

**LEGISLATIVE ASSEMBLY OF MANITOBA**  
**THE STANDING COMMITTEE ON PUBLIC UTILITIES**  
**AND NATURAL RESOURCES**  
**Thursday, 28 May, 1987**

**TIME — 10:00 a.m.**

**LOCATION — Winnipeg, Manitoba**

**CHAIRMAN — Mr. C. Birt (Fort Garry)**

**ATTENDANCE — QUORUM - 6**

*Members of the Committee present:*

Hon. Mr. Doer, Hon. Ms. Hemphill, Hon. Mrs. Smith (Osborne)

Messrs. Baker, Enns, Filmon, Orchard, Scott, Smith (Ellice)

**APPEARING:** Mr. K. Beatty, Vice-President, General Counsel and Corporate Secretary, MTS.

Mr. E. Robertson, Acting President, MTS.

Mrs. J. Edmonds, Chairperson, MTS.

Mrs. S. Carstairs, MLA (River Heights)

**MATTERS UNDER DISCUSSION:**

Annual Report of the Manitoba Telephone System for the fiscal year ended 31st of March, 1986.

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**MR. CHAIRMAN:** Committee, please come to order.  
Mr. Minister.

**HON. G. DOER:** Yes, Mr. Chairman, Mr. Curtis will not be here today so, with agreement of the critic, we will be dealing with MTX at our next hearing or sitting of this committee. There are a couple of matters dealing with MTS and there are some matters dealing with MTS-MTX cross-payments that was asked, so I would like to table a couple of the questions from MTS and some of those crossover issues that were raised by the Member for Pembina today.

I should say we haven't got a copy of Hansard yet, so we're operating out of our recollections and our notes of what the member has asked for.

The first item, as I recall, that the member asked for is a question in terms of Mr. Silver's letter of August 9, 1985, arising out of the review of the minutes of MTS. I would like to table the letter of Mr. Silver of that date, and a reply on August 29, 1985, from Mr. Holland. This specific issue deals with payments between MTX and MTS.

The second point to table, insofar as it's part of that sequence, is the payments between MTS and MTX, as noted in the Arthur Andersen and Company audit, '85-86 in thousands of dollars, in terms of administrative fees, sales of equipment and interest charged by the system on notes and advances to MTX. Could we also have that tabled, please?

**MR. CHAIRMAN:** For the record, I think we should make reference to the correspondence that was tabled, the first reference by the Minister - it's a letter dated August 9, 1985, from Robert M. Silver to Mrs. Jean Edmonds; and the second letter is from G.W. Holland to Robert M. Silver, dated August 28, 1985. They have now been distributed to members of the committee.

The financial statements the Minister is just referring to . . .

**HON. G. DOER:** It's relative to the payments between MTS and MTX.

**MR. CHAIRMAN:** Okay, now being distributed to the committee.

Thank you.

**HON. G. DOER:** One of the other issues raised, it was the second issue raised, but I thought I'd put the Andersen payment on next, is a letter from the Minister of IT and T to the chairman of the board of June 5, 1985, arising out of the minutes, as well. I'd ask that that be tabled as well, dealing with the North American Telemetry Limited Project. I should note that the operative term in the letter is that "any investment by MTS should be at the discretion of your board of directors, and should be based on corporate business objectives," which was consistent with my information last week.

**MR. CHAIRMAN:** The Minister is referring to a letter dated June 5, 1985, from Eugene Kostyra, Minister, to Ms. Myrna Phillips.

**HON. G. DOER:** The Member for Pembina asks again the question of who was with Mr. Miller during the internal audit process, again pursuant to the minutes; again, this is an MTX item and MTS issue? It was an individual named Mr. Jim Forsythe, who was in the internal audit function of MTS and is now the Auditor of Telecom Canada in Ottawa. I can discuss whether it's necessary to have him here or have somebody read out the notes from the audit file.

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

**MR. D. ORCHARD:** I take it that Mr. Forsythe, who discussed the contents of the internal audit with Saul Miller, as chairman of the MTS Board, is no longer with MTS?

**HON. G. DOER:** He's with Telecom Canada. I believe the employees are on loan to Telecom Canada so they're technically employees of MTS. So, in terms of having them here, we have the ability to bring them here to answer questions if you feel the cost is warranted to do that to pursue your issue.

Board members' names I provided last meeting are correct. The Annual Report, there are about three items that arise out of your questions that can be answered by individuals from the Telephone System. There are three items that I asked the general counsel to deal with as they pertain to the questions: (1) was the issue of the Annual Report; (2) was the issue of legal fees; and (3) is the cost of the legal department in the Manitoba Telephone System.

I'd ask Mr. Beatty to please come forward.

**MR. K. BEATTY:** Thank you, Mr. Chairman.

The first item I believe related back to the November 28 Hansard of this committee, the question related to, was MTS under any restriction to release publicly the Annual Report. The answer is that MTS has not been under any restriction to require the Minister to consent to release the report publicly after having provided same to the Minister. The Manitoba Telephone System has historically followed the practice of not releasing the Annual Report publicly until such time as copies of the Annual Report have been provided to all members of the Legislative Assembly. There have been exceptions to that in the sense that where the Annual Report was requested by the Public Utilities Board, they have been tabled with the board.

I have two other items, if I might, Mr. Chairman. One item I think was asked at the last meeting concerning MTS staff lawyers. MTS had six lawyers on staff in its legal group and these lawyers were paid - including the writer - a total of \$277,253.51 in wages for the 12-month period April 1, 1986 to March 31, 1987.

The other question I think related to the retention of Mr. Nugent as outside legal consultant to MTS. The Minister, I think, identified at the last meeting that Mr. Nugent was paid on a hourly basis at \$125 an hour. That is correct at this time; however, for the period from April to July of 1986, Mr. Nugent was paid a rate of \$90 an hour. That rate was renegotiated in August of 1986 to \$125 an hour. Mr. Nugent received in the last fiscal year, that would be April 1986 to March 31, 1987, a total of \$59,642 covering work for which he was retained by the system.

**MR. CHAIRMAN:** Mr. Orchard, do you have questions on this issue?

**MR. D. ORCHARD:** Mr. Chairman, Mr. Beatty has indicated that in release of the Annual Reports there is no restriction by the Telephone System per se, no formal restriction on releasing those reports to the public once the Minister has received the copy from the Telephone System. But the convention, if I understand the answer, has been that you don't make the report public until after the Minister has distributed copies to each of the sitting MLA's.

At that point in time, the Telephone System feels free to distribute them out on request or possibly even have a mailing list that you send them out to.

**MR. K. BEATTY:** We do have a mailing list and our Public Relations Department will distribute them at that time.

**MR. D. ORCHARD:** Now, Mr. Chairman, the Annual Report in question, of course, is the '84-85 Annual

Report where I haven't got the Hansard in front of me but, if my memory serves me correctly, it's approximately mid-February that the completed report was forwarded to the Minister.

**MR. K. BEATTY:** I don't have that date in front of me, but my recollection is that it was in February of 1985.

**MR. D. ORCHARD:** In previous years when the House hasn't been sitting, I believe the Minister responsible for the Telephone System, and this would be a question to this Minister, has released the report through interdepartmental mail to the MLA's, does that meet with your recollection of the historical release of the Telephone System Annual Report?

**HON. G. DOER:** I can get the historical dates in terms of whether it has been forwarded privately to the MLA's prior to the public release in the Legislature. I do know that this year, as soon as we were aware of the financial statement of MTX and MTS, we made those issues public and did have it forwarded to the MLA's, the critic and the Leader of the Opposition with the public release.

I also know that the financial statements of the Telephone System are forwarded as required to the Public Utilities Board, at which time they become a public document. I believe in the year in point that the financial statement was forwarded at the end of February, if I recall correctly from the November hearings, to the Public Utilities Board and at such time the bottom line in that financial statement was a public document.

In terms of the Annual Report, I believe that I could check and see whether convention had MLA's receiving the report privately or not prior to that. But I do know that certainly the financial statement that is a key component of an Annual Report was in the public arena, I believe, in the year in point, some time at the end of February if I'm not mistaken.

**MR. D. ORCHARD:** Mr. Chairman, again I don't have the dates here, but I did indicate to the committee in the November hearings that there have been a number of years in which the House wasn't sitting in which the report was available from the Telephone System to the Minister in December and was distributed to MLA's, made public, released, etc., etc., in December.

This year in question is the year that we're into an election. The Minister has said that, as soon as post-election and post-MTX exposure in committee, the government and the Minister was very cooperative in releasing the financial statements, not the Annual Report, because the wording to the report wasn't even prepared, but the financial statements were provided to MLA's as a courtesy.

I make the simple point that, had that courtesy been extended in 1985, as early as, I believe, November or December, 1985, these financial statements were available. They pointed to significant financial problems in the MTX operation of Saudi Arabia. That was prior to the election. There was no release of these documents to MLA's as a courtesy prior to the election. The Minister has made the point that the Public Utilities Board had been given these financial statements in

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1985 prior to the election which, in effect, made it public. Yet his predecessor, the Minister responsible to the Telephone System, chose not to release this report which was printed and available. If it was public at the Public Utilities Board, the courtesy of sending it to MLA's would have been a natural follow-through.

But of course, it wasn't, Mr. Chairman, and the point I make is that the Minister then and the government made a decision - of course, I don't have access to Cabinet minutes, so I cannot prove this allegation - but made a conscientious decision that this shall remain hidden from the people of Manitoba and MLA's until after the election so that there could be no questions about losses in MTX that were posed to various chairmen, various senior officials of the Telephone System and the Minister responsible.

The cooperation of the government post-MTX is certainly different than the cooperation of the government pre-MTX and, more importantly, pre-election where this kind of information would have been extremely damaging.

**HON. G. DOER:** Well, if I can respond, you're going from a courtesy to a cover-up before an election. If the fact that the financial statement was not tabled with the Public Utilities Board, which was available to all members of the press, the media, the public and the Opposition, then you have a debatable point.

