



Legislative Assembly of Manitoba

HEARINGS OF THE STANDING COMMITTEE
ON
PUBLIC UTILITIES AND NATURAL RESOURCES

Chairman
Harry Shafransky, M.L.A.
Constituency of Radisson



10:00 a.m., Monday, January 10, 1977.

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

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MR. CHAIRMAN (Mr. Harry Shafrensky): Good morning, we have a quorum. This morning we are to have presentations from the general public and other interested groups in matters relating to an Order in Council and I shall read the Resolved:

"Therefore he, the Minister, recommends that the Lieutenant-Governor-in-Council refer the matter of attachment of telecommunication terminal equipment to the public switched network of the Manitoba Telephone System as to the legislative action to The Standing Committee on Public Utilities and Natural Resources for consideration and report to The Legislative Assembly and to the Lieutenant-Governor-in-Council."

This is a resolution that was passed in accordance with the provisions made by the Legislature and we are calling this meeting. The first person on the list here this morning is the Chairman of the Manitoba Telephone System, Mr. Holland. I believe Mr. Holland has a presentation, a slide presentation, to acquaint people with some of the matters which we are concerned with. I will call upon Mr. Holland to proceed with his presentation. --(Interjection)-- Yes, Mr. Walding.

MR. D. JAMES WALDING: Mr. Chairman, if it is necessary, I will move that the proceedings be recorded and transcribed.

MR. CHAIRMAN: All right. Thank you. It is something that I believe we have already established as a Committee that all of the committee hearings are recorded automatically but I don't believe it hurts to have that matter reminded and recorded again. Thank you Mr. Walding. Mr. Holland, would you proceed. Mr. Craik.

MR. DONALD CRAIK: Mr. Chairman, you say they are recorded. Are they automatically transcribed?

MR. CHAIRMAN: And they will be transcribed. That is one of the Rules Committee recommendations as I recall. Am I correct? --(Interjection)-- Not quite. --(Interjection)-- Thank you. I stand corrected. Then that shall be recorded and transcribed. Is that agreed? (Agreed) Mr. Holland.

MR. GORDON HOLLAND: Mr. Chairman and members of the Committee, MTS would like to present its views to the Committee on interconnection and the resolution referred to this Committee by means of an audio-visual brief, copies of the presentation will be available for the Committee. Present from MTS this morning: Mr. Glover Anderson, the Assistant General Manager; Mr. Gordon Backhouse from our Marketing and Administrative Services; Mr. John Milne, our Legal Advisor; and Mr. Bob Kirk from our Government Broadcast Service Area.

The brief describes some of the concerns of MTS on the subject of interconnection and includes proposals for your consideration which may commend themselves from the point of view of all concerned: MTS and its customers, the suppliers and the public and the business community generally. We hope after reviewing this presentation that the Committee will agree that it is timely that public policy in this area should be updated and clearly defined. This process is taking place in other jurisdictions at this time. So we will ask Ian Ross, with your permission, to offer our presentation.

MR. CHAIRMAN: Mr. Ross.

MR. IAN ROSS: I would like to begin our presentation by explaining what our chief concern is about interconnection. Unregulated interconnection would reduce the revenues of the Manitoba Telephone System by up to \$20 million in 1980. If all this revenue was lost we would require replacement revenues statistically equivalent to an increase in basic telephone service rates in Winnipeg from \$4.90 to \$8.90 per month. By basic telephone service we mean the provision of a single telephone and line to a customer.

In order to understand how and why this could happen, let me outline the background that leads to this problem today.

The Manitoba Government Telephones, as it was known then, was created in 1908 to provide telephone service to all parts of the province. The Provincial Government purchased the assets of the Bell Telephone Company for \$3.3 million so that service

(MR. ROSS cont'd) would be extended throughout Manitoba at reasonable rates.

It was recognized when MTS was formed that it would be undesirable to have competing telephone systems in any one area - a fact recognized by telephone companies, regulators and governments alike throughout the world.

MTS was therefore created as a monopoly, and has had its service and rates regulated since 1912 through the Public Utilities Board Act of the Province of Manitoba.

In order to achieve its mandate of providing the best possible service at reasonable rates throughout the province, the System adopted rate averaging and cross subsidization procedures - common to all North American telephone companies. This involves not necessarily charging rates which cover the actual costs for basic exchange services; but rather, where necessary, averaging these costs on a company-wide basis across all of the services provided by the telephone company. This procedure was formally recognized following a reorganization of the System in 1912. The principle adopted at that time came from a Royal Commission Report which stated: "All parts of the province that are accessible are to be supplied with service, regardless of the fact that supply of telephone service to rural and distant areas will, in most cases, be so supplied at a loss, but that other areas and other services of the System will charge such rates as will enable MGT to avoid financial losses."

This principle continues to hold true today. The System provides service to virtually all areas of the Province.

