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LEGISLATIVE ASSEMBLY OF MANITOBA

THE STANDING COMMITTEE ON PUBLIC UTILITIES AND NATURAL RESOURCES

Tuesday, 29 April, 1980.

Time — 10:00 a.m.

CLERK OF COMMITTEES, Jim Munch: Order, gentlemen. Mr. Steen was your Chairman last year and he is not on the committee this year, so your first order of business will be to elect a new Chairman.

MR. ABE KOVNATS (Radisson): Mr. Chairman, I move that the Member for Rhineland, Arnold Brown be Chairman of this committee.

MR. MUNCH: The Member for Rhineland has been nominated. Any further nominations? Mr. Brown, would you take the Chair please?

MR. CHAIRMAN, Mr. Arnold Brown (Rhineland): Good morning. I'd like to call this meeting to order. We will be doing the Manitoba Telephone System, the annual report, this morning. I'd like to call on Gordon Holland to come forward and present the report.

MR. GORDON HOLLAND: Thank you, Mr. Chairman. May I introduce our people from MTS who are here this morning: Glover Anderson, Vice-Chairman of the Board, Assistant General Manager; Bob Vannevel our Director of Finance; Gordon Backhouse, Assistant General Manager, Administration; Oz Pedde, our Director of Marketing; Dennis Wardrop, Director of Corporate Development; Ed Peterson, Director of Operations; and Jon McGuire from our Legal Department. I'm sorry, George Sorokowski from my office.

With your permission, Mr. Chairman, I'd make a few comments on the 1978-79 Annual Report as well as on current activities and then we'll endeavour to answer any questions which the committee might have. The report was mailed to all members during the winter and was tabled by our Minister at this session of the Legislature. A brief examination of the financial statistics in the report, total revenues increased by 14 percent; total expenses by 13.9 percent; the net revenue deficiency for the year was 1,282,000, which compares with a net positive revenue of 6,387,000 for the preceding year.

Capital expenditures during the year amounted to 71,164,000. By the end of the year the System had a total of telephones, an increase of 23,199 during the year. Total investment in plant reached 676,560,000 at the end of March, '79, an average investment of 1,020 per telephone, up from 680 ten years earlier.

It has been customary to supplement information contained in the annual report with comments concerning recent and current activities; I therefore comment on the System's major programs and activities for the period from April 1, 1979 to present.

On April 1, 1979, Manitoba Data Services moved from its status as a division of the System to a

separate Crown corporation. The system's association with MDS, which began in 1975, was a valuable and interesting one from which I think both MDS and the System benefitted. I know that everyone at the System wishes the board and employees of MDS well in their new role.

The financial estimates for the fiscal year ended March 31, 1980, are subject to final year-end adjustments including those recommended by our auditors, Thorne, Riddell & Co., who recently have begun their audit review of the fiscal year just ended.

As previously mentioned, the separation of Manitoba Data Services took place effective April 1, 1979, as provided by legislation proclaimed on June 10, 1979. The effect of the separation was the transfer of assets and related long-term debt at book value amounting to 12,229,000 from the books of the Manitoba Telephone System. On April 1, 1979, rate increases as approved by the Public Utilities Board of Manitoba were implemented. Operating revenues for 1979-80 were 198,698,000 representing a 16.7 percent increase over the previous year. Operating expenses, including depreciation and taxes, increased by 15.5 percent to 142,599,000.00. The expenses included approximately 750,000 for special measures to service our customers during and after the floods of last spring. Debt charges and foreign exchange amortization expenses were 51,308,000 compared to 53,286,000 in the previous year.

The System has five foreign long-term debt issues, representing 36 percent of total long-term debt. The additional costs arising from foreign exchange fluctuations for these issues as at March 31, 1980, is 71 million compared to 92,475,000 for the previous year. The unrealized loss on long-term debt has been amortized over the remaining life of the five foreign debt issues. The amortization of foreign exchange losses is 7,816,000 for '79-'80 compared to 10,332,000 for the previous year. This improvement is due to the gain of the Canadian dollar relative to other currencies as at March 31. The System has a favourable cash position as the result of improved revenues and reduced capital expenditures. Capital expenditures for the year ending March 31, 1980 are estimated to total approximately 70 million, a slight decrease from the 71,164,000 expended the previous year. Due to this favourable cash position and the high interest rates the System minimized the amount of new borrowings during the year. On August 1, 1979, the Minister of Finance on behalf of MTS issued a 20-year debenture, Series 11A, in the amount of 20 million with interest at 10 1/4 percent per annum. A portion of the proceeds was used to repay Series 7P, which matured on December 1, 1979, in the amount of 4,600,000.00.

The estimated net revenues for 1979-80, subject to final year-end adjustment and audit, are approximately 13,800,000 and are the highest in

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MTS history. For the year ended March 31, 1979, the System recorded a deficit of almost 1.3 million.

The growth in revenues and the strengthening of the Canadian dollar relative to other currencies has resulted in a dead equity of 85.5 percent at March 31, 1980. This is a slight improvement over the 3-year plan filed with the Public Utilities Board in late 1978 after adjusting for approved tariff rates, but does not meet the previously established MTS board target under which the debt ratio would not exceed 85 percent and hopefully show a trend towards a gradual reduction from the historical average. It was hoped that it might be reduced by one percent per year over the three-year period beginning April 1, 1979.

There was a gain of 16,821 telephones in the residential market; of these, 10,729 were extension telephones. There are now telephones in over 97 percent of Manitoba households, illustrating the valuable service MTS provides and the accessibility of that service to the people of Manitoba. Telephone gains in the business sector were 7,048 with extensions contributing 3,351 of this total.

The progress of the System can only be achieved through the efforts of a dedicated work force. At March 31, 1980 there were 4,689 employees on staff, compared to 4,587 the previous year. This represents 6.8 employees per 1,000 telephones, whereas the comparable figure a year ago was 6.9. Rapid progress continues to be made in the System's Rural Service Improvement Program with completion scheduled for 1981.

Under one element of the program, multi-party line loadings are being reduced to no more than four per line, an average of 2.8 benefiting about 44,000 customers. Between the end of March, 1976 and the end of September, 1979, average line loadings were reduced from 5.16 to 3.33. The percentage of lines with more than four subscribers decreased from 60.4 percent to 14.8. About 3,400,000 will be spent on this portion of the program during the 1980-81 fiscal year, improving service to a further 6,000 customers and bringing average line loadings down to the objective of 2.8.

Under the other element of the program, individual line service is being extended to 13,400 customers in 170 communities, which previously have had multi-party service. About 2.1 millions will be spent on this element of the program, in 1980-81, benefiting more than 2,200 customers.

It is estimated that almost 34 million will have been spent on the Rural Service Improvement Program by its completion in 1981.

There's an increasing desire by rural Manitobans for the extension of individual line service and of free calling areas. As MTS completes the Rural Service Improvement Program, greater efforts can be made to meet those wishes.

In 1979 the System completed its eight-year Northern Service Improvement Program, which provided telephone service to 18,000 residents of 37 northern communities at a cost of 18.7 millions. Brochet, Lac Brochet, Tadoule Lake and Shamattawa, however, were not included in the program because of the prohibitively high cost of extending the microwave service.

The System is investigating the use of a Canadian satellite to provide telephone service to these four

communities. MTS has made a proposal to the federal Department of Communications to use satellite service to provide reliable long distance communications to the communities as soon as possible.

Residents of these communities currently rely on MTS's HF Radio Service, which is subject to interference from weather or atmospheric conditions. Because of the remoteness of the communities involved, they're difficult to serve by conventional microwave or land lines. The Satellite Service is the least expensive alternative and very reliable.

The MTS plan proposes that the Department of Communications co-operate in the project to share the technology and costs in the development of satellite services for these communities, including proposals under which the facilities might include television service.

Project IDA is now under way. The first video services are now being turned up for engineering testing. The remainder of the services to be provided will be turned up in phases over the next few months. The project will be fully operational in September, some months after the original prediction. This was due primarily to a worldwide shortage of computer chips, and the fact that most of the Omnitel network is unique technology — many of the components had to be hand-assembled.

The System's role as common carrier requires provision of a common network for hire for the carriage of telecommunications traffic for all users without discrimination. Extension of this concept to the coaxial cable networks opens the door for businesses and other groups to compete in the provision of services. Currently there are some 20 interested parties in Project IDA. They will be providing alarm services, educational services, information, automatic utility meter reading, music, and video services.

The information programs and service being carried on the coaxial cable in south Headingley is being provided at no charge during the trial period. If the concept proves its value there, it will be adopted elsewhere with subscribers purchasing services from the information and service providers. In this way, new local businesses may well develop.

The network itself provides a two-way communication capacity that allows residents to individually select their programming, as well as interact with that programming.

Residents of south Headingley have responded with enthusiasm to our invitation to take part in the project.

A field trial of a rural fibre optic distribution system, which will be carried out in the Elie-St. Eustache area, may well lead to future improvements in rural service. The five-year trial is scheduled to begin in September, 1981.

This trial will provide 150 subscribers with single-party service, cable television and FM service, as well as various information services to be selected. We are most pleased with the response which we received to date from the residents of Elie and St. Eustache. More than 200 householders have expressed interest in participating in the trial.

The Elie project will cost 6.3 million, with the costs shared by the federal Department of Communications,

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the Canadian Telecommunications Carriers Association, Northern Telecom Ltd., and the System.

Both the Elie and IDA projects provide MTS engineers and craftsmen with hands-on experience in some of the newer technologies, vitally important to our planners and our future welfare. These projects take on special importance to MTS, which does not have an established research and development capacity and is not vertically integrated with a manufacturer.