The fact of the matter is, the financial statements were in the public arena before the election and available to the public, available to the Opposition. I know the Member for Pembina monitors the Public Utilities Board as critic. He had statements to make this year about the process in the Public Utilities Board - fair ball. But the material is clearly in the public arena. Unless I'm mistaken, the financial statements were filed with the Public Utilities Board, which made them a public document for all members of the public, including the Opposition, during the latter part of February, which was clearly in the middle of the 35-day period.

**MR. D. ORCHARD:** Mr. Chairman, just on one small point. Maybe Mr. Beatty can indicate the dates of sitting of the Public Utilities Board in February of '85. Is the Minister indicating that he believed that the information was public at the time it was filed with the board by the Telephone System? Is that a correct assumption, that the moment you file a financial statement with the Public Utilities Board, any member of the public can then request that and receive it from the Public Utilities Board?

**MR. K. BEATTY:** Mr. Chairman, are you talking February '86 or February '85?

**MR. D. ORCHARD:** February of '86, I'm sorry.

**MR. K. BEATTY:** I don't have those dates with me, Mr. Chairman. I'll undertake to provide them at the next meeting. As to the availability of documents from the Public Utilities Board, I can only speak from my impression, I can't speak for the Secretary of the Public Utilities Board, but it is my impression that the minute a document is filed with the board, it is generally available to any member of the public.

**MR. D. ORCHARD:** Mr. Chairman, the second question that was answered by Mr. Beatty, indicates that there are six lawyers on staff with the Telephone System at a salary of \$277,000.00.

In the past, Mr. Beatty, has the Telephone System employed outside legal advice for the advancement of rate applications before the Public Utilities Board?

**MR. K. BEATTY:** I can only speak for the time I've been associated with the system, which is about the last 21 years and, Mr. Chairman, I believe that to my knowledge the answer is no, but I can't speak for applications prior to 1966.

**MR. D. ORCHARD:** Mr. Chairman, there was some information I compiled for the meeting and, I suppose, in my unique filing system - I don't have it with me this morning, it appears I don't - but, basically, in terms of rate applications before the board, rate applications are an expensive proposition whether they do it internally or whether you hire outside consultants. The cost of outside consultants are fairly obvious. It's close to \$60,000 to date.

**MR. K. BEATTY:** Please remember that's the total account of Mr. Nugent in that time frame, not all of which - in fact none of which. I'm sorry, no, we do not have the bill from Mr. Nugent for the latest, for his services.

**MR. D. ORCHARD:** I guess that begs the question. What cost would the system have been paying for Mr. Nugent to represent them at the rate hearing? Would you have a figure on that?

**MR. K. BEATTY:** No, Mr. Chairman, I do not have a figure on it. Mr. Nugent was retained at an hourly rate of \$125 and we expect to receive his bill subsequently. We do not have it, we have no indication at this time.

**HON. G. DOER:** I just would like to make one clarification. I believe that the brief review that I had with Mr. Robertson on this issue indicated that this was - as Mr. Beatty's indicated - unique in the last number of years. Secondly, the decision was made I believe on recommendations from our Legal Department to the former general manager. And three, that Mr. Robertson has said publicly that that type of retention, notwithstanding the quality of the individual who was retained and the quality of the job he did, would be under review for further considerations. I believe that's correct, Mr. Robertson.

**MR. D. ORCHARD:** Mr. Chairman, I'm going by memory here and my memory may be slightly flawed. But rate applications, I believe prior to 1975 or thereabouts, there were two rate increases that the Telephone System had acquired?

**HON. G. DOER:** Three.

**MR. D. ORCHARD:** Prior to '75.

**HON. G. DOER:** Oh, '75, two.

**MR. D. ORCHARD:** Two prior to '75. There was one application for a rate increase during the period of time

of the Lyon administration from '77 to '81; and we are now into our fifth rate application since 1981 and the resumption of government by the NDP. Rate applications are expensive propositions that take considerable time of legal staff and senior staff within the corporation. We are retaining outside counsel for this particular one.

We have had political interference on the 1985 rate application where the Minister directed, the government directed, that the rate increase shall be lower than is necessary to meet the financial requirements of the Telephone System because there was an election. This is some of the pre-Crown Investment super Minister control over Crown corporations, the kind of political involvement that was there prior to the MTX fiasco, i.e., the Cabinet of government directing to the chairman of the board and to senior MTS officials that rate increases shall not exceed what is considered to be an acceptable level. That's history, everyone knows that interference was there.

The point that the chart that I developed - and I'll attempt to have it available for the next committee hearing - is that under a number of administrations over the history of this Telephone System, there were something like three and possibly four rate increases at a time when the inflation rate - and particularly during the Lyon administration - was running at an average of 11.5 percent per year. During a four-year period of time the Telephone System applied for one rate increase of 11.5 percent.

During the NDP administration of 1981 and on, my recollection is that at a time when inflation was approximately - over that period of time - cumulatively about 22 percent over a 5-year period, the NDP administration of the Telephone System with this hands-on Cabinet directions on rate increases etc., etc., have imposed a 45 percent rate increase on the people of Manitoba.

This Minister is charged with the Telephone System administration plus 19 other Crown corporations to give, as the Premier has said, and maybe it's time to quote it again to remind this Minister what his Premier has directed him to do. These Crown corporations, in the press release it says: "Central to our approach is increased government supervision of Crown corporations." And while we've had increased government supervision of this one Crown corporation, MTS, for five years of Pawley administration, we've had an inflation rate of 20 percent to 25 percent and rate increases of 45 percent. I simply ask the people of Manitoba, do they want more direct government interference or government supervision, according to Mr. Pawley, in your Crown corporations, when the record shows you have rate increases at double the rate of inflation when an NDP Cabinet is involved in the running of a Telephone System?

I think most Manitobans, if they were given the opportunity to respond to that, they would say a pox on the Cabinet, we don't need them. Mr. Chairman, we now have this Minister not only in charge of the Telephone System but in charge of supervision of 19 other Crown corporations to provide - (Interjection) - 17, I stand corrected, 17 more - and central to the approach of this Minister is government supervision of Crown corporations. Mr. Chairman, I can only look forward to more problems in our Crown corporations with this group more directly involved in the supervision of Crown corporations.

**HON. G. DOER:** Mr. Chairman, a number of points. You're absolutely right, the Telephone System had the number of increases you've indicated, although one was in the pipe when the government was thrown out in 1981.

The Telephone System was absolutely starved for capital spending as part of your acute protracted restraint. You had very little capital spending in the system and it will take probably 10 years to recover the kind of Friedmanist psychology that was operating in the previous administration. There's no question that we are spending more money. There is no question we are spending 100 percent more money in terms of the capital expenditures and we will have to spend more, Mr. Chairman, in order to make the improvements in the Telephone System that I believe are absolutely essential. There are too many multi-party lines in this province; 49,000 is lower than Saskatchewan but there are too many multi-party lines in this province. There's been 15 extended area services in this last fiscal year, but there's a lot of work to do in terms of extending the areas in rural Manitoba.

There is a considerable amount of spending necessary to get the plant right around Manitoba and in the City of Winnipeg up to its new technological potential. There is a huge demand, Mr. Chairman, when you have increased numbers of residents in the province and increased numbers of residents in our city. As the Member for Pembina knows, it costs millions of dollars to put in the infrastructure when you have an economic boom as opposed to an economic bust. There is a cost of thousands of dollars to put one line into a new home. The payment of course to that is down the road in terms of the universal services to our citizens.

Mr. Chairman, there's been two independent studies; two in the last year that show that Manitoba has the lowest rates in Canada. But I believe there's been a price for that; there has been a price in terms of the quality of the plant within our province.

On the last point of political "interference," I do believe that the people who are fundamentally accountable should be consulted on how much money we're going to spend on capital; how much money we are going to require to improve the services in this system. Because, indeed, when we go out to rural Manitoba and we go out to Winnipeg areas of this province, this fall, to talk about the priorities of rural services, and I know that many members in the Legislature of all political parties know that those priorities are there, that we will be the ones that the public will expect to come up with the answers.

You can't have the quality of the system being discussed in isolation from the revenue issue. It's an absolutely foolish argument.

So, Mr. Chairman, there is no question that Manitoba has the lowest rates of telephone services in this country, but there is absolutely no question that the physical plant of this Telephone System must be improved and it's going to require capital spending to do it.

There is also no question that we're going to be doing it in an area where increased competition in the telephone systems all over North America is going to mean that to allow businesses to interconnect and be technologically up to speed with other business challenges in this country, and in North America, we have a potential for reduced revenue - if one was to

look at the experience in Bell Canada, there was a reduction of some 40 percent in their competitive revenue with the introduction of competition in that field - so there will be a reduction in the competitive area that is now presently enjoyed by the Telephone System; and should one ignore those issues or should one try to get the Telephone System into the modern competitive environment, which I believe, and I said last week, we're falling behind?

So those will just be my brief comments on your brief comments.

**MR. D. ORCHARD:** Mr. Chairman, I just want to remind Mr. Doer that if acute protracted restraint, as he called it, back in the '77 to '81 period where there was one rate increase, would have been in place in the next four years, Manitobans would have \$27 million, not in Saudi Arabia and Southern California but in the Telephone System in Manitoba, for capital expansion, for elimination of party lines in rural Manitoba, for expansion of telephone toll-free areas in rural Manitoba.

But under this relaxed atmosphere of spending in the Telephone System, with Mr. Pawley in government, came along the squandering of \$27 million in Saudi Arabia, not available to Manitobans, not benefiting Manitobans.

I just want to remind the Minister that although he was not the Minister - he wasn't even part of the government at the time - in 1981, the government announced an extended area service program, which was a two-year program which involved many of those 17 communities that the Minister now talks about so proudly as being an accomplishment of the Pawley administration - it was a program announced by myself

**MR. H. ENNS:** In the pipe. Like the Minister likes to say - "It was in the pipe."

**MR. D. ORCHARD:** Yes, we'll use his words, "in the pipe." But it was there as a two-year program that took an NDP administration, who doesn't believe rural Manitoba deserves extended area service, five years to complete.