The investment in this network is significant, presently averaging \$840.00 per telephone. This figure represents average imbedded cost. The average cost of providing service in 1976 was \$2,250 per telephone. Telephone service in remote and rural areas costs much more to provide than this average.

Monthly billings for this basic local service are not directly related to the cost of providing the service and are inadequate to cover these costs.

How, specifically, can we provide basic service at less than cost? This is accomplished by subsidizing local service through revenues obtained from other telecommunication offerings, particularly long distance and "discretionary services". "Discretionary services" is our area of concern. Included in this category are the premium consumer services above and beyond the basic service. This includes extension telephones for residences, in several styles and colours. It includes Touch-tone push-button dial service. It includes decorator phones, designed especially to compliment home decor.

There is an extensive range of discretionary services to handle the requirements of business. There are telephone answering devices and speaker-phones. There are the new LOGIC phones with their modular series of "hands-free" and "automatic dialling" attachments. For large business requirements there are private exchanges ranging from simple key-sets and call directors to the sophisticated computerized electronic system known as the SL-1.

During the 1976-77 fiscal year, discretionary services will contribute \$15 million to MTS revenues. This is a highly significant and expanding source of revenue (projected to reach \$20 million in 1980). The loss to MTS of revenues from these sources would be reflected in higher rates for basic telephone service for all System subscribers.

Now that we've given you a look at how we operate - let's take a look at the source of our concern - interconnection.

Interconnection is the connection to the public telephone network of devices not supplied by the telephone company. These devices are generally sold outright to the consumer who then attaches them directly to the lines of the telephone system. Ten years ago, no one would have thought to connect anything to their telephone lines. Recently, with uses being found for telecommunications facilities other than traditional telephone service, and with an increasing number of manufacturers promoting a broad spectrum of interconnect devices, a growing public awareness of the possibility of interconnection has emerged.

Interconnect items include a wide range of devices. There are telephones of all kinds, both business telephones and extensions and decorator phones for the home. There are apartment entry phones. There are alarm units which signal over telephone company lines. There are phones which dial automatically. Call diversion devices can

(MR. ROSS cont'd) switch calls from one number to another. Cordless portable phones can be carried from room to room. There are dictation units, accessible by "phoning in to the office". There are facsimile transmission machines for sending copies of documents over telephone lines. Private exchanges for business are very extensive, ranging from the simple to the complex and sophisticated. Speakerphones allow "hands-free" conversation. There are WATS extenders which can cause misuse of long distance facilities. And there is a wide range of telephone record and answer devices for automatically receiving and giving messages.

Many are carried in the MTS product line. Many, because they are technically inferior or not in sufficient demand, are not offered. In general, there is such a proliferation of devices on the market today that we couldn't offer all makes of each item.

There is a demand for these items. Many small businesses have some type of telephone answer and record device. Radio Shack, National Typewriter, Eaton's and Woolco are typical of those marketing interconnect devices right here in Manitoba. In addition there is a thriving mail order business in interconnect devices provided by foreign suppliers. We estimate there may be 10,000 unauthorized devices currently connected to the telephone network in Winnipeg alone.

Here is a recent example of a Winnipeg advertisement offering a decorator telephone for \$99.95 - ready to connect to the MTS network. If rented through MTS, a similar extension phone would cost \$3.50 per month, in addition to the basic exchange rate which is \$4.90 per month in Winnipeg. Some customers could feel that since they are already paying \$4.90 for the main telephone and the line, that there is no real justification for having to pay another \$3.50 for extra use of the same line, especially if they are supplying the set. What these customers don't fully appreciate is the expensive, sophisticated network necessary to make that line work.

The network isn't just the telephone. There is a complex grid of telephone lines and cables which connect the subscriber's home to our central offices. These central offices are equipped with sophisticated switching equipment which, through miles of wiring, connects the subscriber to other offices throughout the city and, through our long-distance network, throughout the world. The \$4.90 per month basic rate doesn't even pay the interest on the \$840 per telephone invested in the network. The \$3.50 monthly revenue from that extension telephone, which the customer would normally rent from MTS, makes up a significant part of the additional revenue required.

This is the only part of the market which the interconnect supplier wants - the discretionary services and their revenues, typically in high density urban areas. This would leave MTS subscribers to bear the total financial burden of the network required, both for urban areas and more costly rural and remote areas, without these revenues. If MTS is denied this market - if unregulated attachment of extension telephones and other interconnect devices is permitted - there will be a pronounced affect on the future rating and financing of the Manitoba Telephone System. The loss of those revenues which subsidize everyone's local exchange service would drive basic rates up.

Interconnection also presents secondary concerns to MTS from a technical point of view. MTS goes to considerable expense to monitor and maintain the public switched network at high service standards. All equipment purchased is carefully checked before installation and constantly maintained by our trained servicemen to ensure that these standards will continue to be met. This effort and expense is wasted if the network becomes subject to unregulated interconnection of devices which are not maintained by their suppliers and not subject to the same standards. Specifically, equipment provided by a customer can be of inferior construction, technically incompatible with the telephone network and subject to improper connection and maintenance.