The System continues to adopt current technology, equipment and services to improve our overall service to our customers.

The System further explored its telecommunications technology at two recent conferences in Winnipeg. The two-day Telehealth Conference held in October was co-sponsored with the Health Services Commission and MTS. The Telehealth Conference, the first of its kind in Canada, brought 120 delegates to Winnipeg and explored the potential and future use of telemedicine, whereby the use of telecommunications can contribute to accessible, high-quality health services to all citizens located in rural or remote areas.

The other area explored was new frontiers in telecommunications as they apply to education. The two-day conference held in March was sponsored by the Department of Education and MTS, and also brought 120 delegates to Winnipeg from across Canada.

This conference, called Tele-education, provided information on current and future uses of telecommunications and computer-aided learning systems as they apply to the field of education.

The System recently introduced a computerized repair service operation in Winnipeg. It is known as the Centralized Automated Loop Reporting System, or CALRS.

It enables customer concerns to be handled in a quick, simple manner. Computers are used to replace cumbersome paperwork and to perform immediate line verifications for trouble confirmation and arrangement of appointments with the customer within minutes of a call.

The System will shortly be introducing another operation which will benefit both the customer and MTS. Known as MIDAS — Mechanized Intercept Directory Assistance System — it will be introduced in Brandon, Thompson and Winnipeg in June.

There are three main benefits of the computerized MIDAS system. Customers will have faster, more reliable Directory Assistance service; operators will have a more modern, attractive work area and enriched jobs, and the System will achieve substantial savings over paper records.

You will recall the special satellite demonstration which took place on the east side of the Legislative Building in March. A satellite ground receiver dish was used to demonstrate new services and new advancements in telecommunications technology, as well as to illustrate the expertise which has been developed by Canadians in the satellite field. The dish was supplied by Telesat Canada, which carried out the demonstration in co-operation with the System.

May I say that members are always welcome to visit with us and to see some of this new interesting equipment for yourselves.

A new unit called the Visual Ear enables hearing and speech handicapped persons to talk on the phone. The Visual Ear is an electronic teletypewriter. It can be used with any regular telephone to carry on a typed conversation with another person who has a Visual Ear. It can also be used with the existing teletype network for the hearing handicapped.

The System plans to have units available for the hearing impaired in May.

The System's dial mobile service, to be introduced shortly, is almost identical in its use to a regular telephone. An operator is not required for either incoming or outgoing called.

FAST, which stands for First Alert Security Team, is a service which the System hopes to be able to offer to Winnipeg alarm companies by the fall of 1980. It is still in the product development stage.

FAST will accelerate the flow of emergency information. For example, the wail of a smoke detector can't be heard if there is no one at home. With FAST, the alarm would be sent along the telephone network to an alarm company at the first sign of smoke or fire. The alarm company would verify each call, each alarm, by calling the residents and allowing the phone to ring five times. If there is no answer, the alarm would be deemed valid and the first department would be notified. Similar procedures would be followed for burglar and medical alarms.

To better enable persons with hearing impairments to use public coin telephones, the System is installing volume control handsets at pay stations at locations throughout Manitoba. This program began in 1979.

As well, a growing number of coin telephones can be used for emergency calling without the use of a coin.

The System has co-operated with the city of Winnipeg in placement of telephones at strategic locations to permit withdrawal of the emergency call box system.

Three additional Phone Centre stores have been opened within the past year, including the System's sixth store in Portage la Prairie in June, 1979. This April, we open stores in Dauphin and at the Administration Building on Empress Street in Winnipeg.

Later this year, stores will be opened in Kildonan Place, to serve the northeastern area of Winnipeg, and in Thompson.

Residences in Brandon have been converted to Phone Centre-style jacks and plugs while conversion of Winnipeg residences will be completed by the end of 1980.

Our customers continue to support the Phone Centre program because it provides them with faster service, lower service charges, and the ability to shop for various styles of telephone equipment at their convenience.

Since 1908, when the province of Manitoba purchased the telephone assets of the Bell Telephone Company in Manitoba, communication services in Manitoba have been provided within the framework of a public utility, acting as a common carrier responsible for providing communications facilities that are accessible to all users. Rates charged by MTS for access to these communications

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lines are regulated by the Public Utilities Board of Manitoba.

Cable television is regarded as another service to be carried over the communications lines of MTS. The coaxial cable can be used to carry services other than television. Ownership of this coaxial cable network by the public utility assures access to the services by any businessman or individual wishing to use the network.

During the past year, following extension of service to Brandon, Carberry, Portage la Prairie, Selkirk and Carman, MTS completed construction of an inter-city network to permit extension of cable television services to Southport, while facilities to Minnedosa, Neepawa and Rivers will be completed this summer. As well, Local Broadband Networks have been completed in Beausejour, Gladstone, Stonewall and Teulon and are under construction in Virden, Souris and Dauphin, with completion scheduled for the autumn of 1980. Thus, extension of cable television services to several additional licensed communities will be possible during the current fiscal year as part of the System's overall plan to extend this service to some 29 licensed Manitoba centres.

A significant step towards extending cable television service was taken on April 8 when the Public Utilities Board of Manitoba established a rate for delivery of television signals over the System's Inter-City Broadband Network. Such a decision follows referral of a dispute on this matter to the Public Utilities Board by order of the Lieutenant-Governor-in-Council in September, 1978, consistent with the provisions of the Canada/Manitoba Agreement and pursuant to licensure conditions fixed by CRTC in its August 8, 1977 decision licensing 29 Manitoba communities. The System hopes that the Association of Cable Operators of Manitoba will now conclude a cost-sharing agreement, as directed in the 1977 CRTC decision, to permit the rapid extension of the cable television signals.

The Canadian Radio-Television and Telecommunications Commission, CRTC, is currently examining long distance telephone rates established by the TransCanada Telephone System. Traditionally, these rates have been filed by each member company with its regulator with the resultant revenues taken into account in determining overall revenue requirements and tariffs of each company.

The unilateral decision of CRTC has significance for all member companies in the light of the significant revenues from inter-provincial toll and other TransCanada services.

MTS has agreed to the release of data pertinent to Bell Canada, Telesat Canada, and B.C. Tel, which companies are regulated by CRTC. This has been extended to include data under the MTS-Bell Canada adjacent member agreement, which TransCanada administers on our behalf.

MTS has declined to release intra-Manitoba data other than to its own regulator and has filed an appeal with the Governor-in-Council for withdrawal of a requirement of CRTC that this information be produced through TCTS.

In 1979, the CRTC issued a decision permitting Canada National/Canadian Pacific Telecommunications to interconnect with Bell Canada facilities. During the course of hearings, the

telephone industry made representations indicating that a ruling in favor of CN/CP could result in financial losses for companies operating in jurisdictions beyond Bell territory. Whereas the CRTC disputed the level of these anticipated losses, it did not deny that a financial impact would result.

The precise degree of financial loss to MTS has yet to be determined, however it appears that there will be some impact, including potential impacts on the revenue sharing plan through the TransCanada Telephone System. Since the publication of the Commission's order, representations have been made to the System by CN/CP requesting that MTS undertake arrangements comparable to those imposed by the CRTC upon Bell Canada. The Board of MTS is studying CN/CP's request.

A committee of CRTC is holding hearings at present on future policies related to pay-television and satellite communications in Canada. As a shareholder of Telesat Canada, and because of its future impact on planning in Manitoba, these hearings are being following with interest.

Manitoba joined other provinces and the Government of Canada, through their First Ministers, in requesting that the Economic Council of Canada examine the entire field of government regulation in Canada. Particular attention has been directed towards telecommunications regulation.

Steps are being taken by the System to bring MTS closer to its customers. This is being accomplished in a number of ways. For example, the Western Region Structure has been changed in order to permit substantially increased decision-making and managerial responsibility in the region. In 1979, the new position of Service and Facilities Manager was established for the Dauphin area. The manager is responsible for the day-to-day operations of MTS in that area.

As well, new appointments of Service Manager or Service Foreman have recently been made at Beausejour, Morris, and Swan River.

The System is now looking at ways in which to enhance the eastern region organization in order to make it more responsive to the needs of both our customers and our employees in that area.

The Board of MTS now holds a number of its regular meetings each year outside of Winnipeg. In April, the board met in Dauphin and expects to meet in Thompson in June.

MTS has demonstrated its concern for advanced technology in the future of the electronics industry in Manitoba. It has been directly involved with the industrial applications of Microelectronics Centre located at the University of Manitoba. MTS Vice-Chairman and Assistant General Manager, Glover Anderson, served on the interim Board of Directors of the Centre, when it received funding from both the provincial and federal governments. He is now Vice-Chairman of the Centre's first board and MTS has been actively pursuing joint work with the Centre's staff.

The Microelectronics Centre is a non-profit corporation which will focus on applied research in digital electronics, with the aim of becoming a research arm for local industry. In other jurisdictions and countries, this co-operation between the university, industry and government, has led to the

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spawning of new industries in areas of high technology.

Activity on the part of MTS has already resulted in a contribution to the growth of the electronics' sector in Manitoba. Interdiscom Systems Limited has established its head office in Winnipeg, currently employing about 20 computer scientists, electronics engineers and technologists. Interdiscom was engaged to design and produce, in co-operation with MTS personnel, the microprocessor components which will be used in the project IDA in South Headingley.