So let not the Minister talk in these glowing terms about how wonderful a job his government has done in assuring the expansion of the Telephone System, in assuring capital investment be spent, where they now attempt to say it was our hands-on approach in the Telephone System that led to increased capital expenditures while they plead total ignorance about the involvement of a loss of \$27 million by that same Cabinet in Saudi Arabia.

If you were hands-on with the investment and improvements that you allege took place in the Telephone System, and you want to take credit for that politically, then admit political responsibility for your involvement in Saudi Arabia. You, sir, cannot have it and neither can your government and your Premier have it both ways.

If you were that involved with the Telephone System as to be directing capital investment in rural Manitoba and the City of Winnipeg, then we believe you were directly involved with the Telephone System enough to be directing their investment in Saudi Arabia. That isn't

what you want the people of Manitoba to believe even though they don't believe that.

**HON. G. DOER:** Mr. Chairman, the Member for Pembina well knows that the capital expenditures often require legislative authority under The Loan Act, so we all have some hands-on experience in those issues, and well it should be. The level of the capital expenditures in the Annual Report - you can check the facts - I said that I believe that the government should be consulted on a level of capital expenditures. I didn't say hands-on. I said "consulted," and I believe that.

In terms of the \$27 million, there is no question the Telephone System will be better off with the \$27 million. I've said it before, I'll say it again, and I'll say it every time you raise it.

One should also note that there has been a significant amount of revenue also gained in the competitive area in the last five years. I would like to check the numbers, but I believe there has been close to \$60 million over the last five years in the competitive arena. So with the \$27 million, we'd be better off having that in our capital plant than in losses in MTX, no question about it.

**MR. CHAIRMAN:** Mr. Filmon.

**MR. G. FILMON:** Mr. Chairman, I just want to make one quick point while we're still talking about the rate increases because I've heard Mr. Robertson on television make the same point as the Minister just made about the fact that we have the lowest rates in the country by independent audit.

The Minister is now claiming that the reason that there was only one increase during the Lyon administration was that the system was starved for capital - capital which couldn't be found, presumably, to expand service in rural Manitoba, but was easily available to be invested in Saudi Arabia, southern California, in many exotic ventures outside.

I phoned the Public Utilities Board, Mr. Barron, to get a history of the rate increases of the Manitoba Telephone System, and this increase, which presumably will have to be granted to the Telephone System this year, will mark the seventh increase since July of 1955. We'll start with the base line of June 28, 1955, at which an increase was granted for the Telephone System. After that period of time, there have been seven, or there will have been seven by this increase.

Interestingly enough, two of those took place prior to the end of 1981. Two increases in a period of 27 years - all the 26 years, two increases. Since that period of time, since July 9, 1982, including this one, in a space of - including the one that undoubtedly will be granted by the PUB - there will have been five in five years under this administration that has now got hands-on control and is directing investment of capital into the system to presumably improve the systems operation and to accomplish the social and political goals, as the Premier has said, that it's incumbent upon the Crown corporations to accomplish five in five years.

For the benefit of the Minister's colleagues who may not be aware of this history, and people who may be taken in by that suggestion that we have the lowest rates in the country, I say they won't last very long

based on this kind of administration that has brought in five increases in five years as compared to two in 26 years.

**HON. G. DOER:** The period of time you mentioned, many of those years, in fact, I don't believe there was an increase during the - I could stand corrected - but it may be one increase between '69 and '77, which was in 1975, I believe.

**MR. G. FILMON:** '76.

**HON. G. DOER:** I haven't looked at it; I'm just going from memory.

How many of the frequency of increases is a very interesting issue. Saskatchewan, they went from one 19 percent increase. So they haven't had to go for an increase in the last couple of years. That's one solution - the frequency of increases. The other one is the proposal on an annual basis based on need.

So you haven't yet confirmed whether you believe or not the Manitoba Telephone System has the lowest rates in Canada or whether you believe in the federal-provincial study that was participated in by all the Telecom Canada telephone systems and the Federal Government that indicated in an independent source that the Manitoba Telephone System has the lowest rates in the country. That's a fact that we believe is true. I mentioned that was one of the strengths of the Telephone System last Thursday. I also mentioned there were some weaknesses in the Telephone System last Thursday.

Mr. Chairman, the whole area of rate increases, and tied to the whole area of the future, quite frankly, the MTS is an inexcusable issue and we've said that publicly. But we have some major demands, and every telephone system in this country is going to have some major demands, in terms of the potential rate in this country, and you know the first one is the whole competitive environment which has decreased Bell Telephone revenues by 40 percent in the competitive area.

The second issue is the whole area of long distance competition.

And the third area, quite frankly, Mr. Chairman, that presents a serious problem is the whole area of service communications - notwithstanding the commitment we've had from Flora MacDonald - that is on the table now in the free trade debates in the United States.

I would like to show you the difference between rates. You should look at the difference of rates between Des Moines, Iowa - a city the same size as Winnipeg - and Winnipeg, under the deregulated environment of the United States which has reduced dramatically the long distance rates in the United States but has increased the local rates. So those are the three major issues that will present serious challenges to the rate base of the Telephone System.

I know it's good politics to talk about MTX and the \$27 million loss, but I was hoping we could have a debate of substance rather than just some of these comments because there are serious challenges that I raised Thursday in terms of the future of telephone systems not only in Manitoba - in all the three prairie provinces.

Saskatchewan right now has an analysis that \$100 million could be lost with a free trade agreement. That's

just in the Telephone System. They feel that there are other advantages to that - their political decision. There are massive amounts of revenue potentially at stake, and the cost of the use for the local subscriber versus the business subscriber in a deregulated environment.

Those are very serious issues. I'd be interested to hear your position on whether it should be on the table, one of the items that should be deregulated in the free trade agreement with the United States.

**MR. G. FILMON:** Mr. Chairman, I don't want to prolong the matter. I'll just say that we'll accept the independent audit of rates, but the point that I make is that if you want to start analyzing why the rates are low and you want to start analyzing comparative advantages of the Telephone System, you can start getting into the fact that the Manitoba Telephone System wage rates are amongst the lowest of any utility in the country, that its costs of operation and distribution are proportionately much lower because of the concentration of over 60 percent of the population in one urban centre, giving it many advantages of scale in that respect, and all of those matters that go into it.

But you also have to look at the fact that for 26 years it had two rate increases under the operations of successive administrations that didn't have the kind of hands-on political control that this government wants to have that have now caused five increases in five years.

The question then becomes: With its propensity for investment in Saudi Arabia and exotic spending and terrible priorities, how long will its rate be the lowest in the country even despite the advantages that it has?

**HON. G. DOER:** Mr. Chairman, I said, and I believe strongly, the government should be consulted on rate increases. I do not believe we should go the route - and I think we have two comparable telephone systems publicly owned between Manitoba and Saskatchewan - I do not believe we should go the route of raising rates 19 percent one time only so they could - and that's revenue. The actual individual rates - as you know, there's a difference between revenue and the actual rate a person pays, and that was one of the points of major confusion that arose in January. I want to put that on the record.

There is a major difference between firing the PUB, or the Public Utilities Committee, that happened in Saskatchewan and a system in Manitoba that allows the public to raise their legitimate concerns on the rate and the implications of the rate and the philosophy of the rate, because the whole area of philosophy of cross-subsidization between long distance to urban, urban to rural, and business to local is another area in dispute.

Mr. Chairman, I'd be curious to know what the Leader of the Opposition's position is, whether we should have a totally deregulated telephone market in the free trade agreement.

Do you believe we should have a deregulated telephone communication agreement with the United States?

**MR. G. FILMON:** Mr. Chairman, my understanding is that we're here asking questions of committee, the Minister, and we'll debate those issues in due course.

**HON. G. DOER:** I was hoping we could debate the future. You'd have a position on it. It's right on the table right now, Mr. Filmon. In due course, two months from now, it will mean that the agreement is signed, sealed and delivered. You don't have two months. Let's put it on the table today.

**MR. G. FILMON:** You put before us the solution for who's politically responsible for the \$27 million that you blew in MTX, start naming names and giving causes of all those people, give us access to a public inquiry on MTX, and we'll debate the issues that you want to debate. You want to deflect attention off your weaknesses and your problems and we're not going to be drawn into that here.

**HON. G. DOER:** Mr. Chairman, I admit that MTX is a mistake, and it was a mistake of the past and it's cost the Manitoba public \$27 million and it was wrong.

But, Mr. Chairman, there are major, major policy issues on the table for the future of the telecommunications industry right this minute. I'm sure the Member for Tuxedo, the Leader of the Opposition, reads the financial pages and keeps current with the issues in the telecommunications industry.

Given that MTX was a mistake, and we've admitted that, what's the Opposition's position on a deregulated communications environment? That's a major, major policy issue right now that's on the table right now with Simon Reisman and Peter Murphy.

**MR. G. FILMON:** Mr. Chairman, the most major issue is whether we're going to have continuing mismanagement of the Telephone System under this NDP administration, with its avowed commitment to utilize a Crown corporation as an instrument of public policy that has caused us five increases in five years, that will continue to cause us massive increases in the cost of operation and the rates of this utility, unless they will acknowledge and admit their mistakes and start to find new and better ways of managing the Telephone System. That is the most important issue that's before the Manitoba Telephone System and the public of Manitoba today.

**HON. G. DOER:** Mr. Chairman, on Thursday morning, I said we had weaknesses . . .

**MR. G. FILMON:** You've learned nothing.

**HON. G. DOER:** . . . in MTX and we had weaknesses in corporate planning, and that we must, and Mr. Robertson and I have talked about that, and we are . . .

**MR. G. FILMON:** You've learned nothing.

**HON. G. DOER:** Well, Mr. Chairman, we are going to change a number of things in the Telephone System. There's no question about it that we have weaknesses in those areas. There's no question about it. I said that Thursday morning.

Mr. Chairman, I would like to know, and given the fact that we've said there are weaknesses, and I admit that there are and that we must make improvements,

what is the Opposition's position on a deregulated telecommunications environment?