These faults lead to harmful consequences, including:

- Hazardous voltages - high voltages entering the telephone lines cause obvious danger to both the subscriber and MTS personnel. An example might be a speakerphone device incorrectly wired such that a 120 volt house current enters the telephone line. Telephone lines normally use only 48 volts to perform their function.

- Excessive transmission signals - high-powered signals sent through telephone lines will cause "cross-talk" with adjacent lines. This will cause interference and noise on other customers' lines. Excessive amplification of signals from data terminals is a typical example.

(MR. ROSS cont'd)

- Incorrect dial signals - these can cause incompleting calls or "wrong numbers". This is poor service, annoying both to the person calling and the person called. Repeated dialling to complete the call creates artificial and expensive network loading. An example would be an extension telephone of foreign manufacture with dial speeds or "make and break ratios" incompatible with North American telephone switching equipment.

- Electrical imbalance - terminal equipment that is electrically mismatched to the network can cause noise, weak signals and interference. This again is poor service, primarily to the party called or to other customers on lines subject to the interference. An extension telephone of inferior quality can cause such situations.

Customer provided terminal equipment, once connected, becomes part of the MTS Public Switched Network and has a potential for electronically polluting this network to the detriment of service levels for all.

What we have illustrated was unregulated interconnection. We do have some regulations dealing with interconnection currently in The Manitoba Telephone Act. We feel, however, that the present legislation must be amended in order to adequately deal with the emerging phenomena of interconnection.

Let's look at the legislation. The present Telephone Act contains a provision prohibiting equipment which, in the opinion of MTS, will "injuriously affect the telephone equipment or the operating efficiency of telephone lines or equipment." The legislation is presently deficient in that it does not provide a clear understanding of what may or may not be attached to the network. It also does not provide a flexible mechanism which will allow the interconnection issue to be dealt with as it emerges and evolves. Finally, it contains no provision for establishing the location of interconnect devices. Right now, the only way of accurately determining what customer-owned equipment is connected to the network, is through on-site visits by System personnel. Generally, only during sales, installation or repair visits would one of our staff be on the customer's premises. Therefore, under the present legislation it is impossible to track the location of interconnect devices without initiating some kind of policing force. Given the choice, MTS prefers not to do this.

MTS recognizes the existence of changing norms and customer attitudes with respect to owning terminal equipment and, therefore, recommends that a clarification of the question of attachment be embodied within new legislation. At the same time, such new legislation should provide the flexibility to accommodate the use of customer provided terminals where appropriate and provide a means of recording the location of all customer-owned equipment.

What are other telephone companies doing about the problem? Legislation in the Alberta Government Telephone Act strictly prohibits the connection of any equipment capable of transmitting or receiving messages that is not approved or authorized in writing by Alberta Government Telephones. This provides the public utility with the right to determine what may or may not be attached to its system. MTS does not believe that this kind of unilateral power for the utility to make such decisions is appropriate in Manitoba.

The Federal Government, which regulates Bell Canada, B.C. Telephones and CN/CP Telecommunications, has stated that an independent body should arbitrate the interconnection question. The Federal Government's Grey Paper of 1975, in outlining policy considerations for the Canadian Radio-Television and Telecommunications Commission, noted: "It is the intention that the new Commission would be empowered (within the limits of federal jurisdiction) to determine whether any proposed interconnection of apparatus or equipment that is compatible with technical standards would be in the public interest, having regard to economic and other considerations, and to order interconnection subject to appropriate conditions."

To this end, a Terminal Attachment Plan has been developed by the Federal Department of Communications to provide technical certification to a limited number of devices which may be connected when approved under the tariffs of the federally regulated telephone companies. On-going hearings between the carriers, the D.O.C. and interconnect suppliers will continue to set standards for additional interconnect devices.

An option that The Manitoba Telephone System suggests is that legislation be

(MR. ROSS cont'd) enacted that will allow The Public Utilities Board of Manitoba to approve specific practices for interconnection of customer-owned terminal equipment to the public switched network. The Public Utilities Board would then become the independent arbiter. It would hear the view of MTS, suppliers and customers and would provide for the orderly development of interconnection in the Province.

Under such a framework, MTS would seek Public Utilities Board approval for the following:

That the Public Utilities Board authorize for attachment to the network without condition many terminal devices attached by means other than direct wiring; an example being acoustically coupled telephone answering equipment.

That the Public Utilities Board authorize with conditions some interconnect devices. Directly connected telephone answer and record devices could be connected to the network without the currently required MTS standard coupler on the condition that they were certified under acceptable standards, such as those of the Federal Terminal Attachment Plan.

Devices which put an extra load on the MTS network could be connected with the condition that MTS be compensated for the extra use. An example would be a dictation machine of an approved type which takes dictation by telephone. Such equipment ties up telephone lines, thus requiring additional network development on the part of MTS.

