



First Session — Thirty-Fourth Legislature
of the
Legislative Assembly of Manitoba

STANDING COMMITTEE
on
PUBLIC UTILITIES
and
NATURAL RESOURCES

37 Elizabeth II

Chairman
Mr. Parker Burrell
Constituency of Swan River



VOL. XXXVII No. 10 - 10 a.m., TUESDAY, NOVEMBER 15, 1988.

MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Fourth Legislature

Members, Constituencies and Political Affiliation

NAME	CONSTITUENCY	PARTY
ALCOCK, Reg	Osborne	LIBERAL
ANGUS, John	St. Norbert	LIBERAL
ASHTON, Steve	Thompson	NDP
BURRELL, Parker	Swan River	PC
CARR, James	Fort Rouge	LIBERAL
CARSTAIRS, Sharon	River Heights	LIBERAL
CHARLES, Gwen	Selkirk	LIBERAL
CHEEMA, Gulzar	Kildonan	LIBERAL
CHORNOPYSKI, William	Burrows	LIBERAL
CONNERY, Edward Hon.	Portage la Prairie	PC
COWAN, Jay	Churchill	NDP
CUMMINGS, Glen, Hon.	Ste. Rose du Lac	PC
DERKACH, Leonard, Hon.	Roblin-Russell	PC
DOER, Gary	Concordia	NDP
DOWNEY, James Hon.	Arthur	PC
DRIEDGER, Albert, Hon.	Emerson	PC
DRIEDGER, Herold, L.	Niakwa	LIBERAL
DUCHARME, Gerald, Hon.	Riel	PC
EDWARDS, Paul	St. James	LIBERAL
ENNS, Harry	Lakeside	PC
ERNST, Jim, Hon.	Charleswood	PC
EVANS, Laurie	Fort Garry	LIBERAL
EVANS, Leonard	Brandon East	NDP
FILMON, Gary, Hon.	Tuxedo	PC
FINDLAY, Glen Hon.	Virden	PC
GAUDRY, Neil	St. Boniface	LIBERAL
GILLESHAMMER, Harold	Minnedosa	PC
GRAY, Avis	Ellice	LIBERAL
HAMMOND, Gerrie	Kirkfield Park	PC
HARAPIAK, Harry	The Pas	NDP
HARPER, Elijah	Rupert Island	NDP
HELWER, Edward R.	Gimli	PC
HEMPHILL, Maureen	Logan	NDP
KOZAK, Richard, J.	Transcona	LIBERAL
LAMOUREUX, Kevin, M.	Inkster	LIBERAL
MALOWAY, Jim	Elmwood	NDP
MANDRAKE, Ed	Assiniboia	LIBERAL
MANNESSE, Clayton, Hon.	Morris	PC
MCCRAE, James Hon.	Brandon West	PC
MINENKO, Mark	Seven Oaks	LIBERAL
MITCHELSON, Bonnie, Hon.	River East	PC
NEUFELD, Harold, Hon.	Rossmere	PC
OLESON, Charlotte Hon.	Gladstone	PC
ORCHARD, Donald Hon.	Pembina	PC
PANKRATZ, Helmut	La Verendrye	PC
PATTERSON, Allan	Radisson	LIBERAL
PENNER, Jack, Hon.	Rhineland	PC
PLOHMAN, John	Dauphin	NDP
PRAZNIK, Darren	Lac du Bonnet	PC
ROCAN, Denis, Hon.	Turtle Mountain	PC
ROCH, Gilles	Springfield	LIBERAL
ROSE, Bob	St. Vital	LIBERAL
STORIE, Jerry	Flin Flon	NDP
TAYLOR, Harold	Wolseley	LIBERAL
URUSKI, Bill	Interlake	NDP
WASYLYCIA-LEIS, Judy	St. Johns	NDP
YEO, Iva	Sturgeon Creek	LIBERAL

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

Tuesday, November 15, 1988

TIME — 10 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mr. Parker Burrell (Swan River)

ATTENDANCE — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Findlay, Penner
Messrs. Angus, Burrell, Cowan, Driedger
(Niakwa), Enns, Gilleshammer, Plohman,
Praznik, Roch

APPEARING: Mr. Reg Bird, President and Chief
Executive Officer, MTS

Mr. Dennis Wardrop, Executive Vice-
President, MTS

Mr. Paul Thomas, Chairman, MTS Board of
Commissioners

Mr. Bill Fraser, Vice-President, Finance, MTS

MATTERS UNDER DISCUSSION:

Annual Reports of the Manitoba Telephone
System

(1) period ended March 31, 1987

(2) period ended December 3, 1987

* * * *

Clerk of Committees, Mrs. Janet Summers:
Committee, please come to order. We must proceed
to elect a chairman for the Committee on Public Utilities
and Natural Resources. Are there any nominations?

* (1005)

Mr. Gilles Roch (Springfield): He did such a fine job
last time. I nominate Mr. Parker Burrell.

Madam Clerk: Are there any further nomination? Mr.
Burrell, will you please take the Chair?

Mr. Chairman, Parker Burrell: The meeting is called
to order and we are open for questions.