This is a major policy issue, and if you don't have a position, that's fine, but it's a major issue on the table right now that will affect Manitobans for 25 years in the future.

**MR. CHAIRMAN:** To all members on the committee, what we are considering is the Annual Report of the Telephone System. The issue of whether or not free trade and telephone communications is in the report, I don't see any reference to it. If that policy is to be brought forward and discussed at this committee, so be it; that will be at another time. Currently, we are discussing the current Annual Report that is before this committee.

Before, when Mr. Beatty made his controversial statements that led to this rather large discussion that we've just had for the last 20 or 30 minutes, there were a series of people who wanted to ask questions. Now, the other day I had an order of speakers being Mr. Orchard, Mr. Filmon, and Mrs. Carstairs, but we started off the beginning of this meeting giving information in response to questions for information at the last hearing.

Now, Mr. Beatty's controversial comments have sparked some debate. Two people have indicated comments or wishing to speak and Mrs. Carstairs and Mr. Smith are on my list for that. Were they relating to Mr. Beatty's information or comments or do you want to get on the list for later on in the day after we get all of these bits of information on the record? Mrs. Carstairs, you were the next on the list. I'm assuming Mr. Filmon is finished with his questions of Mr. Beatty on this particular issue?

**MR. G. FILMON:** Fine.

**MR. CHAIRMAN:** Mrs. Carstairs.

**MRS. S. CARSTAIRS:** My questions have to do with the Annual Report.

**MR. CHAIRMAN:** With Mr. Beatty's comments that he made or the report in general?

**MRS. S. CARSTAIRS:** The report in general.

**MR. CHAIRMAN:** Thank you.

Mr. Smith, do you relate to Mr. Beatty's comments or is it the report we're looking at?

**MR. H. SMITH:** My question is regarding the rate increases.

**MR. CHAIRMAN:** Rate increases? Okay. I gather we were talking rate increases because Mr. Beatty introduced that issue at this time. Okay.

Your questions, Mr. Smith.

**MR. H. SMITH:** Yes. We've had some discussion here today where the Opposition have raised the question that in 26 years there have only been two increases while in our government's years there have been a steady rate of increases. My question is this: Is it not during these years, these past number of years, that

we've had the greatest inflationary costs with providing telephone service, or anything else in our economy? And is that not part of the reason for the . . .

**HON. G. DOER:** Well, there are some costs that have decreased in the last number of years and there are some costs that have increased. Interest rates have decreased in the last few years. Some of the technology has the potential, although being expensive at the front end, to have some economy of scale, there's no question of that and I'd leave that to the technical people to answer that in a better way than I would.

There have been increased costs. Growth, economic growth, costs money. That will mean there is greater, certainly capital costs in the system. But, the rates are the lowest in the country but they have gone up, there's no question about it. I really believe - I know we're dealing in the past - but we sure have some problems and challenges today.

**MR. CHAIRMAN:** Mr. Smith, that's it?  
Mr. Orchard, you said on the question of rates?

**MR. D. ORCHARD:** On the rates, I'll just table with the committee the chart, which is a combination of rate increases and inflation rates over the last 10 years and the resulting rate increases that have been put upon us. To Mr. Doer's comment about free trade, Mr. Doer . . .

**HON. G. DOER:** Deregulation.

**MR. D. ORCHARD:** . . . you are asking us, presumably, to react to something you're saying without presenting background paper, analysis that the Telephone System has, analysis that the telecommunications staff have. If you have that kind of analysis, we'd appreciate receiving it. I would qualify my remarks by saying that, when you have a government with the political motivation of this government and it's liberal use of scare tactics wherever possible, I just urge you to make sure the information is factual you present and not politically motivated as is most of the information we get from the NDP on issues dealing with this Federal Government and, indeed, any Federal Government and any negotiations they have.

As the Minister well knows, there appear to be both pluses and minuses to new technology whether it be inclusion of communication services in free trade or simply deregulation within the Canadian system itself. There are always pluses and minuses.

The tendency in the past under previous Ministers responsible for the Telephone System have been to use scare tactics to such groups as the seniors of this province saying, "Your telephone rate is going to go up because of CNCP Interconnect" without any discussion of whether there are, indeed, any advantages, what they may well be and, certainly, at the same time, never informing those same senior citizens that you are in the process of losing \$27 million dollars in Saudi Arabia.

**MR. CHAIRMAN:** Just before the Minister responds, Mr. Orchard tabled a document and for the record I'll just read in a title to it. It says, "Rate Increases Granted

to MTS by the Public Utilities Board," and it goes, "would appear from before 1977 through to 1987." That's just for the record.

Mr. Minister.

**HON. G. DOER:** I'd also like to table a chart, an independent chart, showing the rate comparisons between MTS rate comparisons between major Canadian cities and including places like Morden. That doesn't include intra-toll which, by the way, even though it's going up this year is also the lowest in Canada. I've got some comparisons of comparable cities to Winnipeg - I just asked for this recently - in terms of the flat rate comparisons between comparable cities in a deregulated American environment for local consumers versus Winnipeg rates, which the committee members might find interesting.

I should point out - I don't want to mislead anyone - the long distance rates are dramatically lower in the United States. So, that isn't in this chart on the flat rate comparisons. I can provide that later, but they certainly are about 40 percent lower than the Canadian long distance rates. The whole area of rates, I'm pleased, as I say the two independent studies showed it's the lowest in Canada.

I can provide, Mr. Chairman, to keep this out of the partisan arena, I will attempt to get a copy of the study from the Province of Saskatchewan in terms of the effect of deregulation in Canada. There are studies, I believe, in the Province of Saskatchewan, so it would not be a partisan analysis but rather - well, it may be partisan from their perspective. I really believe a deregulated environment has advantages for certain parts of our society and I believe we have to move much more into the competitive environment in the telecommunications industry in Manitoba. It also has - it's a tightrope - negative implications for the local rate consumer if we go to fully deregulated environment.

So, I would like to have that discussion in a non-political, non-partisan way because it's a major policy issue for the Telephone System. The governments will come and go, but this decision has long-term implications, I believe, for Manitobans.

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

**MR. D. ORCHARD:** Are there any more responses?

**HON. G. DOER:** I've got to get copies of this. Not at this point.

**MR. D. ORCHARD:** No, but I mean of questions posed at the last meeting.

**HON. G. DOER:** There was another number of questions on finances and Mr. Fraser is here, Vice-President of Finance . . .

**MR. D. ORCHARD:** Mr. Chairman, if I may, because there are other members who wish to ask questions on the Annual Report, I'm willing to put off the discussion on those two bond issues until other members have had an opportunity to discuss.

**MR. CHAIRMAN:** Sure.



**MR. D. ORCHARD:** But I did ask for the breakdown of the costs - the \$27.4 million of loss. Is that breakdown available in written form for perusal between now and the next time we meet with Mr. Curtis here?

**HON. G. DOER:** Mr. Curtis is getting that breakdown. He's out of town all week and, as he indicated last meeting, he will provide the breakdown of the \$27.4 million loss in the Auditor's statement and the actual losses to date subject to the other sets of negotiations.

**MR. D. ORCHARD:** So that won't be available until

**HON. G. DOER:** Well, Mr. Chairman, Mr. Curtis did take that as notice to bring back to the committee. He hasn't literally been in town since the last committee meeting was on.

**MR. D. ORCHARD:** Surely, Mr. Chairman, Mr. Curtis isn't drawing those figures up; surely staff are drawing those figures up on Mr. Curtis' behalf. Are you saying that it's not available until it's presented to us at committee?

**HON. G. DOER:** Mr. Chairman, there's nothing different with that. Mr. Curtis said he would bring that breakdown to this committee. He will bring the breakdown to the committee. We haven't changed our commitment. He didn't indicate that he would send it by some other staff; he said he'd bring it back himself, and he will. He is the person who has been charged and been working on the whole loss. The \$27.4 million are numbers that were arrived at by Coopers and Lybrand and Arthur Andersen, but obviously there is a difference now, as the settlements are coming in, between the anticipated losses and the actual losses. Mr. Curtis will bring those numbers to this committee, as he committed himself to do.

**MR. CHAIRMAN:** To the Minister, are there any other questions or information you're giving from the last meeting?

**HON. G. DOER:** I think there are other questions.

**MR. CHAIRMAN:** No, no, but does that conclude all the information?

**HON. G. DOER:** No, there's another one, but Mr. Orchard indicated he could wait for that.

**MR. CHAIRMAN:** Okay.

The next on my list is Mrs. Carstairs.

**MRS. S. CARSTAIRS:** Thank you, Mr. Chairman.

I would like to get into a discussion on extended area service. According to Mr. Robertson's report, there were five areas extended in '85-'86 and nine more in '86-'87. Has that now completed the extended area service, or have we in fact broadened the program that was first announced in 1981?

**HON. G. DOER:** Perhaps I could take part of that question on the extended area service. Mr. Robertson

will give you specifics on the number of other extended area services that is taking place. We are getting a great deal of feedback from rural Manitoba in terms of three issues, and I mentioned it at the last committee hearing. One is the extended area service; two is the multiparty line issue; and, three is the area abutting, obviously, Winnipeg and other urban centres in terms of having access in dialing to Winnipeg.

In terms of extended area services, if we were to raise everybody's rates in Manitoba, including everybody in Winnipeg, \$18 per month, we could get the whole province on one line, \$18 or \$19.00. Everything below that in terms of the extended areas becomes a cost item over what we're now doing.

We feel we're getting, not mixed messages, but we're getting two or three very hard schools of thought about where we should be having the priorities of our spending in terms of rural services. We are going to be meeting with the municipalities in September to develop a whole plan of improved rural services, including the priority of extended area service versus multi-party line.

For example, in the Province of Saskatchewan, they just decided to go with the single line and abandon their extended area service. There are some people who believe that's the best way to go because the phone is now becoming a computer and that's the fairest way to go in terms of that you can't have an intelligent communication system in rural Manitoba if you've got four people on a party line.

When you go to meet with other groups, and I've met with both sides of this issue, they say spend all your money. Don't spend it on multiparty lines. We don't care if there's another person on the line - spend all your money extending these areas.