That any device that needs to be directly wired to the network be installed by qualified MTS staff.

That the Public Utilities Board prohibit any device that addresses the telephone network - that is, is capable of generating a signal into the network. These types of terminals form an integral part of the network over which the telephone industry must retain control in the best interests of service to our customers.

That interconnect suppliers inform customers whether the device purchased is authorized under the tariff for connection to the telephone network, so that consumers may make an informed choice when considering purchase of such equipment.

That the System receive written notification from suppliers of any device sold that is conditionally authorized or prohibited by The Public Utilities Board. Such notification would include any pertinent details about the sale, including name and address of purchaser.

That provisions be retained for allowing MTS to disconnect any device found to be injurious to the network.

The chief consequence of such legislation would be to place the responsibility for the orderly development of interconnection in the hands of an objective and impartial body, The Public Utilities Board. This would allow the legitimate needs for interconnect devices to be met, while still providing a means to protect the economic and technical integrity of the publicly-owned and regulated utility.

We trust that we have shown you today that MTS, as a regulated public utility charged with providing telecommunication service throughout the Province, can best serve Manitobans if it is not denied "discretionary services" revenues - revenues which are needed to cross-subsidize basic rates, thus financing the large investment in the network required to provide this province-wide service.

The legislation proposed would allow many of the devices being used today, such as telephone record and answer devices, to be used without interruption. It would allow the conditional interconnection of other approved devices, protecting the public switched network from economic or technical harm. It would ensure that devices attached to MTS lines would not cause interruption of service. Devices requiring electrical connection to the network would be connected in a proper manner, by qualified MTS technicians. A mechanism would be in place to allow accurate tracking of prohibited or conditionally authorized devices.

In essence, what we would like to see in new legislation is a clarification of the interconnect situation in Manitoba. Please keep in mind that it is not the Manitoba Telephone System which would suffer from the consequences of unregulated connection of devices to the public switched network. It is the people of Manitoba, the telephone subscribers, who would have to pay increased basic telephone rates to make up for the financial loss.

MR. DEPUTY CHAIRMAN (Mr. D. James Walding): Order, please. I assume, Mr. Holland, that you would be prepared, yourself or your staff, to answer any questions there might be from the Committee. Are there any questions? Mr. Uruski.

MR. URUSKI: I have just one question, Mr. Chairman. In the presentation you made the statement that they could reduce revenues of the Manitoba Telephone System by up to \$20,000,000. What estimate do you put on - and maybe I missed it in your presentation - that you are missing or losing in revenues today without the necessary legislative authority?

MR. BACKHOUSE: Mr. Chairman, in answer to that question I would only say that at the present time since MTS doesn't have an accurate count of the devices that are connected it would be our estimate that the revenue loss sustained today is substantially below the \$20,000,000 figure indicated.

MR. URUSKI: But you did make a guesstimate that there are approximately 10,000 unregulated items, uncontrolled devices in the system, you made an estimate of about 10,000. If you could make an estimate of about 10,000, could you make an estimate of the possible revenue loss?

MR. BACKHOUSE: We believe that the majority of the 10,000 devices are telephone sets themselves and we would place a figure of perhaps in the order of a million dollars in revenue loss at the present time from unauthorized devices presently attached.

MR. URUSKI: At the present time?

MR. BACKHOUSE: Yes.

MR. URUSKI: Annually?

MR. BACKHOUSE: Annually, yes.

MR. CRAIK: Well, on the same topic, Mr. Chairman, you say unauthorized devices but not illegal devices under the present legislation. Is that the fair description of it?

MR. BACKHOUSE: Not necessarily illegal under the existing legislation, correct.

MR. CRAIK: So when you also use the figure of - oh rates having to go up from \$4.90 to \$8.90, \$4.00 increase by whatever year it was, 1980 or 2,000 - are you assuming in that calculation that say all second telephones in a house, for instance, are privately owned rather than system-controlled?

MR. BACKHOUSE: That is the basis of the estimate, correct.

MR. CRAIK: So that would really be taking say an average house that may have two telephones in it and saying that only one of those would be paying their way and the others would be privately owned?

MR. BACKHOUSE: That's correct.

MR. CRAIK: At the present time in that case is it, say, legal for a person to put the second jack in their house as well as the second telephone - not authorized but within the description or within the bounds of the present legislation - are you in fact not empowered to control directly by legislation the number of jacks that are installed in the house?

MR. BACKHOUSE: Well, the legislation simply states as was shown that the Act provides only for denying the interconnection of devices which would injuriously affect the network, and in that sense we feel the present legislation doesn't adequately deal with that situation.

We have another condition in our tariff that gives us rather more control over the situation than the legislation; and generally speaking the practice of MTS at the present time has been to insure that jacks were installed by the system and similarly all extension telephones. Extension telephones give us concern from two points of view, one certainly is the potential revenue loss, that's a rather major item of revenue to MTS; and secondly, extension telephones are network addressing devices in that they dial and impulse the network. So generally speaking we are not proposing at this time that any dialable or network addressing device be connected to the network other than those supplied by the system.