The System receives excellent co-operation and support from its suppliers in Manitoba, such as AEI Telecommunications (Canada) Ltd., Lenkurt Electric (Canada) Ltd., Northern Telecom Ltd., Canada Wire and Cable Ltd., and Phillips Cables Ltd. These and other companies represent a significant element of Manitoba's industrial community.

As one of Manitoba's foremost employers, the System has about 4,700 employees. The progress which the System is making in many areas would not be possible without the strong motivation and high level of performance of our employees.

Mr. Chairman, may I state my hope that the staff of the System continues to merit the support of this committee in our efforts to provide the people of Manitoba with an effective, high quality service at reasonable cost.

MR. CHAIRMAN: Thank you, Mr. Holland. A procedure that we'd like to follow, with your permission, is this, that if there are any questions at the present time on the report from Mr. Holland, we would like to have these now, and then later on we'd like to go on a page-by-page approval of the annual report, if this meets with your approval, so that we do things in an orderly fashion.

So at this time, I'd like to call on the Member for St. Vital.

MR. D. JAMES WALDING: Mr. Chairman, we don't have too many questions of Manitoba Telephone System; we hope to get through in less time than we have done in the last couple of years. I did want to start off by congratulating the System on keeping up-to-date and even taking the lead as far as telecommunications technology is concerned. I am very pleased to see that and we hope that it's getting the encouragement and support of the government to continue in this regard.

Mr. Chairman, we understand that MPIC was due to come before the committee this morning, but due to the unfortunate illness of Mr. Dutton, we had to change to MTS. We hope that Mr. Dutton will soon be out of hospital and well enough to bring his report in again.

MR. CHAIRMAN: The Honourable Minister.

HON. HARRY J. ENNS (Lakeside): Mr. Chairman, if I may interject on that point, firstly I appreciate the committee's co-operation in making the change with very little notice, but I'm also happy to report that Mr. Dutton is out of hospital; it was a matter of exploratory work and apparently not that serious.

MR. WALDING: Thank you, Mr. Chairman. I am very pleased to hear that. Perhaps I could ask my first question of the Minister, as far as this Crown corporation is concerned, and ask him about the government's policy of splitting up the two positions of Chairman of the Board and Chief Executive Officer. I understand that this is the accepted policy. We have a bill before the House dealing with the Liquor Control Commission doing just this thing. We've seen a move in that direction on the part of Manitoba Hydro; we have heard nothing whatsoever about the Manitoba Telephone System. I want to ask the Minister if it's still government policy to make this change. Does he anticipate a change as far as Manitoba Telephone System is concerned, when is it likely to happen and why has there been a delay all this time?

MR. ENNS: Mr. Chairman, as a general policy of government, one that has been recommended to us by different persons who have been engaged in reviewing Crown operations, it continues to be a position of this government that consideration ought to be given to the separation of the two responsibilities, that of Chairman of the Board and Executive Officer or General Manager of the utility involved.

In direct answer to the Honourable Member for St. Vital's question, that consideration has not been applied to the Chairman and the General Manager of MTS at this time.

MR. WALDING: Mr. Chairman, I'd like to ask the Minister then, why is MTS being treated differently from the other Crown corporations?

MR. ENNS: Mr. Chairman, while governments, from time to time state a particular position or an attitude towards a position, they have not necessarily acted upon them, particularly if circumstances prevail that don't require, or don't cause the matter to be treated with any particular degree of urgency. I have, for instance, discussed the question, and have the concurrence, for instance, of that type of change that could, perhaps should be made, with respect to the Chairman of MPIC and the General Manager of MPIC. However, as the honourable member is well aware, the members opposite, during the time that they were administration, it's one thing to state a general policy, it's another thing to carry it out, and/or to find the appropriate persons who are prepared to serve in those capacities.

I'm speaking now, particularly in the area of a chairman of a board role, as distinct from the Executive Officer or General Manager's role. I believe the lack of action in this particular instance speaks for itself. It's simply that we have confidence in the chairmanship and the general managership of MTS.

MR. WALDING: Mr. Chairman, I'm a little unclear from the Minister's remarks, whether this is a matter of policy, that the government is not prepared to move, where MTS is concerned, in appointing a Chairman of the Board, or whether it is a matter of finding a suitable person to fill that role. We note, for example, that the permanent chairmanship of Hydro has been vacant for almost a year now, and we suspect that the government has had difficulty in

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finding someone qualified and willing to take over that position.

Perhaps the Minister can clarify, with regard to MTS, whether it's a matter of government policy to make an exception to its general rule, or whether it's a matter of the government not being able to find someone suitable and willing to take over the chairmanship of the board of MTS.

MR. ENNS: Mr. Chairman, I believe the honourable member is attaching too much importance to this matter. In having that point of view expressed to us by different persons that have had occasion to review some of the Crown operations, and as a general business practice, that is practised in the general business community, it is conceded that in some instances, the separation of the two functions is desirable. That has been expressed in general terms by different members of this government.

We don't look upon that as a hard and fast policy that has to be implemented. It will be implemented if the occasion arises that we think it's appropriate.

MR. WALDING: Thank you, Mr. Chairman. I do have a few questions for Mr. Holland, if I may.

Mr. Holland didn't mention in this report that he gave us today, any mention of Manitoba Data Services, and I'm wondering why it was left out.

MR. HOLLAND: Mr. Chairman, we did refer, both in my comments and in the formal annual report, to Manitoba Data Services for the period ending March 31, 1979.

MR. WALDING: Mr. Chairman, I wanted to ask a couple of questions on the financial statement for the year. It is mentioned quite clearly in the report, and Mr. Holland refers to it again in the report today, that there was a change in accounting methods, which results in showing an apparent loss or a bookkeeping loss of 1.2 million for the year.

Before I go into that, the Chairman reported to us that last year, and I suppose these were unaudited figures, that the system had lost approximately half a million dollars of the 1978-79 year. It now appears in the report at 1.2 million. And I ask, first of all, why is there that difference?

MR. HOLLAND: Mr. Chairman, there is always the pitfall in reporting information up to March 31 at this time of the year, because we have not had our year-end adjustments, which take some time to identify, and the audit reports. In fact, last year when those processes were completed, there were a number of additional adjustments that were made on their advice, all of which are described in the notes to the statements. So what I reported to the committee last year was our administrative forecast, subject to audit, the figures that you now see follow the final year-end adjustments and the audit process.

I should express the caution that the same situation applies this year for the year ended March 31, 1980.

MR. WALDING: Mr. Chairman, the difference, or the reason for showing a loss of 1.2 million, as I mentioned before, is the change in accounting procedures, and that is, there is allowance made for

some 10.332 million for unrealized debt charge expense in that current year. Would it be true to say that if there had been no accounting changes, that rather than showing a loss for the year of 1.2 million, that on the same basis as the year before, the system would have shown a net revenue over loss of some 9 million?

MR. HOLLAND: Mr. Chairman, that is literally correct. I'm not sure that it should be described as a change in accounting practice. It was during this particular fiscal year that unheralded things started to happen in terms of interest rates, Canadian dollar and general economic situation. On Page 11 there is a table showing our off-shore issues, there is a column which shows that the situation, as at March 31, and that indicates the amount of additional dollars that would be required if the relative currencies remained at the same level through to retirement. The total is some 92 million. I believe our board felt that it was prudent and responsible to take specific action to reflect that situation.

MR. WALDING: Mr. Chairman, Mr. Holland said himself, in his report today, that due to a change over the last year, the amount that they have amortized this year is down to 7.8 million from the 10 million before. And the Public Utilities Board, in its report that Mr. Holland gave us a copy of last year, the board states that this action — and I'm just looking for the quotation now — it says to the effect that this foreign debt amortization might be suitable for an accounting system, but it's not suitable for rate setting. I believe they made that comment in connection with Hydro. But in any case, I want to ask the Chairman, where is the 10.3 million? I'm sure that Mr. Vannevel doesn't have it in a sock in the bottom drawer of his desk. Just where is this 10.3 million?

MR. ENNS: Mr. Chairman, just as a matter of procedure, I have absolutely no concern about dealing with the issue before us. I notice the member is now dealing with details within the report. I simply, by agreement, make that aware to all committee members, perhaps some of them are under the impression that they were dealing simply with the Chairman's opening statements. The Honourable Member for St. Vital is using the latitude to go into different parts of the report, then he is welcome to that. I draw that fact to the attention of all members and I am prepared to operate that way in this committee.

Mr. Holland.

MR. HOLLAND: Mr. Chairman, Note 1(e) to the Financial Statements, first of all, defines the manner in which the currency figures are recorded in our statements, namely as at March 31 of each year. There was a variation in the relative value of the Canadian dollar to other currencies on March 31, 1980 and that, I believe, accounts for the difference.

The provision made in the year ending March 31, 1979 is included in the item, Debt Charges, which shows a substantial increase over the previous year — on Page 8. The MTS Board has passed a resolution approving that that be established as a reserve of MTS, earmarked for that purpose, and

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that any uses of the accumulated funds be at the express direction of the board.

MR. WALDING: Mr. Chairman, we had some discussion or questioning on this subject last year and Mr. Holland told us at that time that there was a choice facing the board of MTS as to how they were to deal with that, whether it was to be put into a dedicated reserve or whether it was to be utilized within the System. I understand from Mr. Holland's remarks now that the board has made that determination and that 10.3 million is in a special reserve fund. Now, is that correct?

MR. HOLLAND: Mr. Chairman, the board thinks it is important first of all to recognize and reflect that in its current operations, as a reasonable decision. A reserve has now been established and these amortization funds will be displayed in that account. Any use of the funds accumulating will be by resolution of the board.

