it very, very quickly and very rapidly.

However, in so doing, I had no reason at that time to know whether within that group there had been disciplinary action taken or not, and that is the sort of thing that I am researching and attempting to find out at this time. Nor would I have any knowledge of knowing whether there was a specific meeting held by that group between them and the environmental officials, but as part of my review, I will discover that.

Mr. Alcock: I would be quite prepared to share the information which we obtained under freedom of information which provides a fair bit of detail on this

particular incident and does suggest that the corporation was not prepared to act in what one would assume a public corporation would act within. Would it act on behalf of the people in this province to see that our environment was protected? This corporation, as the various memos we have between the two departments seem to suggest, was completely going to disregard any orders given by the Department of Environment. All I would like today then, and I understand the need for some time to research, is some assurance that this is not going to occur again, that this corporation is going to take its responsibilities seriously.

Mr. Wardrop: Mr. Chairman, I would share the concerns about the environment very much, and I think I demonstrated that by putting this matter right in terms of the civil works. I would also assure the committee that it is an ongoing concern of Manitoba Telephone System to be sensitive to the environment. We, in fact, have some positive and proactive projects that we have undertaken recently in that direction, one of them being recycling programs for our directories and so on, so that I can assure the committee that we are sensitive to that and will be so on an increasing basis in the future.

Mr. Alcock: I just have another question on an issue related to the question that Mr. Penner had raised earlier about cellular service in the southwest quadrant of the province. There are a couple of holes in the coverage that exists there at present, and I understand the corporation is about to establish a new tower down somewhere west of Carman. Is this the case at present?

Mr. Wardrop: I do not believe there is a new tower going in that area. We have recently put one in that area, and I am not aware of any specific tower that you are referring to.

Mr. Findlay: I would just like to tell the member that the cellular service that Manitoba Telephone System is supplying covers over 80 percent of the residents of the province of Manitoba now, a very broad coverage. In terms of offering that service, which is a competitive service, you have to be careful and be cost-conscious in terms of building sites. In less than a two-year period, they have done a lot of work in terms of supplying towers all across Manitoba.

I was recently in the United States. I drove from Bismarck to Spokane, and I was appalled at the lack of cellular service that existed outside the cities across an area that is not all that differently

populated in a rural sense than Manitoba is. I think the Manitoba Telephone System responded quickly and rapidly to getting that service up and running. I would say for 80 percent of the people there are still some holes, naturally, that want to be filled and will be filled as time permits and costs allow in the years ahead.

Mr. Alcock: Could you just tell me quickly the name of that last tower site, and then I will turn it over to Mr. Storie—that last one that Mr. Wardrop referenced? Where was it built?

Mr. Wardrop: It would be west of Carman, perhaps north of Morden. It is in that area.

Mr. Penner: One very brief question and then I would like to move adoption of the report, and I think we have aired this fairly well. Is there any consideration being made by MTS to provide service to the southeast part of the province, east of Emerson?

Mr. Wardrop: Mr. Chairman, Manitoba Telephone System Cellular has a constant program of reviewing areas where it is feasible from a financial point of view for us to extend the service and, as the minister has explained, under the terms and conditions of the federal government, we must operate this unit as a separate financial entity. However, at the present time there are no specific plans to expand into an area east of Emerson and southern Manitoba, but I can assure the committee that such matters are under constant review. As soon as we find a feasible way to achieve that, it is

our intention to expand in that area and generally throughout the entire province.

Mr. Penner: Thank you very much. That is encouraging. I would urge MTS to take a good hard look at that southeastern part of the province. There is a significant opportunity for expansion, industrially and otherwise, there and I think MTS should be ahead of the game leading that, the communications approach. I would, Mr. Chairman, if you would allow, unless Mr. Storie has an additional question, would after that move that we adopt this report.

Mr. Storie: The hour is beyond 12:30. I had indicated earlier in private conversations with you, Mr. Chairperson, that we were prepared to let the 1988 report pass at this point. Are we meeting this evening?

Mr. Chairman: Yes, we are.

Mr. Storie: At eight?

Mr. Chairman: Yes.

Mr. Storie: So we will continue with the consideration. I would just ask that the information on long distance rates, if we could have that this evening, that would be very useful. If that is not possible that is fine, but if we can have it I would appreciate it.

Mr. Chairman: Being that the time is 12:30, this committee will rise and meet again at 8 p.m.

COMMITTEE ROSE AT: 12:30 p.m.