MR. CRAIK: So just on that point, with regards to the plug-in jack as opposed to the device itself, they both fall into the same category, you actually have a control over to a certain extent now but only by virtue of the fact that you've imposed a control on it, but in neither case does it have the force of legislation to actually hold up in court

(MR. CRAIK cont) if somebody wished to go that far?

MR. BACKHOUSE: That is our concern. That is one of our concerns, yes.

MR. CRAIK: If the present legislation was simply used and the Public Utilities Board were given the power to write the regulations that you operate under, wouldn't the present legislation with the term "injurious" not be broad enough to allow them to do that? That would cover the technical part would it not?

MR. BACKHOUSE: Well, I wouldn't like to agree with that in that it does not differentiate in any way between network addressing and non-network addressing devices.

MR. CRAIK: But the major problem is, I would think that when something is injurious - I mean you could judge almost anything to be injurious given the fact that if enough of them are used it is going to injure the system, and also that the major deletion in the whole of the legislation at the present time is that governing who gets the economic return from it - would it not be that the principal thing in question is the matter of the economics as opposed to the technical?

MR. BACKHOUSE: We believe that that is true, yes.

MR. CRAIK: So principally what you're after is a control over the economic picture in terms of the use of these new and expanding numbers and types of devices?

MR. BACKHOUSE: Yes. We believe that the legislation must recognize the economic impact of unrestricted interconnection on MTS.

MR. CRAIK: Yes. I'm not familiar with this, but to what extent will the use of industrial equipment, commercial equipment such as computers account for revenue increases from here on in as opposed to multiplication of the number of household telephones? In other words can you break down these revenues that you're predicting will come from these devices into the groups of commercial - industrial as opposed to domestic?

MR. BACKHOUSE: That would be very difficult. I certainly don't have any breakdown at the present time beyond being able to say that we believe the majority of the violations today are residential rather than industrial. But certainly there is a growing and an expanding need to make the telephone network available for the type of thing that you have suggested.

MR. CRAIK: There isn't a major need for this to, for instance, control the likes of a computer setup in a major industry. I presume that you already have adequate control over that particular situation with the existing legislation.

MR. BACKHOUSE: We don't really feel we do, Mr. Craik. We have seen situations where you have computers that are attached to the network and the purpose of the computer is to gather data from outlying terminals, and we have experienced situations where a polling cycle is built into the computer; the computer can then poll the outlying stations at very short intervals whether there's any data to be transmitted or not, and in this way that application very definitely places significant loads on the telephone network which if left unrestrained require us to provide additional switching equipment in the exchange network to handle that type of application. That is one that we would feel should be looked into and gone into on virtually a case by case basis through the Public Utility Board.

MR. CRAIK: Just to get back to the principal reason then for the expanded control over these devices lies more in the proliferation of fairly simple devices I guess then, the household devices and others that can be bought at the likes of Canadian Tire or Radio Shack or whoever might sell them to the average person, as opposed to the industrial or commercial application where it's going to be a multi-thousand-dollar type of an installation.

MR. BACKHOUSE: I would answer that by saying that to the best of our knowledge the interconnection situation that we're faced with today is largely in the residential area but we feel that as increased uses are found in the future it will very definitely impact the business community and there will be more sophisticated applications than we have seen at the present time. I wouldn't like to leave the impression that it's only simple telephone extensions that we're dealing with.

MR. CRAIK: Okay, thank you, Mr. Chairman.

MR. CHAIRMAN: Thank you, Mr. Craik. Mr. Johannson. Just a minute, Mr. Backhouse. You have questions of Mr. Backhouse, Mr. Johannson?

MR. WALLY JOHANNSSON: Yes. The first point that you make in your presentation is that unregulated interconnection would reduce revenues up to possibly 20 million and this would lead to almost a doubling of the basic telephone service rates in Winnipeg. You mention on Page 9 that the Alberta legislation is more thoroughgoing than almost any other but you don't feel that Manitoba should emulate Alberta. Why not?

MR. BACKHOUSE: Well we feel that there are bona fide and genuine circumstances where the provision of terminal equipment by the user is probably the right answer. I say that because there are many one of a kind or few of a kind applications where it wouldn't be, we don't believe, in the best interests of MTS subscribers to have MTS supply all of those equipments.

MR. JOHANNSSON: But under the Alberta legislation, or Manitoba legislation similar to the Alberta legislation, couldn't MTS permit the installation of such equipment?

MR. BACKHOUSE: Well my understanding of the Alberta legislation is that it is totally prohibitive insofar as customers being allowed to own and in particular attach their own equipment to the telephone network. Now with that interpretation one would say that no provision exists for a user to own his own terminal equipment and have it attached to the telephone network.