We want to get a definitive program in the whole area of rural services that we can consult with and bring back to the PUB this fall. The specifics I'll leave to Mr. Robertson.

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

**MR. E. ROBERTSON:** Mr. Chairman, the information I've got in front of me, in terms of exchanges planned for EAS service on the existing program - I would emphasize, Mr. Chairman, this is a program which will continue and is not, other than at a tangent, connected to the survey which is presently going on and the planned consultation. This is as is.

The last one completed was La Broquerie-Steinbach, completed in '87, this year. Plans for the future are '87-'88: Holland-Treherne; there a couple pair of areas. Four in '88-'89, which are: Elm Creek-Carman; Darlingford-Morden; Snowflake-Manitou; and Rowland-Carman. For '91-'92, there are two, which are: Ochre River-Dauphin; and Dauphin-Gilbert Plains.

**MR. CHAIRMAN:** Thank you, Mr. Robertson.

Just for the record, the Minister had made reference some time ago about filing two documents, one being the Flat Rate Service Rate Comparison, and the MTS Rate Comparisons, being rates throughout Canada and the United States. These have been filed now and distributed to members of the committee.

Mrs. Carstairs.

**MRS. S. CARSTAIRS:** In this survey that is going to be conducted of the desires, presumably, of what rural

dwellers want in the way of phone services, which will certainly affect programs for extended area service, what type of surveying is anticipated here? Are we, as a Telephone System, going to go out and tell them what is available, or are you going to ask them what they want?

**HON. G. DOER:** The specific question I'll leave to Mr. Robertson, but the survey itself will only be the first stage, because the second stage will be to take some of those results and meet with the groups. It's just a first stage of trying to get some data in terms of where people are going, rather than just getting episodic kind of planning. So it's a first stage. The second stage is to meet, and the third stage is to have a plan and file it with the PUB, that ultimately will have to approve or disapprove it, because it will potentially have rate implications.

**MR. E. ROBERTSON:** Mr. Chairman, we had the opportunity, which is on record with the PUB at the recent rate hearing, to attempt to analyze the various problems which interveners were bringing at that hearing to the attention of the board.

It seems to us that they fall into four broad categories. There is the category which Mrs. Carstairs' question specifically refers to, which is the extension of the EAS program. There's a specialized problem in regard to what we might refer to as the perimeter areas around Winnipeg, whose main objective is to be linked to the main switching areas in Winnipeg, so that they can eliminate intra-toll calling.

There's another considerable lobby which concentrates on the necessity for an extension of single-line service, and there's a general raft of stuff brought to our attention on the necessity for general plant improvements in the rural areas.

In consequence of that background, we have in fact let a contract just recently - the board approved it, I think, at their last meeting - to do a rural services search survey, and if I may, Mr. Chairman, I'd like to read into the record the objectives of that study, as an attempt to answer Mrs. Carstairs' question.

The purpose of the study is to conduct a survey, which will be a telephonic survey, of 5,500 people, and will include a sample of 500 people in Winnipeg, to obtain information to determine rural customers' needs and expectations with regard to telephone service.

There are seven objectives of the study, and these are, in brief:

To collect information from rural customers to assess the level of satisfaction and dissatisfaction with current telephone services.

Secondly, to determine from multiparty customers, their requirements for a crucially price-sensitivity to individual line service.

Thirdly, to determine from customers their awareness of a level of interest in product services associated with individual line service.

Fourthly, to examine rural customers' community of interest in relation to current extended area service boundaries. On that, Mr. Chairman, I should add that it's pretty common knowledge that it's not simply a mechanical process of linking up two areas to form an extended EAS. It's crucial to seek the views of people

affected within those communities because our experience suggests we quite often have two different answers to proffer to us on that matter.

Fifthly, to determine customer preference for various toll calling plans and the price sensitivity of these plans. That's yet another mention of price sensitivity which I'll return to.

Sixthly, to provide a profile of customer needs by region, rate group, class of service and various other demographic characteristics.

Finally, to provide a profile of customer needs for those customers in exchanges adjacent to or in close proximity, which we define as within 20 miles of Winnipeg.

The most general description, Mr. Chairman, I can give of the survey: It's an attempt not simply to ask somewhat simple questions as to what people would like but to structure the survey in such a way as to give us some indication of people's wishes and desires allied to their feeling as to what they might be prepared to pay for a variety of services. On the analysis of that, which is expected at the end of August, we will proffer that information to the Minister responsible for his further consultative activity.

**MRS. S. CARSTAIRS:** Will that survey then be made available to members of the Opposition?

**HON. G. DOER:** Yes, and the members of the public. But I would say, and this is one of the strategic considerations, I do not want to make it appear - I'd like to release the survey and the results of the consultation so it doesn't appear we're just designing the system by survey results. We can discuss - I can certainly share it with you privately. I'd like to do the consultations and share the survey with the public as well and I do not want the public to believe it's just a fait accompli. We do want active participation and use the survey as a stimulus for that debate. But it will be made public, yes.

**MRS. S. CARSTAIRS:** We heard in the last meeting of this committee of the amount of work that Coopers and Lybrand is doing with regard to MTX. Is Coopers and Lybrand also involved in doing any further studies within MTS itself?

**HON. G. DOER:** I'm sorry.

**MR. CHAIRMAN:** Was Coopers and Lybrand doing any studies within MTS?

**HON. G. DOER:** Yes. They've done two studies. Within MTS the major study they've done is for \$12,000 to review depreciation which is some \$119 million financial portfolio which, with that kind of money with what happened before I was a little nervous about it, I believe the figures projected for next year are about \$125 million.

We had received reports that the depreciation rate in the Telephone System was, in comparison to other Telecom systems, one of the most conservative depreciation rates in the country. It was fully percentages higher in relative terms than other Telecom systems and every percent of depreciation was worth

potentially \$10 million. So I wanted to know how that was affecting the bottom line, whether we were depreciating too quickly or too slowly or whatever. Coopers and Lybrand has done an extensive report on that. They do some of that work for other groups just to make sure our internal numbers were suitable. I can certainly make that report public, to the committee. It's an extensive report. Basically, it says that the assumptions being made on depreciation are certainly acceptable to them in terms of that issue. It was a fairly positive report relative to some of the other ones Coopers and Lybrand have produced over the year, the last number of months.

The other issue of Coopers and Lybrand that we've made public is that we have them evaluating 11 projects that have been going on for a number of years. It's now down to nine projects. One of them has been stopped. The National Telemetry Program, that's been made public, and another one, I don't want to divulge some commercial confidentiality, but we are looking for a buyer for a certain technology that has been in place for a while as opposed to keeping it.

So, they will probably be reviewing - the facts were pretty straightforward in terms of the one other project that we're not going to censor. There's no sense throwing good money after bad to evaluate it - not bad, it was a good technology, it just doesn't have any applications to the Telephone System.

**MRS. S. CARSTAIRS:** Can the Minister tell us, Mr. Chairman, what the cost of the second study is going to be?

**HON. G. DOER:** It varies with the project. It'll range between \$8,000-\$10,000 per project. I would think that that number is conservative with some of the major projects that are multi-million dollar projects that they will have to evaluate. We've conducted internal evaluations of some of them and we will be sending them to Coopers and Lybrand. Some of them are major financial commitments of the Telephone System, have been around for a number of years and require, I thought, both internal and external review so that we could make - and I guess the statement that should be made is a) is it within the mandate of the Telephone System, even remotely? b) what is the potential losses in the future? c) what are the losses of getting out? d) we've got to decide the winners and losers in the Telephone System rather than just going on on an ad-hoc basis.

So those are the - they will vary and again we will be willing to provide the, table the cost and the reports and the internal reports as soon as they're done except if there's a commercial confidentiality. Within that context, if I can get agreement from members of this committee when both internal and external reports are done and there's commercial aspects to it, I'd still be willing to share it with, you know, privately, in terms of the results of those studies. The majority of it I think we can produce publicly.

**MRS. S. CARSTAIRS:** Is there also a study being done by Coopers and Lybrand with regard to management and expectations of management within MTS?

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

**MRS. S. CARSTAIRS:** On November the 29, the acting president made the statement, "We'll be reviewing every department within MTS and all ongoing projects. We'll judge every senior manager for performance." The implication was there might be further shake-ups, including further firings. Can the Minister tell us who, or if anyone, has been affected since that day with regard to this internal investigation?

**HON. G. DOER:** I'll let Mr. Robertson answer the direct issue in the paper. When I mentioned on Thursday morning, and I'm not sure in my opening statement that there was strengths and weaknesses in the corporation, I mentioned a number of strategic areas that we felt we had to improve. Obviously those areas that I mentioned on Thursday morning would be the ones at minimum Mr. Robertson and I have discussed.

As well, Mr. Robertson has mentioned before the whole - we are doing a tracking of the legal agreements that were made in MTX. Obviously if one reads the Coopers and Lybrand report in the MTX study, it has some serious questions both in the November 21 statements and the statements subsequent to that that we tabled in this House last Thursday in terms of the legal advice we received in the MTX issue. That is under review by Mr. Robertson as well as the amount of work that goes internal and external from the legal department is under review.

So, if one looks at corporate planning, labour relations, and personnel, the legal issues, those are some of the areas that we have to discuss, both Mrs. Edmonds and Mr. Robertson and I, in terms of the future of the system.

At the same time, we are trying to stabilize the organization and provide the basic services to the public after a pretty rough public time, so it's a balance I'm sure you can appreciate in terms of getting an accurate handle on the strengths and weaknesses of the Telephone System and at the same time providing the services to the public that they expect to get when they pay their bills.

**MR. E. ROBERTSON:** Mr. Chairman, in reply to Mrs. Carstairs' direct quote, at that time - and those compare to the early days for me, if one can talk about early days over a period of six months - it seemed to me at that point that there was a fair possibility we might in fact utilize specialized consultants to assist me in the task of reviewing what I'd got in the organization. You appreciate there are 5,000 people in quite a complex organization. We went as far as to seek tenders for our consulting project of that type. The tenders came in - Coopers and Lybrand were in fact one of the tenderers, one of three. In the end, after considerable discussion at the board, the view was, and it was a view by then shared by me, that by and large we were employing a lot of consultants and that in the circumstances I was then in I felt we could do certain key work internally. I'd be willing to share those priorities with you as part of the answer. In direct answer, we have not used consultants internally for a review of the management or other organizational structures.