MR. WALDING: So MTS now has 10.3 million in a fund, presumably at a bank. Would this be correct?

MR. HOLLAND: MTS has the funds accumulating for the year ending 1979 and the year ending 1980, which I presume would be something like 18 million allocated to that fund. The board has authorized the use of the cash in that fund for certain purposes having to do with approved capital programs of MTS.

MR. WALDING: I'm not sure I understand what you say about the use of the cash in that fund. Are you speaking of the accrued interest that is coming from that fund? Can I ask you what the interest rate is on that fund?

MR. HOLLAND: Mr. Chairman, I am referring first of all to the management of the reserve account and then, secondly, to the handling of funds accumulating under that reserve. It would be credited with normal MTS interest earnings rates, the average earned on any of our accounts. Under the second category, a policy is needed to determine how those funds will be invested or used over the period of its accumulation and before the redemption of the outstanding debts, and a portion of the fund has been authorized for use for capital purposes.

MR. WALDING: Could you be a little more specific, Mr. Holland. I also asked you what rate of return that fund would be earning. Can you tell me how much of that fund has been used for capital purposes with MTS?

MR. HOLLAND: Mr. Chairman, I am advised that it is earning a rate of about 14 percent.

MR. WALDING: The second part of the question was, how much of the fund has been used for capital purposes within MTS?

MR. HOLLAND: I believe 10 million has been authorized towards capital programs, towards the 1981-81 approved capital programming.

MR. WALDING: The reason I ask these questions, Mr. Chairman, is that it has always been pointed out before that any time that Manitoba Telephone System has an excess in revenues over expenditures, and it is called that and not a profit, that it is to MTS's advantage to use that money, invest it within the System, because it is cheaper to use MTS's own money than it is to borrow money. The same argument is made about sinking funds and other things, that rather than put it in the bank at one rate of interest and have to borrow money for capital purposes at a higher rate of interest, it is better to use your own money and use it within the System. That's what I am trying to get at here. It would appear that there is a dedicated fund of some 18 million that the board says is set aside for this particular purpose, yet on the other hand, the board is using its own money and building that into the system for its own use, which seems to be a wise thing to do. If it makes sense to use 10 million of that fund into MTS to reduce borrowing, does it not make sense to use 18 million of it?

MR. HOLLAND: I think, Mr. Chairman, I can only say that there had to be a very careful analysis of our total capital program, the particular cash requirements during the year, the amount of accumulated depreciation funds that we had available, and make a judgement as to the portion that prudently could be allocated from this fund. After that process was done, the conclusion was that 10 million was a suitable sum.

MR. WALDING: Maybe I can direct the question to the Minister, Mr. Chairman. I presume that these moves were made with his approval and let me ask the Minister, would it not be in the government's interest that MTS should use funds that it has, cash in the bank, for MTS purposes, rather than ask the government to borrow more money for MTS each year?

MR. ENNS: Mr. Chairman, I obviously am not involved in the day-to-day management of MTS. I can indicate to the honourable this, that as a result of the general concern about limiting borrowings by government, that MTS has been asked and has responded to limit its borrowings to its absolute needs. I know that the Utility, I believe, as perhaps it does every year, has requested additional authority from central government, but as a general policy — and the Minister of Finance is with us this morning and he can perhaps be of some assistance in this — as a general policy, efforts on the part of the government to limit borrowings at this time of unsettled and extremely high interest rates are a matter of general government policy. It obviously flows from that that where internal funds can be used to carry on the normal operations of government and/or in this instance the Utility, that that should be encouraged. I think, however, if I understand the Chairman of MTS correctly, there is a specific concern that the board at MTS has dealt with that has to do with their exposure, if you will, to an uncertain money market, uncertain dollar values that they have to prudently account for and take action for. I believe that's what the Utility has done in this instance.

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MR. CHAIRMAN: The Member for St. Vital.

MR. WALDING: Mr. Chairman, Mr. Holland indicates in his report that for the year just ending, that the excessive revenues over expenses is 13.8 million, and that's the highest ever in MTS history, and that there was 7.8 million put aside into this fund. Would it be accurate to say that if the accounting system was the same for 1979-80 that it had been for two years ago, that MTS would show a profit, if you like, of 21.6 million, which again would be the highest in MTS history?

MR. HOLLAND: Mr. Chairman, again, I think that's literally correct except that I would say again that I don't think this is merely an accounting change. It is quite a traumatic change in economic conditions. If those had not occurred, our representations to the Public Utilities Board and our projections would have been quite different and likely we would not have reached a level of over 20 million in net income, it would have been a different course of events. So it was more than an accounting alteration, it was a recognition of the economic times.

MR. WALDING: Mr. Chairman, I wanted just to go briefly to the number of telephones, listed in the annual report here as an increase of 23,200 for the year, as against 31,000 for the previous year, and 30,000 the year before, 26,000 the year before, 31,000 the year before that.

I would like to ask Mr. Holland what accounts for the rather dramatic drop in the increase in the number of telephones for the year under discussion.

MR. HOLLAND: Mr. Chairman, I think I have mentioned that that includes extension telephones. We went through a period, 1975 through 1978, where there was great interest by our customers in additional extensions and different types of extensions. The level of installations at MTS compares quite favorably with all of the other Canadian companies, so I suspect it is a situation we are now in, virtually all households in Manitoba and all businesses, and where this very rapid growth in extension sets is approaching some form of ultimate penetration.

MR. WALDING: Mr. Chairman, Mr. Holland gave some figures in his report to us today indicating approximately 23,000 increase for the 1979-80 year. Would you then feel that that increase has stabilized and is likely to remain at about 23,000?

MR. HOLLAND: Mr. Chairman, I find there is very little that is stabilized in the telecommunications business. There is rapid change, new products, new offerings, and this is happening at such a clip that I would be hesitant to make any strong forecasts. I think we expect it probably to continue at about this level in basic telephone accounts.

MR. WALDING: Mr. Chairman, it's obviously vital to MTS' future planning to estimate as closely as possible the number of telephones it would be supplying in future years. This has an effect on the wire, and the central office, and all of this sort of thing. It probably wouldn't make sense for MTS plan

these figures on the basis of both main stations and extensions. Does MTS do its planning on that basis or does it produce its figures for its own planning purposes in terms of main stations?

MR. HOLLAND: Mr. Chairman, I believe that all of the engineering forecasts for switching and transmission services are based on calling volumes, total utilization of the network. We have included some figures on that score as well and they are — the utilization rates are increasing quite dramatically. Those would be the key factors rather than the number of terminals.

MR. WALDING: Mr. Chairman, doesn't MTS have something called an equivalent main station which is what is used for forecasting and growth and the installation of exchanges and necessary infrastructure for MTS?

MR. HOLLAND: Yes, it has a number of indicators, Mr. Chairman, particularly used in the operations side, that is forecasts of incoming and outgoing telephone units and PBXs and so on, and the main station count would be quite relative in those forecasts.

MR. WALDING: I wonder if MTS could provide us with those figures over the last three years as an indication of the actual increase in main stations, taking out from the figures the number of extensions so that we can get a more accurate indication of the rate in which main station installation is growing over, say, the last three years.

MR. HOLLAND: Mr. Chairman, yes, I have reported those figures for the year just ended March 31. In my comments there is a breakdown and we will provide the preceding three years for those.

MR. WALDING: I want to move to a slightly different aspect of that now, Mr. Chairman, and that is the — they're called rating groups where exchanges of different sizes have a set number of telephones within them. I understand that the city of Winnipeg is now reaching the limit where it will go into the next rating group and I further understand that the criterion for reaching that is the number of telephones, including extension phones, and the question has been raised with me, why are extension phones counted in the number of telephones, since a person can only use one telephone line at a time. When the main set is in use, it doesn't matter how many extensions there are, it's still only one set. Since MTS does have this category of equivalent main station, why are those figures not used in determining the rating group for different areas?

A number of my constituents anyway — and I can't speak for other members — have rather suspicious minds, and they suspect that MTS put on a sales program at the end of last year to sell more extensions so that the number of sets would increase and the Winnipeg rating would go up into the next group. People would have to pay a higher rental and MTS would get more revenue. Now, in order to overcome that cynicism on the part of my constituents, would it not make more sense to have

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the criterion the equivalent main station criterion? I pose that to you as a question.

MR. HOLLAND: Mr. Chairman, if it makes better sense to our customers, it makes better sense to us. I can only say that some Canadian companies use total sets and some use main stations only. In Manitoba we have traditionally had eight or nine rate groups and we have always used total telephones so that the relativity in the different towns and cities and centres in Manitoba, at least, have always been in correct relationship.

I believe that our activities on promoting extension sets was consistent over the past three or four years even. There was no escalated effort. At the moment our rate staff are studying in detail the implications of changing over to a main station count basis. That will be forwarded to the Public Utilities Board for consultation and a decision on their part as to whether that is a more equitable, or perceived as more equitable, base.

MR. WALDING: Mr. Chairman, has the Public Utilities Board given its opinion as to whether it would be more equitable to go to the main station count rather than the total number of telephones?

MR. HOLLAND: Mr. Chairman, when the rate group nine was introduced some time ago, it was studied in quite some detail by the board and we provided considerable information on it, and I believe the conclusion at that time was that the ultimate results would not be that dissimilar as between the main station and the extension set. Nevertheless in view of concerns expressed by our customers we have launched a study translating to main sets only, and that will be coming forth shortly.