MR. JOHANNSSON: But the statement in your commentary here says that, "Legislation in the Alberta Government Telephone Act strictly prohibits the connection of any equipment capable of transmitting or receiving messages that is not approved or authorized in writing by the Alberta Government Telephones." Now this would seem to me to indicate that they may approve the attachment of some equipment.

MR. BACKHOUSE: Yes.

MR. JOHANNSSON: So if you have similar legislation here you could approve the installation of some equipment?

MR. BACKHOUSE: Yes.

MR. JOHANNSSON: Would this type of legislation that is legislation similar to the Alberta legislation provide you with maximum control over loss of additional revenues?

MR. BACKHOUSE: Yes.

MR. JOHANNSSON: If you were to go for the option of providing the Public Utilities Board with the power to control interconnections, would it not be possible that you would have less control over loss of revenue than you would under the Alberta legislation?

MR. BACKHOUSE: I would agree with that.

MR. JOHANNSSON: So you are suggesting an option then that could conceivably result in more losses of revenue than you would achieve through the Alberta option.

MR. BACKHOUSE: I think you could take that interpretation, but we believe that the responsibility of the Public Utilities Board is to be let us say as concerned about the financial health of MTS as it is to be concerned about the welfare of the telephone user.

MR. JOHANNSSON: So you think that the Public Utilities Board then would exercise the same kind of concern over potential losses of revenue to MTS as MTS itself would?

MR. BACKHOUSE: We would certainly hope so.

MR. JOHANNSSON: But do you have any guarantee that they would?

MR. BACKHOUSE: No, I don't.

MR. JOHANNSSON: Okay.

MR. CRAIK: Mr. Chairman, maybe Mr. Backhouse could recall or would be aware of, wasn't there a court case in Ontario not too long ago - it was in the last year or so - with regards to the attachment of these devices and wasn't there a ruling of the court that said that they were privately owned attachments, telephones were legal?

MR. BACKHOUSE: I do recall the court case and I think it was Bell Canada versus the Harding Corporation. I think that was a complex case. It's not my opinion that it was ever satisfactorily resolved. I couldn't comment on the detail of it though.

MR. CRAIK: You've mentioned the Alberta legislation. Do you know what the Ontario legislation is? Is it similar?

MR. BACKHOUSE: The major telephone company in Ontario and Quebec of course is Bell Canada. Bell Canada is regulated by the CRTC and it's my understanding that the proposal there is to permit interconnections in accordance with the telephone company's tariff which was

(MR. BACKHOUSE cont'd) approved by the CRTC and in accordance with the Federal Telephone Terminal Attachment Plan, the Federal Department of Communications and it has recently made provision, and I believe the date was November 1975, for the permissive interconnection of some telephone devices, a rather small list. But there are indications that other additional items would be considered under that same plan and the kinds of devices which we generally suggested in our presentation which would be permitted - at least in our view that's the kind of representation we feel we would make to the Public Utilities Board - is roughly in accordance with a degree of permissibility included in the Federal plan.

MR. CRAIK: Is the Harding Corporation a manufacturer?

MR. BACKHOUSE: No, I don't believe it is. I believe it is or was an interconnect supply company.

MR. CRAIK: It wasn't a consumers' group that was actually doing the pursuing of the lawsuit?

MR. BACKHOUSE: No, not to the best of my knowledge.

MR. CHAIRMAN: Are there any other questions of Mr. Backhouse or Mr. Holland? Hearing none, I think you very much. I note that in your brief there is also a press release which I assume is not part of the presentation . . . it's for information for the other members of the press.

We have Mr. J. T. Wylie, Manager, National Answering Systems. Also I should mention at this time, telephone calls were received from IBM, ITT and Canadian Manufacturers' Association. I understand that there was also some complaint with regards to lack of notification. I would like to draw the attention that the notices were posted on December 6th in the newspapers, so this complaint that some people seem to still bring out that inadequate time is given for the hearings which are being called for today is something that's rather annoying especially when you have the Canadian Manufacturers' Association, which I assume have representations within the province and therefore should be making their membership aware of what is going on. I just thought I would mention this so that the press would report these meetings today, that some people who might still want to appear before us tomorrow, we have the second day tomorrow. I apologize, Mr. Wylie, you may proceed. Mr. Craik.

MR. CRAIK: Mr. Chairman, on this point, has this been a communication from these three firms this morning, or three groups?

MR. CHAIRMAN: They had been received . . . the telephone calls from IBM and ITT were last week and the Canadian Manufacturers' Association was this morning . . . the gentleman came in apparently to see him, and there's a letter in connection with this.

MR. CRAIK: I would think that there may be some justification for their lack of awareness because we did get the notices just before Christmas, and we've had the holiday season intervening here and we're just started again.

MR. CHAIRMAN: But the advertisements in the paper were given on December 6th.