The three areas in which internal work has been carried out is crucial. I think of the utmost importance, the review of the accounting systems and budgeting

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systems within the corporation itself. I would venture Mr. Fraser would be willing to speak to that in more detail. That has been a clear priority for fairly obvious reasons from the beginning and I have been most fortunate in securing the services of Mr. Fraser for the corporation. He is now, in fact, apparently appointed Vice-President of MTS.

The second area which concerns me is one that was referred to by the Minister - I think this morning briefly - and that's the area of corporate planning. MTS, I would not like to suggest, is an organization that doesn't plan, it's an expert telephone company and does a great deal of planning of one sort or another. Where there is a weakness, I venture, is in the area of what would generally be referred to as a combination of corporate and strategic planning itself. There doesn't exist a process as yet, it's on the way to being devised and completed, whereby the corporation has the ability within the company itself to plan it along the level horizon and it appears to me to be presently the case. In view of the very considerable challenges to any kind of telecommunication company, which MTS is by no means exempt from, it seems to me, Mr. Chairman, that our concentration on new corporate planning process is justified.

The third area which I pulled out, I guess, with the agreement of the board, as a priority, is the general area of, what I think is fashionably referred to as human resources these days, but in point of fact is personnel, industrial relations training, and honest to God matters of that sort. We have an internal review which has been completed and which is presently before the board for consideration. That report is intended to be diagnostic, rather than prescriptive, but it has given us a great deal to reflect upon in terms of possible changes within the area of human resources. These have been the three internal priorities. Now I'll repeat that, while we contemplated the possibility of using consultants for work of that sort, and associated sorts, in the end we did not.

**MRS. S. CARSTAIRS:** Well, then surely have there been any other senior executive staff who have left, other than the ones that obviously left with such public knowledge last fall? Have there been any more?

**MR. E. ROBERTSON:** There have been people leaving from time to time which is inevitable with such a large group, but of the replacements hired to take the place of the five who are no longer with us, quite obviously, they are still here; most of them are here, in point of fact. There have been no major moves of people going out. There have been quite a few moves to other senior positions as those positions have fallen vacant, but there has been no major move of the sort which, I guess, is indicated by Mrs. Carstairs' questions.

**MRS. S. CARSTAIRS:** Yes, can the Minister or Mr. Robertson tell us the status of the individuals who formerly worked with the Manitoba Telephone System through MTX, and signed affidavits leading up to the investigation? I am thinking of people like Tony DeLuca and Vince Lobtson. What is the status of them with the corporation at the present time?

**HON. G. DOER:** I'll take the specific as notice. I believe that Tony De Luca is in private business for himself at

this point, in fact he was trying to sell us some technology recently that he is involved in. He is a partner in a company. Mr. Lobtson, I believe, is - and I met with Mr. Lobtson as well, and I met with Mr. De Luca - is involved, and I know Mr. Robertson has had extensive discussions with Mr. Lobtson. I believe he's in a similar function to previous, but I'll let Mr. Robertson answer that. There are other individuals who are outside the corporation who were involved in the affidavits that we still hope to meet with, as well.

**MR. E. ROBERTSON:** Of the two mentioned, Mr. Chairman, in Mrs. Carstairs questions, I would confirm the Minister's statement obviously, that Tony De Luca is no longer with us. He resigned, I would guess, two months ago, to form a private partnership. We have been in discussions with him but in a totally different role. He has been coming in as an entrepreneur to his former employer. I think I've had at least two discussions with him and he has a proposition which is being reviewed at this point in time.

Mr. Lobtson is in the employ of the company. He is presently employed as a marketer in the business communications group. Again I've, as the Minister has indicated, I've had discussions with Mr. Lobtson to review his situation over the last two months now, I guess.

**MRS. S. CARSTAIRS:** Can the Minister tell us how much has been paid out by the Manitoba Telephone System in severance pay to departing employees in the last year at the Manitoba Telephone System?

**HON. G. DOER:** The whole system?

**MRS. S. CARSTAIRS:** Let's talk about the senior executive officers.

**HON. G. DOER:** Mrs. Carstairs, are you referring to the five Chairmen . . .

**MRS. S. CARSTAIRS:** Well, I'd like it even below that level, as down to the heads of departments.

**HON. G. DOER:** I'll take that question to notice. In terms of the five individuals, there was obviously nothing, the Minister has mentioned before, there was nothing more than that they were "entitled to" under any written agreements. That was it.

**MRS. S. CARSTAIRS:** Can the Minister tell us how many legal suits from those individuals are presently being pursued.

**HON. G. DOER:** Out of five, two.

**MRS. S. CARSTAIRS:** Mr. Holland and Mr. Provencher?

**HON. G. DOER:** Yes. Just to be more elaborate, I'm sure that subject to the RCMP investigation, there will be more, subject to that. I think that's safe to say.

**MRS. S. CARSTAIRS:** A little while ago in this morning's presentation, the Minister made reference to the philosophy of the Public Utilities Board, and his

discussion that the rate increases have gone up because of representations made to the PUB, and that was a philosophy that was accepted by this government.

I'd like some comments from the Minister in terms of how he rationalizes that attitude towards the Public Utilities Board with his own government's decision to in fact roll back PUB decisions.

**HON. G. DOER:** I do believe in the Public Utilities Board process. It's not the PUB that basically raises the rates, in all fairness. It is the one that sanctions the rates and decides some of the rating philosophies, or doesn't sanction a rate increase.

I think that the Public Utilities Board has done a better job in this province in terms of telephone systems than, say - well, you may be familiar with the situation in Ontario, where they have been overcharging \$3 per month. The Bell Telephone Company has been overcharging \$3 per month for the last number of years and has been ordered by the CRTC retroactively to return the money where consumers have literally been gouged, in my opinion, by the Bell Telephone Company in that province. It's still before the courts, I believe. It's gone from one level of courts to the other, without any public relief at all.

I believe the Public Utilities Board should be involved in these decisions, but I also believe it should be a body that ultimately can enforce things. I think it's tragic when we have the situation - and there's no rate system that's perfect. I would suggest that ours isn't perfect, but I think it's a lot better than some of the alternatives. As I mentioned, you may be familiar with the Bell Telephone case where they have been convicted of overcharging people for years \$3 per month, and having been convicted by the CRTC, they're still going through the courts and through any other means, and the Ontario Government, or the Quebec Government, hasn't got the means, or maybe the inclination to return the rates of Ontario and Quebec to a fair way of consumer rates versus Manitoba, where they're quite a bit lower with a different economy of scale.

**MRS. S. CARSTAIRS:** The Minister uses the word, and I really don't want to be argumentative, but you used the word "enforce," and yet, at the same time, you don't enforce and you don't uphold the PUB's right to enforce what it comes up with as a logical rate increase.

Is that going to be, in fact, the way we are to continue in this province, that the PUB, after hearing all the evidence, will come up with a recommendation but ultimately the decision will be left with the Cabinet?

**HON. G. DOER:** Well, answering the question on the Telephone System, it would be my strong inclination and recommendation that whatever the PUB decides for this rate increase this year, should be the rate increase that is implemented for the public.

I guess the issue becomes, and I think we've got an interesting proposal before the PUB, because part of the rate increase is not just for ordinary costs, but one of the parts of the proposal, 18 percent of the rate proposal is for specific rural enhancement. It's not a lot of money; \$3 million is not a lot of money, but it is specifically targeted to enhance rural services.

It will be interesting to see, with all the debate about whether there should be cross-subsidization between

long distance and urban and rural, whatever, whether in fact the PUB will sanction that as a legitimate cost because it basically comes from every Manitoban for one group. I'll be interested to see their philosophy on that particular proposal. But it would be my recommendation, dealing with the Telephone System, that the process has worked well and PUB has recognized the universal aspects of having long-distance-subsidized local consumer, urban-subsidized rural, and all of us subsidizing the North is the a universal goal of the Telephone System.

The specific answer to the general question is I would see the PUB order being enforced in the Telephone System, whatever it is this year.

**MRS. S. CARSTAIRS:** It's not an election year.

Mr. Chairman, I know that this information would not be available at the present moment, but I would like to give notice to have it available in the future. We have mentioned earlier that there has been a lot of consulting work done and that was the reason why Mr. Robertson rejected further consulting work. Can the Minister prepare for the committee a list of the consulting contracts that had been awarded in MTS over the past two or three years, so that we can get some handle on just how much work has been given outside of MTS for evaluation of its corporate duties?

**HON. G. DOER:** Yes, I can. I've heard on the streets, as well, there are some problems in some consulting contracts. You're probably hearing some of the same information; I guess we all have. One of them I did check out. The public relations - well, sometimes you have to keep your ear on the streets as well as in the corporate offices. So Mr. Robertson and I did check out a few of them.

**MR. G. FILMON:** . . . do a little research down on the streets.

**HON. G. DOER:** Well, you've got to be in all places. You may not hear it in Tuxedo, but it was out here in . . .

**MR. G. FILMON:** Any particular places?

**MR. D. ORCHARD:** I thought you were in control.

**HON. G. DOER:** Even you, Don, do not have total control of everything, and neither do I.

**MR. CHAIRMAN:** I believe there was a request of whether or not the information would be provided, before we got diverted onto some side streets.

Mr. Minister.

**HON. G. DOER:** I'll take that as notice.

**MRS. S. CARSTAIRS:** Thank you.

**HON. G. DOER:** I mean I don't want to spend millions of dollars fighting a \$5 contract, so within reason, we'll look for it.

**MRS. S. CARSTAIRS:** I'm not interested in that; I'm just interested in the figures.

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**MR. D. ORCHARD:** Mr. Chairman, on the customer survey, that tenders were invited?