MR. WALDING: Yes, thank you, Mr. Chairman. I am sure that you have heard the same concern from other people and not just from my constituents. You mentioned earlier in reply to an earlier question, that it's done so as to maintain the same basis all over the province. I was not suggesting that only Winnipeg be on a main station basis, that if there should be a change it should be done overall, and that perhaps that would show a better relationship between different exchanges because its quite possible that you might have an affluent area of the province where there were a lot of extensions in use and a less affluent area where there were less extensions and this could distort the final figure. But if you go to the main set then presumably there is one in every house and that ought to be a better guide, in my opinion.

I just have one question and then I'll defer to other members that might have them, and that has to do with the changeover to the jack system which you indicate in the report should be complete for 1980. I was asked a question by a neighbour of mine just a few days ago, because our area is to be done shortly. He wanted to know if he had just one main set in his house and no extension and there was an incoming call to that set and he wanted to take it to another room to take the call, would the call be disconnected if he unplugged his set and moved it into another room.

MR. HOLLAND: Mr. Chairman, I think that calls for a sophisticated engineer. May I ask Mr. Anderson? Mr. Chairman, Mr. Anderson says no, he would not be disconnected.

MR. WALDING: Which raises one further question, Mr. Chairman, that if a householder did not wish to be bothered by a telephone bell ringing overnight and unplugged his telephone, would an incoming caller get an engaged tone or a ringing tone.

MR. HOLLAND: My recollection is that he gets a busy — I'm sorry, a ringing tone, yes. By the way we certainly don't encourage that practice. Even if there is a tone control on it to turn down the noise level, it's much preferable to disengaging the telephone. But the answer is that the caller would get a ringing tone.

MR. WALDING: Mr. Chairman, people do get annoying telephone calls from time to time, including elected officials and sometimes we can insure that we don't, or we could insure we don't, if a phone were disconnected. I defer to other members, Mr. Chairman, I do have a few other questions for later.

MR. CHAIRMAN: The Member for River Heights.

MR. GARY FILMON: Thank you, Mr. Chairman. I'd like to return to the issue of foreign debt. The Member for St. Vital glossed the issue over by suggesting it was merely an accounting change that had resulted in some 10,300,000 being placed aside. As I understand this — and I wonder if I could be corrected if I'm wrong — take for the instance the loan that shows under bonds payable, the sixth from the bottom, series IQ, 6 1/2 percent. Do I understand correctly in saying that when that loan was taken out by the utility, it was in the value of 25 million Canadian dollars, but it was taken out in Swiss Francs. Is that correct?

MR. HOLLAND: Mr. Chairman, that's correct. The Canadian equivalent was 25 million at time of issue. The impact of currency fluctuations as at March 31, 1979 . . .

MR. FILMON: Has now added 29,832,000. Sorry, Mr. Chairman. The impact of current prevailing currency rates has added 29,832,000 to the principal, which means that if we had to repay it as at March 31, 1979, instead of having to repay 25 million, we would now have to repay 54,872,000. Plus the fact that we are paying interest at the foreign currency rates, which means that a 6 1/2 percent rate having to be repaid in Swiss Francs today would result in it being more than double according to this, something in the range of 14 or 15 percent. And what we are doing in setting aside this money is saying that the rate of currency has fluctuated and in 1992, if we assume that the Franc will be as strong as it is today, we will be repaying 54 million and something odd dollars. So we are in effect setting aside that money as good business practice because we know that given the foreign currency differences, we are going to have to pay more than double the amount unless things change in the meantime, and if they do then we would have the opportunity then to eat back

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into the reserve. But if that doesn't happen, and in fact if the differential becomes even greater, we have to have that money aside because we won't be repaying 25 million, we will be repaying 54,872,000.00. Is that right?

MR. HOLLAND: Mr. Chairman, that's absolutely correct and in our reviews on Page 18, 19, the debt costs to MTS illustrate the points the member has made.

MR. FILMON: Mr. Chairman, could I further ask if by any chance the Utility's auditors do an annual sort of a net rate of interest, effective rate of interest, I should say, on these loans and do we have any figures that tell us what some of these foreign loans are costing us on an effective rate annually?

MR. HOLLAND: Mr. Chairman, there is the embedded debt, the very bottom figure on Page 18, and that has increased significantly for 1980, I believe, but that is the weighted rate for all of MTS's outstanding debt.

MR. FILMON: Not exclusively foreign.

MR. HOLLAND: Not exclusively foreign, all historic debt accumulated.

MR. CHAIRMAN: The Honourable Member for River Heights.

MR. FILMON: We don't break down individual loans, because my — it can be done on each individual loan — my crude cigarette box method of calculation indicates that some of these are well over 20 percent in their current net rates, that we are paying an interest on some of these foreign loans, so I would certainly endorse the practice that the Utility is carrying out in making sure that we realistically place in your expenses every year the cost of these foreign loans and the borrowing that was done at the time for whatever reason.

Mr. Chairman, I would also like to ask whether or not with reference to the city's greater use of the telephone system for fire alarm and emergency reporting — I know that had to do with the fact that the city abandoned its street fire alarm box system — has that caused any added costs or problems to the Utility?

MR. HOLLAND: Mr. Chairman, this has been negotiated very carefully with the city authorities. There are some additional costs, namely, that we do not have a pay station located in certain areas where they feel they should be present, so that we have planned with them and we are locating pay stations at those sites, and we have, I think, a very equitable cost arrangement with the city, either signed or about to be signed; I believe it has just been negotiated.

MR. FILMON: Finally, in referring to the rating groups, just like the Member for St. Vital, I have had many questions about the justification for that, and I wonder are the rating groups, in other words, the setting of the number of sets as the basis for moving into the next rate group, who makes that decision? Is

it the Public Utilities Board or is it the Utility itself that sets these levels for the jumps in rates?

MR. HOLLAND: Mr. Chairman, the process is for MTS to complete an overall application to the Public Utilities Board forecasting total revenue requirements, supporting those in terms of our capital programs and our expense programs, and defending those multi-year projections. At that stage the revenue requirements are determined by the board and then it becomes a matter of fixing the tariff such that those requirements will be met, and in this particular case it seemed eminently fair that with the size and growth of the Winnipeg Exchange that the adjustment, which is from a residential rate of 5.50 to 6.15 a month was equitable in context with our other tariff items and exchanges throughout the province and so on. It really is determined as an equitable means of producing the revenue that has been demonstrated to be required.

MR. FILMON: How often are these projections and decisions made by the Public Utilities Board, Mr. Chairman?

MR. HOLLAND: Mr. Chairman, the applications for rate adjustments are initiated by the Board of MTS. There have been two such in the past 25 years, one was in 1975 and the other application was in September of 1978.

MR. FILMON: Mr. Chairman, in view of the significant upturn in the Utility's excessive revenue over expenses, is there any thought that MTS might re-examine that and decide at the present time that they don't need to have that increase?

MR. HOLLAND: Mr. Chairman, I can only say that revenue from that source is included in our projections for the next three years, which have been fully defended before our regulator. The Board of MTS has persistently watched the debt equity ratio at MTS, and feels that it would be prudent and wise to try and turn that downward over the next period, and I think economic circumstances makes us wish that we had started some ten years ago. I think the other factor is that there are substantial changes in the Canadian telecommunications scene that may impact MTS fairly severely and that it would not be a prudent time to desist.

MR. FILMON: Mr. Chairman, the rationale is that allowing the Utility to accumulate annual surpluses would reduce the long-term debt and improve your debt equity ratio, that still is justification for the next step in the rate increase.

MR. HOLLAND: Yes, Mr. Chairman, and I think the MTS Board has been very consistent and vocal for at least the last five or six years on that score, has made very strong representations to the regulator and we feel it is an important consideration.

MR. FILMON: That is fine. Thank you, Mr. Chairman.

MR. CHAIRMAN: The Member for The Pas.

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MR. RON McBRYDE: Mr. Chairperson, I was pleased and surprised in your report to read the section on decentralization, because my recent experience at The Pas seems to indicate that there is a centralization in the north to Thompson, and not a decentralization to other communities within the area. It seems from the report that Thompson has become the golden-haired community of the north in MTS's eyes. It is mentioned about five times in your report and I can't find The Pas mentioned at all in the report.

More seriously, the following kind of situation occurred during the last federal election. I didn't realize that things had got that far, but in our campaign headquarters at The Pas we needed to get hold of the service person and we had to call Thompson to do that, to get the service person. After a few calls and trying to get things arranged, we found it quicker to walk over to the MTS office and find the service person in the office, because we couldn't reach him by telephone. That is not in my mind decentralization, it is a centralization to the disadvantages of the customers in The Pas area. I wonder if you would like to comment or explain that kind of situation.

MR. HOLLAND: Mr. Chairman, I believe the Member for The Pas is familiar with the basic engineering plan adopted for the north, which does hub on Thompson as the major toll centre for that region. I believe as well we have informed him and consulted with him on the impact of those changes on our traffic operator staff at The Pas, and I hope he feels that our planning for those changes was started some three years before the alteration, that our employees there were involved and that certainly in the case of our permanent employees that reasonable and just arrangements were made for them.

The problem that he is mentioning is coming from more and more centres. The larger communities obviously expect someone there who is accessible to them, who can react quickly, who can represent MTS accurately in the communities, and we are working at that at this point in time. I think that we have made good progress in the western region. We have just started looking more carefully at the eastern region. I know that Mr. Suter, our Northern Regional Manager, is very sensitive to the points that he raises, and if Mr. McBryde has other proposals we can certainly undertake to look at them very carefully.