MR. CRAIK: Even in view of the fact that they may not have been noticed by these firms but they're now aware of it. . . if in the event that we haven't received enough representation to this Committee on this important topic by the time we're finished our hearings, I think we should hold open the possibility of another meeting at a later date if we still feel that we need more input, because I would think that these types of organizations, although I'm surprised that they weren't aware as well, still are well versed enough in this topic that we're considering that we should make every opportunity to hear from them even if it means re-scheduling in the event that we haven't got enough input over today and tomorrow.

MR. CHAIRMAN: Well I think we should proceed on the basis of what we have and see what happens. At that time we can come back to this question as to what we should do from thereon. Can we call upon Mr. Wylie to proceed now. I apologize, Mr. Wylie, for interrupting you. I just thought I'd mention it at this time because it seems to be a recurring type of complaint and most times I feel very unjustified. Mr. Wylie proceed.

MR. J. T. WYLIE: Mr. Chairman and members of the Committee, my portion of this presentation, or my brief, deals with and only with the interconnect of telephone answering devices in a direct wire situation. National Answering Systems, which is

(MR. WYLIE cont'd) National Typewriter, has been involved in merchandising automatic telephone answering equipment since the introduction of this type of machine in Manitoba some ten years ago. In conjunction with Philips Electronics Industries, National Answering Systems is fully aware of their responsibility to the business community in supplying dependable, electronically acceptable equipment.

For a very brief insight into the history of automatic telephone answering machines, the forerunners were acoustically coupled to a telephone (that is a mechanical/electrical device) and required no direct connection to a telephone line. However, with the advent of integrated circuits and smaller components, the mechanical/electrical aspect was eliminated and, within the last four or five years, we have progressed to a direct-wire machine which is by far more practical and more advantageous to the user.

With the introduction of these new machines, it naturally became necessary for the Manitoba Telephone System to bring into effect regulations and restrictions to prevent damage to and interference with their lines and equipment. These regulations stipulate the installation of an interface unit or a coupler in conjunction with any direct-wire answering machine supplied by any company other than the Manitoba Telephone System.

Realizing the resultant and added expense and inconvenience to their customers, Philips Electronics Industries launched a full scale undertaking to have each individual model of their answering machines certified by the Federal Government, at a cost in excess of approximately \$1,000 per model. The initial stage was completed by Philips in May 1976 and certification was granted by the Federal Department of Communications, (see attachment "A").

Following approval by the Federal Government and employing a telephone jack installation which is also federally certified (this is included in attachment "B") Bell Telephone, B.C. Telephone and CN/CP Telecommunications now permit the direct connection of automatic telephone answering devices without the use of the coupler.

We would therefore respectfully request that the Manitoba Telephone System accept the certification which has been granted by the Department of Communications and permit National Answering Systems to install their federally approved machines in Manitoba without the use of an interface unit.

That is the end of my presentation.

MR. CHAIRMAN: Thank you, Mr. Wylie. Are there any question? Mr. Craik.

MR. CRAIK: What does the coupler supposedly do?

MR. WYLIE: The coupler is used basically as an isolation device to isolate the answering service from the telephone exchange. As has been mentioned before, it is quite possible to feed an extraneous voltage through the telephone system and damage an exchange. At the time this was considered a necessary installation due to the many different types of answering services that are on the market today.

MR. CRAIK: That's the only purpose of it?

MR. WYLIE: Well, to my end of it, yes. There are other uses for it. In some instances when a coupler is installed it's possible that a one-way conversation only can be carried on over the telephone. With the devices we have and which we market now it's possible for a person to screen, if you wish, the incoming call on his answering service. If he wants to talk to that person he has the option of either turning off the answering service, picking up the telephone and answering the person personally or he can talk to the person over the telephone and continue to record, and depending on the manner in which the coupler is wired into the circuit normally this isn't possible. If the person wanted to talk to the person he would have to turn off his recorder and talk to him over the telephone.

MR. CRAIK: Thank you, Mr. Chairman.

MR. CHAIRMAN: Are there any other questions? Thank you, Mr. Wylie. You have the letter from Mr. Tapsell, Chairman, Telecommunications Committee of the Canadian Manufacturers' Association. I do not know if you wish to have this read into the record. There are some particular points that he would like the members of the Committee to be aware of and he mentions three in particular. Possibly we can have this to be included in the transcript without having the letter read into the record. What is the wish of the Committee? There are three particular points he says that he would like the members of the Committee to be aware of. Well, are there any other present . . . Mr. Johannson.

MR. JOHANNSSON: I move, Mr. Chairman.

MR. CHAIRMAN: Thank you.

The following brief was presented but not read:

We have just learned that the Standing Committee on Public Utilities and Natural Resources is seeking opinions on the attachment of telecommunications terminal equipment to the public switched network of the Manitoba Telephone System. As users of telecommunications services, the members of the Canadian Manufacturers' Association are interested in any programs affecting attachment of devices to carrier networks, and particularly in the policies and procedures which form part of these programs.