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

**MR. D. ORCHARD:** How many tenders did you receive for undertaking that project?

**HON. G. DOER:** I'll leave that to Mr. Robertson.

**MR. E. ROBERTSON:** Mr. Chairman, I have more detailed information. While it's coming, I would estimate we had, I think, somewhere between 14 or 15 tenders, but I can check that in a moment.

**MR. D. ORCHARD:** Who was awarded the contract?

**MR. E. ROBERTSON:** The contract was awarded to a company called Criterion, by board decision again, at their last meeting.

**MR. D. ORCHARD:** Was their bid the lowest tender of the 14 to 15?

**MR. E. ROBERTSON:** No, the lowest tender was not accepted. I think the Criterion tender was probably third bottom.

In answer to why that was so, Mr. Chairman, if I could venture out beyond that, we had an extremely detailed analysis done of requirements for that particular job because, as I've explained, it's a very crucial job, upon the results of which may depend the direction of multimillion dollar programs.

We utilized an evaluation method which had been used in the selection of consultants of this type by people like Statistics Canada. It was done by three people who were skilled in this game and they were obliged on an analysis basis to score all of the people who had replied to our request for a tender.

On that basis, the company chosen was very much the clear leader and were critically the clear leader in what the criteria referred to as critical areas in regard to the particular task at hand.

If I could just read into the record perhaps the points in the so-called evaluation matrix which were utilized to select the company in question: Proposal content was given 15 points; sample selection, 30; questionnaire approach, 52; interview training in field work, 24; data entry skills, 15; data analysis skills, 10; timing, 36; project leader assessment, 26; prior experience, 33; a variety of other considerations which were detailed, 41; price, 15; and ability to produce an acceptable final report, 10. On the analysis carried out in that really rather painstaking fashion, the board went ahead and awarded it to other than the lowest bidder in this case.

**MR. D. ORCHARD:** Mr. Chairman, I understand it was the third-lowest that was awarded the contract. Can the Minister indicate the bid of the lowest tender which was rejected; the bid of the second lowest which was rejected; and the bid of the third lowest which was accepted, whatever criterion fit in?

**MR. E. ROBERTSON:** I'm sorry, Mr. Chairman, if I could correct my memory, it was the fourth lowest. There

were three below it. The price difference for the very bottom one - I would rather than guess, Mr. Chairman, if I could undertake to reply to those detailed numbers, I would think before noon, if that's acceptable, or if that is absolutely impossible, I have no problem producing those figures at the next meeting?

**MR. CHAIRMAN:** Mr. Orchard, is that satisfactory?

**MR. D. ORCHARD:** Satisfactory.

Mr. Chairman, the Minister said he had no involvement in this contract?

**HON. G. DOER:** I had made one phone call and said I heard a rumour that it was going to go to a Toronto firm - is that true or not. They told me they had an evaluation process that it was going and they said that it hadn't been completed. I heard a rumour that it had already been decided and it went to a Toronto firm. I asked whether it had been completed and they said no. I left it at that. It went through an internal evaluation process, then it went to the executive staff of the corporation, and then it went to the Board of Directors, and that was it.

Obviously, with something like this, it's a major significance to the rural services. There was qualitative as well as quantitative criteria, which I normally believe in low bid but also in something, and we've had this discussion before where we were talking about Wiebe versus Monroe in a contract. I do believe that it has a qualitative aspect to it and experience factor to it. I relied on the staff of the Telephone System to evaluate them and make a recommendation to the board and that was the only thing I have to say.

**MR. CHAIRMAN:** Mrs. Edmonds.

**MRS. J. EDMONDS:** Well, I would like to add that there are one or two members of the board who have particular skills and experience in this area. The board, as a whole, took the selection of this consulting group as a very serious matter and paid particular attention to relevant experience. The rather complex process analysis that Mr. Robertson referred to was carried out at the request of the board and the detailed results of that analysis were presented to the board before the decision was made.

**MR. D. ORCHARD:** Mr. Chairman, what's the value of the contract?

**MR. E. ROBERTSON:** Again, this is subject to tabling the final figures. My memory is that it's \$119,000 plus an estimated \$30,000 for telephonic costs which are an essential part. That figure, Mr. Chairman, would be subject to check-out. That's from memory.

**MR. D. ORCHARD:** Mr. Chairman, if I can follow on Mr. Robertson's criterion analysis, presumably, someone in the Telephone System would make a subjective decision based on each application as to whether they got 10 points out of 34 equalitative, so that it's an evaluation process subject to the analysis by an individual telephone system presumably.

**MR. E. ROBERTSON:** Mr. Chairman, essentially that is correct. There were three people evaluating. The

scores which each of them piled up under these various criterion headings I referred to previously were amalgamated and then compared, like by like, for the bidders.

There was in the evaluation criteria, a very clear lead indeed between the successful contractor and the others. It was hardly a matter of appointed to here and there.

**MR. D. ORCHARD:** Mr. Chairman, the Minister indicated in response to earlier questions that following the RCMP investigation, I believe his words were, there will be more lawsuits.

**HON. G. DOER:** I said I would expect more lawsuits subject to the RCMP investigation. Well, it's not as if we anticipate only two potential lawsuits. I don't know what's in the RCMP investigation, but I think there are individuals who are waiting for the results of that investigation.

**MR. D. ORCHARD:** So your comments did not predicate any advance knowledge of the success of the RCMP at that stage.

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

**MR. G. FILMON:** Mr. Chairman, I just wanted to know from the Minister or Mr. Robertson whether amongst the evaluations that are being done of various aspects of the Telephone System operation, a total complete and thorough cost benefit analysis is being done of the operations of the Telephone System that have to do with the marketing distribution of equipment that MTS has got into over the past decade.

We have argued this, debated this, as you know, probably at every series of committee hearings on MTS over the past half dozen years. We remain to be convinced that there is justification for the Telephone System. We want to see if it's being done, if indeed the Minister's committed to truly evaluating every aspect of the operation. We would like to see a cost-benefit analysis of whether or not the Telephone System is benefiting. Because I know that there are tremendous numbers of staff who have been employed as a result of that. There are costs, and the costs of the whole operation, space, time, telephone, all the building offices involved in this major thrust into marketing and competition with the private sector, it seems to me has never been properly analyzed in terms of this cost.

We have talked philosophically about whether or not this is a good - but I don't think we've ever seen it. I would urge the Minister and the acting CEO to do that thorough analysis by an independent consultant to determine whether or not the bottom line says that the Telephone System makes it.

We can talk about the benefits in terms of having additional products available that are allied and related to what the Telephone System's major business is, but I would like to see that kind of analysis, and I said that as a challenge and an opportunity for the Minister and the new acting CEO to really do something worthwhile in the evaluations that they're undertaking.

**HON. G. DOER:** Well, I agree with the Leader of the Opposition's philosophy. If it's going to be defended

on the basis of philosophy, it should be defended on the basis of philosophy. If it's going to be defended on the basis of social mandate, FRED is one project that one would argue, from a social, safety perspective, perhaps differently than other projects; but if it's going to be defended on the basis of revenue and the revenue opportunity, we should have the numbers and it should be both internally generated and, with these projects that have been going on, externally dependable. I can assure you that that will happen. Mr. Robertson may want to elaborate on it.

I'll even track it back to 1980 when the Member for Lakeside started some of these projects . . .

**MR. G. FILMON:** Well, that's right. I can tell that the Member for Lakeside and his colleagues in Cabinet argued pretty strenuously against that, and it was allowed to be done on a very limited basis, on an experimental basis, and then it just continued to grow like . . .

**HON. G. DOER:** Well, you should see some of the end of these experiments you started . . .

**MR. G. FILMON:** Well, that's right . . .

**HON. G. DOER:** And you won't like them, but we'll produce them.

**MR. G. FILMON:** Well, that's right. We have been . . .

**MR. CHAIRMAN:** Gentlemen, one at a time, please.

**MR. G. FILMON:** . . . arguing at every stage of the way that they should not be allowed to grow, that there should be an accountability other than a philosophical commitment, which is all we've been given over the past five years in the questions I've asked.

We would like to see the analysis of that and if, indeed, as the Minister indicates, that we aren't going to like to see the results, we are going to like to see the results because we felt those results should have been shown five years ago so they could have been stopped five years ago.

**MR. CHAIRMAN:** Mr. Robertson, I believe you want to add something.

**MR. E. ROBERTSON:** Simply to add, Mr. Chairman, for information, the study on that particular bit of the business, namely, selling computer equipment, is one of the 11 which the Minister has referred to. It's been done like all the others by means of an internal review and is designed to be reviewed externally, in this case, by Coopers and Lybrand.

I've read the internal review which surfaced at our executive committee just last week, and I think, without prejudice, when it is released, subject to the scrutiny of Coopers and Lybrand, it will provide interesting reading for this committee.

**MR. G. FILMON:** I appreciate that because previous Ministers were adamant that the whole thing had to be done and were also as adamant that they were not prepared to do an analysis. They were prepared to

defend it on a philosophical basis. So regardless of what it demonstrates, if the analysis is done on a very objective cost-benefit basis that includes all of the economic costs and returns of the experiment, because I know the Telephone System was into computer equipment and electronic equipment of all sorts, that it was, in some cases, directly involved with telecommunications, in other cases, word processing, heaven knows what, in the way of office and computer equipment that I've always argued the Telephone System had no business being involved in, and I'd be happy to see that analysis.

**HON. G. DOER:** It's interesting tracking the inertia of these projects right back to 1980 with the Member for Lakeside and others through the years. I did read the debate from previous years. I think philosophy is a defensible position, but it is only philosophy and I have no problem - if we're going to defend a project on the basis of philosophy, that's the basis we'll defend it, but if we're not, if we're going to defend it on the basis of - many of the arguments did move into the area of future revenue and whatever - I think then we should be able to show those numbers to the public and to this committee.

There's a number of factors in any project - employment, social factors, security - but the bottom line should be produced as well.