MR. McBRYDE: Mr. Chairperson, I would like to ask a few questions on that changeover that Mr. Holland is talking about, but it just sort of doesn't make logical business sense to me. In the past when there was a service problem at The Pas you phoned The Pas Office and the service person or the dispatcher made arrangements for the repair to be done, for the telephone to be made operable again. Now, as I understand it, you have to phone Thompson. In the case that I was talking about, it was a simple matter of setting the proper time so we could get a key to a building to get the phone installed to get the election results on election night. It just didn't make much sense in terms of a practical way to do things, that we had to phone

Thompson and Thompson had to phone the guy to try and figure out when he would be available, and then Thompson had to phone us back to let us know when he would be available and hopefully it would all work out through the interpreter at Thompson. It was much expedient to walk across the street and talk directly to the service person and make arrangements with him. I just can't figure that out, I mean it doesn't make sense.

A MEMBER: We just didn't want you to get election results that night.

MR. McBRYDE: I can understand that.

MR. HOLLAND: Mr. Chairman, I think that there are obvious paper economies in the best deployment of our people in the area if their workday is planned over the area that they serve. I don't think there is any question, as I say, that there are paper economies in the best use of our craftsmen. I think we are becoming aware that there are unfavourable aspects to that, and some diseconomies, and we are looking at that very thing, particularly when the technology is quite supportive of decentralization concepts. For instance, the people at The Pas may need data base information or billing information or whatever it is, that is centralized, and with modern technology we can equip them for instant access to that in the local centre. I can only say that we are re-looking at those arrangements and we certainly will include The Pas.

MR. McBRYDE: Mr. Chairperson, that seems to be what happens in organizations, including MTS and others, that what may look practical on paper doesn't turn out to be practical when you try and apply it. I am assuming, with the technological engineering outlook of MTS that it might look more efficient to do it that way, but for the person who is in The Pas and wants their telephone fixed, it doesn't appear to be very practical at all. As a matter of fact, it makes MTS look inefficient or ineffective in terms of how they are doing things.

I would also like to check with the Minister, he mentioned the changeover, the technology in the north and I wonder if the MTS has been able to meet their commitments to the operators after negotiations with them during that changeover. Is that worked out, and have there been any ongoing problems as a result of that changeover?

MR. HOLLAND: Mr. Chairman, I think that there can be some ludicrous paper calculations and conclusions, but let me say at MTS that we have permanent staff in 62 centres in Manitoba. I think we are the most decentralized agency, and hopefully the closest to the communities, so we're very very conscious of matters that the members raise. We're really discussing whether or not it's possible to personalize and make our services even more accessible, and we're certainly willing to discuss that. But I do hope that the very broad base of MTS right through the province commends itself.

My impression, insofar as the traffic operators are concerned is that there has been individual consideration and planning with each employee and that the general results were, I believe, quite

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reasonable. There were certain situations that personal circumstances, or preference, we couldn't accommodate the wishes, but I think in all instances, we've been able to make a reasonable arrangement.

MR. McBRYDE: Mr. Chairperson, I suppose the impression that we have at The Pas right now is sort of like MTS is there, but by remote control, or they're like a fortress there, you can't call them, you can't deal with them. You have to deal with them only through Thompson, and so that's the perception. There are real human beings there but it seems like it's run by remote control from Thompson.

The other question, and I guess it's a fairly general one, one of my habits, Mr. Chairperson, when I meet somebody, is to ask them lots of questions about what they do and how they enjoy what they do, etc., etc. And since the last time we've met I have talked to a few telephone operators. I ask them what it's like to be a telephone operator and what they do at work, in some detail, and I guess I have a question in terms of the general management style when it comes to that section of the operation. I'm assuming that the senior management, knowing the Chairman and some of the staff operates on a fairly modern management style where the senior staff are involved in the decision-making and have a commitment to those decisions and are therefore effective in carrying them out and making sure their job gets done, and the organization operates in such a way, I'm assuming, being in the communications business that the internal communications runs effectively, and there are certain ways to describe the management systems, whether it's the XY theory or the grid management theory etc., just to explain the different management styles.

I get the very clear impression from talking with a few operators, and not sort of as an MLA querying them about MTS, but asking them how their jobs goes, that the style in dealing with the operators on the line is basically the very old, autocratic, military model, that you have a supervisor there who stands over the operators and the operators are treated as machine parts, and have very little input into how their job works, and sort of not that much pride in terms of being able to do a good job and get recognized for it, because of that kind of attitude of the supervisors, the standing over and, I assume you have to put up your hand to go to the washroom and to do various things like that.

And I'm just wondering if the Telephone System has looked at it in terms of changing that style of management at that particular level of operations. I know in other industries, the senior management has been fairly willing to change, but then when it gets down to the production level, change is fairly slow to come about. But those industries that have brought in different kinds of management styles or management practice, even at the production level, have found benefits from it, that they get more work out of their workers, rather than less work.

And so I'm wondering what's happening within the system in terms of that concern or that problem.

MR. HOLLAND: Well, Mr. Chairman, as a generality, what's happening within the system is that from 1975 to the year just ended, our total revenues

went from 91 million to 200 million, and our employee count is about the same as it was in 1975, perhaps even a little lower, so that certainly there has been great stress on good management and expense control and development of staff to changing technology and whatever.

The traffic operator situation is also carefully controlled from a budgeting and performance point of view, there is no doubt about that. With 3.6 million local calls a day and 141,000 long distance calls per day, the volumes are enormous. Not all of those, of course, are handled individually by the operators, but volumes are horrendous and the difference of seconds in managing a call translates into very large sums of money.

We have certainly tried to review working conditions and procedural standards in that area. The board itself has occasion, regularly, to meet with our employees in different areas of the province, including traffic operators, including their union representatives. For instance, in co-operation with the union, there are employee management consultative groups that meet three or four times a year in every centre of MTS so that there is a good avenue to exchange views, make changes, and so on.

They do not have to put up their hand to go to the bathroom, they have to make arrangements with their neighbour to make sure that the calls are managed. We've also been concerned that some of the new technology, the TOPS installations which are heavily computerized, remove some of the human interest side of the job, and we've tried to design the areas and work times and work conditions such that the jobs do remain interesting. MTS pays extremely well. I think our traffic operators are well paid. As far as their performance indicators go, these are readily accessible to the employees themselves. They can call up the information and check their performance any time during their shift. For the shop as a whole, objectives are on the wall, and some employees find that sort of awing. The corollary to that is when they exceed those objectives, there is great satisfaction and pleasure and they are quite aware that they have done a very good job.

This is a topic which our personnel manager, by reason of his personal interest, has done a good deal of study. He has consulted with BNR, the research people, and other telephone companies, and I hope, all in all, that we're using as responsible management conditions as any other North American company.

MR. McBRYDE: Mr. Chairperson, I was just recalling when I was working in an assembly line situation and there was a person who was called the push and they just came around to keep pushing you, to make you work harder. Whenever that person came around, the production would drop, because we just refused to work harder because that person was coming around like that. I think it probably relates a lot, too, to the individual supervisor and their particular style of operating, their particular style of management.

Also, what comes to mind is a study that was done a long time ago where a consultant was called in for, I think, an electronics manufacturing firm and said that there were two options open to the company to

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increase their productivity. One was to get rid of all their existing employers and hire severely mentally retarded people to do the job; and the other was to increase the interest of the employees in that particular job, by many different methods, I am sure which you have looked at in terms of the traffic operators to be able to vary the tasks or enrich the job in some ways, to make it a more exciting and more interesting type of work.

Mr. Chairman, I would like to change over a little bit and ask the question again about Brochet, Lac Brochet, Tadoule Lake, Shamattawa. Service was planned for those communities at one time, was it not? And I wonder what happened, why the plan was changed, what conditions led to a changing of the plans that were in existence?

MR. HOLLAND: Mr. Chairman, I think the easiest way to answer that question is to say that extension of service, even with today's technology, will cost about 1 million per year. The MTS board, when the northern program was underway, was concerned as to whether or not that could be justified and defended, and in the meantime, the HF radio systems were installed and used in those communities. At this point in time, Mr. Suter, our Northern Regional Manager, is visiting the communities, consulting with them, trying to determine what types of service they require, volumes, etc. We're also aware that the Department of Communications has supported some of the costly services to remote communities in the north, so we have invited the federal Department of Communications to co-operate with MTS and get the service in forthwith.

Our engineers have established that satellite is the correct and most appropriate means of serving these communities.

MR. McBRYDE: So what is the latest then, in terms of the possibility of the satellite for these communities? Are we looking at ten years away, or the quite near future, or what is the state of the art and when will the dollars to apply this state of the art be available for these communities?

MR. HOLLAND: Mr. Chairman, I can say that the MTS board has approved in principle the extension of this and a number of services to very small, remote centres in the north, so that we do have this approval in principle. I would be very hopeful that by this time next year, we would have reliable toll service in the communities. That will depend, of course, on hopefully either the Telesat Canada rates dropping dramatically, or some form of national support.

MR. McBRYDE: I see. That, I think, brings me, Mr. Chairperson, into the area of the TV service, and there's quite a discussion going on right now in northern Manitoba, and there are some illegal satellite rebroadcast units operating illegally, I guess, in terms of CRTC regulation and licensing. There's applications from The Pas and Flin Flon right now, one for cable of which I believe MTS has been involved in, and two for just rebroadcast with decoder units, and I don't know what your involvement would be. I guess I'm wanting you to

bring me up to date in terms of what would your involvement be in those operations, both technically and from the point of view of presentations to the CRTC?