We regret that we are unable to be present at the meeting of the Standing Committee on January 10 and 11, 1977. However, as users we wish to submit for consideration by the Committee the following comments relating to the attachment of terminal equipment to the public switched network.

1. The program should provide for low cost attachment of devices to carriers' networks. It should result in improved cost to users compared to the present method of attaching devices to networks.

2. In the interests of keeping costs to users low, the program should be as simple as possible from an operational and administrative point of view. We support maintaining the integrity of the carriers' networks. In accomplishing this, however, any specifications or testing that may be required for direct attachment to carriers' networks should deal with areas that are of major concern to the protection of the carriers' networks, but be limited to these major areas. In the interests of keeping costs to a minimum, provision should be made to allow equipment suppliers to assume responsibility for conforming with the technical requirements, with an auditing program as required.

3. A major objective to users in having greater freedom of attachment to carriers' networks is to increase the choice of available equipment for use with telecommunications services. In this respect, we believe that users should have the option of attaching devices to carrier networks through a direct attachment program, or continuing to attach, as at present, through special connector equipment. In addition, the program should cover all machines and devices that can meet the specification for attachment to the public switched network. This should include both network non-addressing and network addressing machines and devices. We believe it is very important to manufacturers as users of telecommunications services to have the above freedom of attachment and expanded use of available devices for attachment. This will permit better use of telecommunications services and more effective systems design, and strengthen the competitive position of Canadian manufacturers.

In summary, any proposed attachment program should offer positive benefits to users in terms of costs, availability of devices for attachment, and convenience. We believe that these benefits to users are very dependent on the policies and procedures of the attachment program, and recommend that the above points be included in any program implemented in Manitoba.

We would appreciate being kept informed of the progress of any program affecting the attachment of terminal equipment to the public switched network of the Manitoba Telephone System, and would be pleased to provide further comments, as these are appropriate, from the Canadian Manufacturers' Association.

MR. CHAIRMAN: Are there any other members here from the public to make presentations this morning? Hearing none I guess the only thing left for the Committee is for the Committee to rise and now Mr. Craik.

MR. CRAIK: Mr. Chairman, I think that, just to repeat again, we haven't had very much input on this topic, if this is it and I think we should consider perhaps sitting again sometime before the Legislative Session. It appears that it wouldn't be that lengthy a hearing in any event, perhaps one more meeting would do it, and maybe we should leave it open. I would assume that IBM and IT&T who are pretty big in this business could give us additional information.

MR. CHAIRMAN: Well, we do have tomorrow set aside for the hearings and I'm just wondering what we should be doing. I would like the advice of the Committee whether

(MR. CHAIRMAN cont'd) we should be coming back this afternoon, and also tomorrow. Now the two dates have been set for the hearings and I'd like the advice of the Committee, should we proceed. There does not appear to be any indication at this time that there is anyone ready to appear before us today or this afternoon or tomorrow. Now if I could have some assurance there wasn't going to be any, then I would say well the Committee would adjourn until such time as we decide upon a second meeting to go over any kind of recommendations and reports resulting from the presentations that we've had to date, because that is the purpose for which these two days have been set is to have the input from the various groups who have some concern about what is being proposed by the Government or by the resolution established in Order-in-Council. I would like some direction, some advice from the Committee.

MR. CRAIK: Mr. Chairman, just as a suggestion I would suggest that we forego the meeting tomorrow and run the risk that there may be somebody, although I don't think there is any likelihood at all of someone appearing tomorrow that wouldn't be here today, and to hold off the second day's meeting until sometime a littler later on, and hopefully at that time there will be the additional publicity that will bring more people out that may have an interest in this.

MR. CHAIRMAN: If that would be your suggestion then I would hope that this would be made known somehow, I don't know how we could determine another date. But I do understand that the Clerk has indicated to me that any other interested organizations, those that have phoned in, can submit their briefs and he will assure that these briefs will be distributed to all members of the Committee and included in any transcripts. After that, if there is still further interest, I'm sure those people could communicate to me or to the Clerk and the based on that information we could ask the Minister to see if it would be necessary to call another meeting. Would that be agreeable?
Mr. Johannson.

MR. JOHANNSON: I was going to simply suggest, Mr. Chairman, that we meet again at the call of the Chair. That would seem to be the most logical thing to do in the present circumstance.

MR. CHAIRMAN: Well is that agreeable? (Agreed) If the people let me know that there is enough interest, you know, it doesn't matter how many, but anyone who is interested in making a presentation to the Committee will let me know or let the Clerk of the Legislature know we will cause to have another meeting called before the Session begins, whenever that be; or even after the Session begins a Committee could be called.

MR. WALDING: I assume that the Committee has to meet again in order to prepare its report to the House.

MR. CHAIRMAN: Yes. But you see I'm talking in addition, if there should be a necessity to have a meeting to have the public make presentations.

MR. WALDING: Yes.

MR. CHAIRMAN: Okay. Committee rise.