**MR. D. ORCHARD:** Mr. Chairman, we're into an interesting area because this also gets into an area that consistently, I think, if you read the debates of these committee hearings, I have been after an analysis of the enterprise accounting - I believe it was even committed to be given to me over a number of years and it was never produced - to determine whether there is in fact cross-subsidization where the black telephone monthly rental payer was subsidizing such things as FAST and other exotics.

I have to tell you, Mr. Minister, that FAST has been one that has intrigued me, and if you refer back to previous Hansards of this committee, I said it with a non-partisan approach because we initiated FAST on the basis that it was going to be a net revenue producer. There was no social aspect on which it was given to us. It was a revenue producing project in a business venture which would cross-subsidize the telephone service in the Province of Manitoba and would provide profits which would lower the monthly telephone rates in the Province of Manitoba for the customers of the Telephone System. I cut the ribbon at that out at the St. Boniface Basilica.- (Interjection)- No, I don't think Mike Aysan was there.

**A MEMBER:** No, he was there.

**MR. D. ORCHARD:** He was probably in the background.

**A MEMBER:** No, he was right beside you, Don.

**MR. D. ORCHARD:** Was he? Have you got a picture? Well, that's interesting; I knew him so well I don't remember him being there.

But, Mr. Chairman . . .

**MR. D. SCOTT:** Would you table that, please?

**MR. CHAIRMAN:** Yes. There's been a request to table it, and I think, to correct the record, that the Minister is trying to put forward for posterity, there is a picture of Mr. Aysan. The picture of the Minister of the Day does not appear to be anywhere in the photo or on the page.

**A MEMBER:** I challenge you; we've got one.

**MR. CHAIRMAN:** Well, the Minister is referring to the photo that he's referred to. There is only the picture of Mr. Aysan in the Winnipeg Sun, March 20, 1981, photo.

But let's get back to just one on one, please.

**HON. G. DOER:** Well, Mr. Chairman, there's some glowing comments from both the Minister and . . .

**MR. CHAIRMAN:** Mr. Minister, you'll have your chance in a moment.

Mr. Orchard, please continue.

**HON. G. DOER:** I'll just save this. We've got some more of it . . .

**MR. CHAIRMAN:** Gentlemen.

**MR. D. ORCHARD:** That's very entertaining information and Mr. Aysan's presence was not memorable to me.

But I certainly recall, Mr. Chairman, the basis under which we approved FAST was that it was going to be a net income producer. I think that if you take a look at the records of Hansard from approximately '83 on, various Ministers of the NDP defended that as being, you know, my argument that it was losing money was wrong, Mr. Mackling said I was incorrect, etc., etc. And I think, when Mr. Robertson produces the figures, we're going to see an accumulated loss in FAST over six years approaching probably \$7.5 million if you consider interest costs. That is something that we started, and from an apolitical standpoint, to try to point out to an NDP Government, with hands-on control of the Crown corporations as they had under Mr. Pawley's administration, that things were going wrong in projects that were deemed and sold to us as being revenue makers they weren't delivering. The questions were posed so that the NDP Cabinet Ministers could pose the questions as to what was going wrong. But those concerns were just simply written off for four years and meanwhile FAST continued to accumulate substantial deficits, and out of desperation to sell prepurchased equipment which we got into in the FAST agreement, we ended up making a deal which was incredibly underpriced to Manitoba Housing and Renewal Corporation simply to bring the customer base up in FAST. Now if that wasn't a warning to Mr. Mackling as Minister responsible, I don't know what it took.

But now we're going to get the analysis, and I hope, as part of that analysis, that indeed we finally get an examination of cross-subsidization within the Telephone System. Because Mr. Silver in 1985 was saying you've got a problem, by his letter, that you're not properly accounting.

You know, I have no way of being able to verify this but I would believe that if you get down to the actual



use, if the new Vice-President of Finance was to get down to a count, over four years, of the actual personnel use and the cost involved in the Telephone System of supporting MTX, you would find your internal losses to be very, very substantial in the Telephone System but not attributed directly to MTX.

For instance, I don't know whether an investigation has been done in terms of the provision of used Telephone System equipment to a potential buyer in South America. I am told that MTS engineers flew to South America, had the deal almost ready, that the Telephone System had completely reconditioned old surplus inventory of telephone equipment that was retired from service in Manitoba, in anticipation of completing this contract in South America and then MTX becoming the general contractor. And then things fell through.

I don't know whether as part of the accounting of loss of MTX, that particular set of costs which were paid for entirely by the Manitoba Telephone System have ever been charged to the MTX loss.

So until we know these kinds of answers we don't know how much money we lost in MTX and, indeed, how much money those lowest rate paying Manitobans have been contributing to the adventurism in the Telephone System into non-telephone and communication-related businesses.

You know when we were government we were faced with the proposition of getting into selling Texas Instruments, Speak and Spells, and all of those sorts of things and we said that's not a role for the Telephone System. We were persuaded because of the marriage at that time in '81 of data communication in telephones to allow the retailing through the business services of certain data processing related pieces of equipment as a telephony service. And we did it with reluctance but we certainly didn't have any Texas Speak and Spells, which you could pick up at any number of retailers on Portage Avenue, available in the telephone phone stores. But after 1981 and the return of an NDP Government, we sure saw them. We saw them advertised in all sorts of telephone books and yellow pages and supplements and telephone bills. And that was an argument we put forward consistently that that was advertising advantage the Telephone System had over the private retailer.

The point that I made on consistent occasions is how can you cry foul to competition from CN and CP that they're going to squash the poor little telephone company in Manitoba and at the same time have no compassion for the private sector retailers you were prepared to squash every day of the week through your telephone stores. I mean, if you're worried about unfair competition from above, presumably that you can't fight with, why didn't you have those same kind of compassionate concerns for the businessmen that are paying the payroll taxes and all the other taxes imposed by the Pawley administration and in competing with a Telephone System that had substantial advantages in selling, for instance, Commodore computers to school systems, etc., etc.

So, you know we're very much looking forward to this analysis because I think it will demonstrate that the Telephone System when it got out of telephone system services, lost one heck of a pile of money for the people of Manitoba over - and I will say - over a

six or seven year period, a couple of years of which were our administration. But always, we were sold on the basis, for instance FAST and presumably IDA and others - IDA was no profit involved, that was simply experimental but FAST particularly was sold . . .

**A MEMBER:** Costly experimental.

**MR. D. ORCHARD:** Oh, a very costly experience. And it would have been an awful lot more costly if I had done as the ERIC Committee under the Pawley administration have done and simply said "yes, here's another \$8.5 million" like you did for extra capitalization into MTX from MTS without asking any questions. But when I was asked for \$8.5 million in 1980 from Mr. Holland to expand IDA into a full-scale demonstration, I investigated and killed it. But, you know, that's another issue entirely.

**A MEMBER:** It is.

**MR. D. ORCHARD:** Another issue entirely. We cut our losses and we backed away from that project when we saw it wasn't developing what it was said to be developing. The NDP in 1985 poured another \$8.5 million into MTX when financial statements were available showing that you had problems, that your accounts receivable were not able to be collectable, where you had notes to the financial statement which said - and I've quoted it time and time again but sometimes repetition is the only way you educate people - but where it said, "The recoverability by MTX of the investment in SADL and the related trade receivable described above is uncertain at this time." But yet they poured \$8.5 million by note 12, page 18, '84-85 Annual Report, note 12 says "Subsequent Event: Manitoba Telephone System has approved a further investment in MTX of 340,000 shares at \$25 per share amounting to \$8.5 million. This investment will be used to finance future MTX projects." At the same time the future MTX project the money was going into is saying it's doubtful if it's going to be recovered.

Now, the ERIC Committee of Cabinet and, of course, I can't prove this because I can't get ERIC Committee Cabinet minutes, but the ERIC Committee approved that \$8.5 million to be lost as we now know, in MTX. And yet, you know, this Minister talks about let's not deal with the past, let's deal with the future and project what we're going to do in the Telephone System. How are you going to project a useful future for Crown corporations with a government with more hands-on control that made those decisions back in '85 and the same people are making the same decisions for the Crown corporations? Are we assuming now that they're smarter than they were in '85? No. And that's what causes us a great deal of concern.

**HON. G. DOER:** Mr. Chairman?

**MR. CHAIRMAN:** Mr. Minister.

**HON. G. DOER:** Well, there are a couple of points on enterprise accounting, etc. May I respond?

**MR. CHAIRMAN:** Yes. I just would like to point out to members that's it almost twelve o'clock. What is the

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wish of the committee? To have the Minister respond and then committee rise, or do you wish to go through to 12:30?

**HON. G. DOER:** I'll just make a one-minute response to the ten-minute statement of the Member for Pembina.

First of all, the Coopers and Lybrand report did deal with the information that went to ERIC and the submission and the capitalization of MTX. Enterprise accounting is - there is no question that we have to have an accounting system. We've discussed this, Mr. Fraser and I and Mr. Robertson and Mrs. Edmonds. We've discussed this extensively. We have to have an accounting system that will tell us what the winners and losers are and truly reflect. And you will find when we produce those reports on FAST that the member will be very interested to see, the personal computers that the Member for Lakeside will be interested to see, FRED and these other projects. I'm sure it must have been a very interesting debate in your Cabinet in terms of the philosophy of competing with the private enterprise in these areas. I'm rather surprised - well I won't say it, I want to stick to the facts.

You will find that the depreciation, the interest rates, the true costs will be calculated in these projects and

will be evaluated externally as well as a safety for the public. You know, we're not going to double count the paper clips in the president's office, but within reason we're going to know the actual costs and put them in those projects.

I think we've got an interesting history and I'm willing to debate the history starting with Project IDA and your action and our action and the FAST and personal computers, etc. But I also believe we should, within that context, we should also discuss some of the challenges of the future because I think they're very important. I don't think we do a great deal of service - I don't think we should forget the past - but I don't think we do a great deal of service to Manitobans if that is all we deal with and don't deal with the future. So I'll leave that, Mr. Chairman.

**MR. CHAIRMAN:** Thank you. What is the will of the committee?

Committee rise.

**COMMITTEE ROSE AT:** 12:00 noon.