MR. HOLLAND: Mr. Chairman, MTS becomes involved when it is requested to provide a plan and a quotation to a customer and we have had such a request from business people in the area. We have proposed a plan and timing and he has served notice that he will seek licensure from CRTC and with that our plan would be to proceed forthwith installing the local distribution system in The Pas, I think starting in The Pas and proceeding to Flin Flon. And the Thompson situation is somewhat different but there is a large unserved area of Thompson that we are also looking at.

MR. McBRYDE: Okay, so it would be only in the case then, if I understand correctly, of the person that wants to receive satellite TV and rebroadcast through coaxial cable, would you be involved with the others that want to rebroadcast and sell decoder units to residents?

MR. HOLLAND: Mr. Chairman, we have not been asked by any other groups to provide quotations.

MR. McBRYDE: What is the legal situation in regard to the receiving of that? Is that a free signal that anyone can pick up, that TV signal, or is that a signal that theoretically you are supposed to pay so for much for it to somebody or other.

MR. HOLLAND: Well, Mr. Chairman, it's a national policy that all Canadian television signals should be carried on the Canadian satellites so that the Department of Communications and CRTC has not licensed reception of signals from the US satellites. So in that sense the earth stations that are proliferating in the north are not authorized or licensed by the Department of Communications.

MR. McBRYDE: Up until now the signals from the US satellites have not been scrambled or coded. The expectation is that before many more months they will be so that there will be some form of tariff for use of their programming.

MR. McBRYDE: I'm not sure I caught the full content of the last part. So right now those that are picking up signals from an American system, American TV from an American satellite system, that particular company wouldn't be that concerned, I guess, about Leaf Rapids anyway, but that particular company has no legal control over those, but the CRTC has the legal control protecting Canadian content, etc. Is that it?

MR. HOLLAND: Mr. Chairman, the Department of Communications is required to authorize reception of off-air signals and the use of those signals, and the CRTC is required to licence all programming. In the cases to which you refer, it is my understanding that neither such approval has been granted.

MR. McBRYDE: Maybe the Minister could answer this question, and I'm not sure whether even for sure it's in his responsibilities, but is the province and/or

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is the Minister taking any position or any stand in terms of the real debate and the battle that's going on in northern Manitoba right now, in terms of the satellite reception and the cable television distribution.

MR. CHAIRMAN: The Honourable Minister.

MR. ENNS: Mr. Chairman, through you to the Member for The Pas, certainly the province is concerned in several areas, the current debate that's going on, the hearings that are going on in Ottawa. There is a concern that we have because of the inevitable intertwining of the common carrier, in our case the Manitoba Telephone Systems; in the case of Ontario and a good portion of eastern Canada, that is not the case of a public utility, it's the case of a private operation, Bell Telephones. There is a concern that CRTC rulings, there's a possibility that CRTC will extend or attempt to extend its jurisdiction to our publicly-owned utility which we as a province object to in a sense that the publicly-owned Utility here is already regulated by the provincial regulator, namely the Public Utilities Board. That's one area of concern that we have in this whole debate.

We have an interest, of course, in the carrying out of the Canada/Manitoba Agreement with respect to the kind of services that we are talking about. We have ongoing discussions with persons involved in the business, current cable operators. There is considerable room for discussion, if you like, or disagreement if you want to harsher, on the as yet not that clearly defined areas of responsibility as between those that come legitimately under CRTC's regulations and rulings, and those non-programming, as the word is used, that would fall, we believe, under the Canada/Manitoba Agreement under provincial regulation and control. There is a general concern that whatever we do, that we do not stifle the kind of very very exciting developments that unquestionably will take place in the whole telecommunications field, both in the visual field and also the vast array of services some of which, a good number of them which were alluded to by the Chairman in his opening remarks when he briefly described the IDA trials, IDA tests at south Headingley.

So in response to the question, yes, the province of Manitoba is concerned. I have some difficulty in answering that in greater detail in the sense that the person who is charged with the responsibility for attending and presenting Manitoba Government's positions at working seminars, working study groups, is not located in my department, that associate Deputy Minister of Communications, Mr. Doug Smith, is in the Department of Corporate and Consumer Affairs, although he answers and reports to a considerable degree to me inasmuch as I have the responsibility for telephones and a great part of his work, particularly in this area, involves concerns, considerations, that MTS has.

MR. McBRYDE: Yes, Mr. Chairman, I take it from the Minister's remarks that in regard to the present dispute that there's not really an involvement on his part at least; the dispute that's going on up north right now.

MR. ENNS: No, Mr. Chairman, I think the honourable member has to more clearly define who is disputing with whom. We're concerned, we're interested in providing multi-channel selection choice for northern residents. There are areas of possible disputes between existing licencees who perhaps in the opinion of the people being served is doing a less than adequate job and then overtures are made by, or complaints are lodged with the appropriate body, which in this instance would be CRTC. Applications are filed by new or other groups, again as alluded to by the Chairman, a group emanating out of a particular application that's now before or notice has been served to service The Pas, Flin Flon and Thompson, but these are the areas where the member is quite right, where the possibilities of dispute and disagreement arise. Inasmuch as there is an existing licence holder in Thompson, MTS and/or the government does not become directly involved in that dispute. There are certain conditions that a licence holder is asked to live up to and if it can be shown or demonstrated that's not the case, then we look to and we call on — we expect the federal regulatory body, CRTC to rule. The dispute that the honourable member specifically mentions is one that will essentially have to be dealt with by CRTC.

MR. McBRYDE: Mr. Chairperson, probably Mr. Holland would be willing to deal with some — my understanding is that what happens is that in some communities at least, like it's not a businessman setting up an official business but it's the community getting together and putting some dollars in to buy one of these dishes and get themselves a TV signal. And we've already had a demonstration of this satellite dish system here, which appears to be a fairly simple system providing that the signals that you receive aren't scrambled, then it's fairly easy to pick them up and rebroadcast them. What is one of those simple systems worth?

MR. HOLLAND: I think I have heard a figure of 70,000, is probably typical of a small community installation, which would be the earth station and the transmitting facility.

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MR. McBRYDE: I'm assuming that MTS would be concerned or worried if a large number of communities adopted this system rather than — I think a preference would be that they go for a cable distribution system which then you would be involved in as one of the participants. In this system here I am assuming that there is no MTS involvement at all in the dish, just a simple dish and the rebroadcast units.

MR. HOLLAND: Well, Mr. Chairman, I think it would be difficult for MTS to ignore the Department of Communications and national standards and licensing provisions in which, incidently, it's played a part over the years. They are there for a good reason. Let me say that we completely understand the impatience of these communities not having these services available. Even our southern communities are not yet served and many of whom were licensed in August 1977. So we have been pressing very hard and innovating and trying to get

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that service extended through the province. We are in favour of microwave or coaxial cable or satellite, whatever is the best solution to the particular problem at hand, and we are quite prepared to defend our engineering and economic solution in each case. Certainly in Flin Flon, The Pas, and Thompson, we are convinced that local distribution by coaxial cable is in the best long-term interests of those communities and probably the smaller centres. The reasons for that are economics, equality of service, potential capacity for new and future services as they come on line, many of the things that we expect coaxial cable will be used for in the future, data transmission, varieties of video services, telephony. Certainly in each case, with our client, we must justify the cost patterns and the engineering design, and I believe have done that with our client in the north.

MR. CHAIRMAN: The Member for The Pas.

MR. McBRYDE: I wonder if Mr. Holland could just refresh my memory. In terms of — like the other way to get the signal in a more remote community is if you are close enough to an existing ground signal, as opposed to satellite signal, and I understand that's much less expensive just to pick up and rebroadcast in an umbrella pattern right over the community. The couple that have been done, has the MTS been involved in that? I'm trying to remember specifically which communities use that kind of a system to get the basic CBC signal only. Has the MTS been involved in that so far?

MR. HOLLAND: Mr. Chairman, virtually all CBC signals throughout the province are carried by MTS on our microwave networks. The percentage of population served in Manitoba is extremely high with the basic CBC off-air signals. So that, yes, we have been deeply involved in that. The east of Lake Winnipeg microwave system north, for instance, brought the service for the first time to a whole stream of communities in that area.

MR. McBRYDE: Mr. Chairman, in the case of getting the second channel up to The Pas, it was the CRTC that basically forced the private broadcaster to . . . Giving them permission to a more lucrative area forced them to go into a less lucrative area with their signal, and they used MTS for that purpose.

There are a number of communities that are trying to find ways to get that second channel into them. They can pick up a very weak signal from the CTV, and they have good CBC service now. Communities like Grand Rapids, Easterville and Moose Lake are all trying to find ways to get a better second channel signal and they are not in a position to go for the 70,000 experiment which might be temporary if everyone starts to scramble their signal.

Mr. Chairman, I don't suppose there is much purpose in those communities getting hold of MTS, because MTS will only be involved if and when somebody else decides to go ahead and hires MTS to proceed. Is that a correct understanding?

MR. HOLLAND: Mr. Chairman, the CTV network is licensed by CRTC, and its terms of licence have certain requirements about service to its area. It

seems to me the course would be to consult the CTV authorities first, then the licensing authority, which is CRTC. Our involvement would be at such time as he comes to us for transmission quotations.

MR. McBRYDE: Mr. Chairperson, I thank Mr. Holland for his answers. I will give Mr. Holland a copy of an editorial in the The Pas paper, that he might be interested in responding to, but I won't read it out, I'll just give it to him after the meeting. That's all the questions I have.

MR. CHAIRMAN: The Member for St. George.

MR. BILLIE URUSKI: Thank you, Mr. Chairman. I wanted to become better informed on this accounting change or change in policy in terms of adjusting the foreign exchange. In your financial statement — I'm not sure that I understand the whole situation — in your financial statement, you showed a total of foreign exchange adjustment of some 92.475 million. What does that figure represent?

MR. CHAIRMAN: Mr. Holland.

MR. HOLLAND: Mr. Chairman, the schedule gives a statement as at March 31, 1979, indicating all of MTS's off-shore borrowings, indicating the equivalent of Canadian dollars as of the day that the debt was incurred and the change that has taken place as at March 31 of that year.

Our new statement that comes out this year will give comparable figures as at March 31, 1980. Note (e) gives the definition of how it is priced. What it shows therefore, is that if the currency rates in effect on March 31, 1979 remained unchanged until we had to retire those issues, that the additional cost in Canadian dollars would be 92.5 million, and it is that sum that we are amortizing in a straight line between now and the redemption dates.

MR. URUSKI: You would have to pay that amount? Let me make sure that I understand it. If you were to retire those off-shore debts today, you would have to include in the repayment an additional 92 million, at today's cost. Am I correct in that assumption?

MR. HOLLAND: Mr. Chairman, that is correct and, of course, in the interval we are paying interest on those borrowings.

MR. URUSKI: Like the borrowings that you have made on the various ones, the Swiss ones of 100 million at 4 1/2 percent, and all those that are shown there. Would these figures change, let's say a month from now, if there are some changes in the financial picture, or the exchange in terms of the Canadian dollar? Do these figures really have some meaning if you were to repay them today? Do they have any meaning if you are not going to repay those debts?

MR. HOLLAND: Mr. Chairman, the change in the Canadian dollar relative to these particular currencies, changes these figures. For our purposes, we have taken the figure at March 31 of each year, and it is on that that we calculate our amortization figure. In fact, this past March 31, the Canadian

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dollar did improve and the amount that we are amortizing was reduced accordingly.

MR. URUSKI: Mr. Chairman, therefore, other than for accounting purposes, these figures have no relative meaning in terms of the actual amount that the System will have to put out at any given time?

MR. HOLLAND: Mr. Chairman, there are two very real meanings. One is that when we pay the annual interest on these debentures, it is payable in the particular currency in which it was borrowed. Therefore, that has to be translated into Canadian dollars and we pay the equivalent. So that, first of all, is showing up in our annual debt charge figure, and there have been substantive increases on this account.

The second thing that will happen, is that one of these issues is due in 1983, and they run through to 1992. Those years are not that far off, and the view of the MTS board was that there should be recognition and methodical planning to prepare to retire them.

MR. URUSKI: To understand that better, Mr. Chairman, the MTS at the time any one of these — let's say the first one there which matures in 1983, the 4 1/2 percent, the Swiss francs, I presume — was that a 10-year debenture, just to understand the borrowing, the 100 million Swiss francs, series 10-P?

MR. HOLLAND: Mr. Chairman, I am not sure of the issue date; I'm not sure that we have that here. We could provide that to the member.

MR. URUSKI: What I wanted to understand, will the MTS have to, immediately on the due date of those debentures, have to provide that full sum of capital to repay that debt — is that the normal practice?

MR. HOLLAND: Mr. Chairman, MTS will have recognized this cost in its ongoing operations; its revenue levels will have put it in a position to retire that debt. Whether the Minister of Finance chooses to reborrow or to use available cash resources would be determined in 1983, at that time, in context with our overall cash flow and cash requirements. But the significance is that our revenue levels, our display of expenses, will have been totally adjusted to reflect this additional cost.

MR. URUSKI: Mr. Chairman, can Mr. Holland tell me, the 18 million reserve that the MTS has set aside now for what he calls rate stabilization — well, not rate stabilization — foreign exchange adjustment stabilization, what impact has that had on the rates of telephone users in Manitoba?

MR. HOLLAND: Mr. Chairman, our current year's results are the product of our current tariffs, which were changed on April 1, 1979. These factors were fully built in and portrayed to the regulator, so in that sense they would be completely built into our forecast of revenue requirements.

MR. URUSKI: I'm not sure that I understand that. I want you to tell me what I, as a bill payer, have calculated into my rates, that 18 million; what does

that represent in terms of rates, either increased or decreased, or any change at all, in terms of the consumer's cost as a result of that policy decision of setting aside that kind of a reserve for foreign exchange adjustment, in layman's terms if you can.

MR. HOLLAND: Is it adequate to say, Mr. Chairman, that the annual amortization costs and the escalated costs of repayment in Canadian dollars, of interest, are fully built into our revenue requirements and into our current tariff? Certainly there would be an impact on our tariff levels on this account.

MR. URUSKI: There would be an impact. You say that the value of the Canadian dollar and the increased exchange that we pay is built into the rate structure. Yes, I can understand that. On an ongoing basis, regardless of where the dollar sits, you will have to have a rate, in effect, to cover off all your expenses. Included in those expenses would be the borrowing, the off-shore borrowing, at whatever rate it would be.

You have now set aside a reserve specifically to cover this off, which may or may not be used, because we're not certain as to what the exchange adjustment will be at the time of maturity of the debentures. Has that 18 million had an impact at the present time on the rates that you have set aside?

MR. HOLLAND: Mr. Chairman, yes. The fact that we were able to amortize and accumulate that reserve fund has been obtained from only one place, and that's our customers.

MR. URUSKI: That's what I wanted to understand. So there then has been an impact on the rates. Can the Chairman indicate to what extent, in terms of dollars, cents, average amount on an annual bill of a customer into the base rate. What amount into the base rate has this been?

MR. CHAIRMAN: Mr. Holland.

MR. HOLLAND: Mr. Chairman, I would think it is almost impossible to answer that question. Let me try and support that.

MR. URUSKI: Two cents a month?

MR. HOLLAND: First of all, MTS is a partner in the Trans-Canada Telephone System. It is important for us to display our full costs, our investment, and so on, because that assures us that we are getting our equitable share of revenues of that fund, but that is one reason why it is important to build it in. Our revenues come from probably a thousand items in the tariff. They have to do with the extent of usage of each customer, where he calls, the toll side of it, data and so on. The tariff is developed almost independently from the cost of any one service. It is developed to produce the demonstrated revenue needs, so that to attribute to any one item in the tariff schedule, I think, would be almost impossible.

MR. URUSKI: Other than recognizing that it has had an impact on the rates now, then it can't be an amount of money or a percentage of the rates can't be defined accurately in terms of what a consumer pays. I would like to then understand, at least have it

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clear in my own mind, you say that this amount of money had to be shown in your total financial picture in order that you could recoup, you made the statement your recognized costs of operation and your share of the Trans-Canada long distance call billings that go on, that these costs would have to be included. Are you telling me that before you implemented this change, you were not getting your fair share or your costings were not accurate in reflecting the income that you would have received as your share of the total share of revenues from the various systems across the country in terms of long distance rates?

MR. HOLLAND: Mr. Chairman, I really was raising that facet merely to illustrate how difficult it would be to attribute costs. Almost 60 percent of our revenues, for instance, come from toll service, and Manitobans make 41,000 toll calls per day. The facts are that this is a fairly recent phenomena, the change in the Canadian dollar relative to other currencies, the strength of other currencies, and as soon as we saw these changes taking place and it became apparent that they were not a two-week phenomena, then the Board took these actions. Prior to that the changes had been relatively minor.

MR. URUSKI: Mr. Chairman, to Mr. Holland. If you were a private company like Ma Bell and were subject to the provincial corporation taxes and the like, would this kind of an accounting change have an impact on what taxes you pay or may not pay?

MR. HOLLAND: These changes follow the strong recommendations of the Canadian Institute of Chartered Accountants. I was going to say the edict of them, originally it was an edict and later that was withdrawn and it was under study and so on, but it is still the recommended way to proceed. Those guidelines, however, are a very strong force in the Canadian accounting practices, and I think that they alone would dictate that the private and public companies follow this kind of reporting.

I presume there would be the inevitable impact on the bottom lines of the private companies and hence their taxation levels.

MR. URUSKI: What you are saying is that the annual bottom line of net income, there would have been a change in the downward degree if you were a private company?

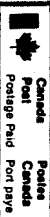
MR. HOLLAND: The trend for private companies has been the same as for MTS, increased cost of any offshore debt.

MR. URUSKI: I am sure of that, Mr. Chairman, but I would like to ask the General Manager, since MTS will not likely be paying off in — not likely, because I believe your capital requirements continue on year after year — that on a continuous basis as the financing goes, you will likely, unless you decide or there is a conscious decision to pay off one series in a lump sum, the likely course of events, or has there been some change — the practice over the years has been to offset one that is coming due with future borrowings on the market as it is required by the

system. Has that been the general practice over the years?

MR. HOLLAND: Mr. Chairman, perhaps I could answer that by taking the alternative route that seems apparent, that would have been to make no provision or not to build this into our expenses. You would have then had in 1983, 1985, 1987, a series of traumatic increases to digest in those one years; it could have had a traumatic effect on our rate structures. We felt it preferable to build it in and plan it in a planned mode. Let me say again that this follows the recommendations of SICA, the authority in accounting practices. Let me also add, the very strong views of the MTS Board that the debt ratio should be not allowed to increase beyond its traditional 85.0 and hopefully start showing a gradual decline. Those are disciplines that I think all dictated this as being the responsible course of action.

MR. CHAIRMAN: Order. The hour being 12:30 p.m., is it the wish of the group that we have these gentlemen back on Thursday morning? (Agreed)
Committee rise.



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