Mr. Roch: I would just like to point out, in the last
committee meeting—I do not know if it was because
of my accent or what, but on page 146 where it says
“French communities,” it should have been “fringe
communities,” or should that be more properly
corrected during the House in Hansard Corrections?
What is the proper procedure? -(Interjection)- During
Hansard Corrections, okay. I was not sure. That is where
I thought.

I was wondering if the Minister could tell us which
areas of rural Manitoba will not get any improved
services until eight years or more down the road
because, the way it was announced, it begins in 1990
to the year 2000. So I take it, it will be eight years by
the time the whole plan is implemented.

**Hon. Glen Findlay (Minister responsible for the
Manitoba Telephone System):** I will let the president,
Mr. Bird, respond to that question.

Mr. Reg Bird (President and Chief Executive Officer):
The Service for the Future Program is a long-ranging
program which is to put individual line service in all
those residences in Manitoba that do not presently
have it, plus to reduce the number of free-calling areas
from 160 to 60. It will be done as we upgrade the
central office switches to modern switching technology
and place the outside plant in the various areas of the
province where it is required. When those two aspects
are completed in any specific region, then that region
will be updated to individual line service.

So if one looks at a map of Manitoba, it will occur
throughout the whole province as various switches are
upgraded. So there is going to be upgrading in the
North, there is going to be upgrading in the South and
the East and the West throughout the whole period.
So improvements will be noticed in all areas of the
province starting in 1990, based on our modernization
program to upgrade the switches.

Mr. Roch: If I understood correctly then, you are saying
that they will all be upgraded. That will be over an
eight-year period or a tentative eight-year period. Yet,
you are asking the ratepayers, the telephone
subscribers, to pay for those eight years, even though
some of those areas may not get service until the year
2000 or further.

* (1010)

Mr. Bird: Mr. Chairman, the rate increases which are
proposed are rate increases on all residents of \$1 in
all of Manitoba, and a 5 percent rate increase across
the board on April 1, 1989 and 1990, to ensure that
we have the monies necessary to order the cable, to
engineer the various switches that have to be
engineered and to install the switches, and we cannot
do it all at once. And you are probably correct in stating
that people in some cases will have rate increases
approved by the Public Utilities Board for increased
service that they will not get immediately the same time
they get the rate increase, but they will get the increased
service. But the increased service will come as soon
after that as it possibly can be implemented.

The free-calling area aspect of the program, which
is a larger calling area, that has rate implications which

will not be implemented in those areas until actual improvement occurs. For example, if you are in an area in northern Manitoba which will not see an increased free-calling area until the year 1991, 1992 or 1993, then you will not experience an increase in a rate group that you will go to as a result of the increased calling you can get until it actually is implemented.

So that aspect of the program, the rate changes will not occur until the actual improvement is made. But the basic program for individual line service is what we believe a fundamental right for all Manitobans, and all Manitobans should pay, in our view, if that is the policy in front of the Public Utilities Board. That is why the rate proposal for that aspect of the program goes in so that those rates will be implemented immediately, so we can start planning on an overall basis for that program.

Mr. Roch: Oh, I agree that private line service, or individual line service is a basic right, is a right to have a telephone, as you have mentioned.

But still the fact remains that, if I understand you correctly, those who get the service in 1990 and those who get it in the year 2000, more of those customers or all of those customers will be paying the same rates, or be subject to the same increases on the existing bill as of 1989. Am I correct?

Mr. Bird: A large portion of the bill, that is correct.

Mr. Roch: It just does not seem fair that the increases will be paid for those people who will not get the service until eight years down the road. Given the fact too, that the pace of technology today is changing very fast and, as an example, like in the fax machines which seem to come into common use only over the last couple of years, I have a feeling that our telecommunication needs will probably be vastly different eight years down the road than they are now, although they will have some of the basic need to communicate with telephones, but it may be far different than it is now.

Has the Minister authorized any kind of studies, or the corporation, to project what the needs may be eight years down the road or even just a few years down the road?

Mr. Bird: Mr. Chairman, that is a challenge that we continually face. One basically has two choices. One can either stay with the technology one has and not move to modern technology in the hope that something new will come along and you can leapfrog, whichever technology is in between, or one can continually move along and continually keep updated with technology as it changes from time to time. Our plan in Telecom Canada and in Manitoba is to continually keep updated with technology.

There is always the risk that as soon as you install something that somebody can come along and update it. On our rural program of going around and visiting the rural areas, one of the challenges we face, well, why are you doing this Individual Line Service Program when cellular telephones are now available?

On a theoretical basis that is true, but the price of cellular phones is so exorbitant at the present time for most people in areas that do not use them continuously for business that I do not feel that is a viable option. Yet, by the time we finish implementing the Individual Line Service Program in many areas, which is eight or nine years from now, the price of a cellular phone could be down to the area of being relatively inexpensive. That is a continual conflict we wrestle with in telecommunications. I think, as a whole, Telecom Canada does a pretty good job of keeping up to date with technology. As a matter of fact, I will go as far as to say that the telecommunications standard in Canada is second to none in the world and certainly far above most European and African countries.

* (1015)

Mr. Roch: I have heard that argument too about cellular phones, but the way I understand it is that is not necessarily private though is it—cellular phones? I mean your conversation can be overheard by other users of cellular service.

Mr. Bird: Not unless they are deliberately attempting to listen to your phone conversation. You have a private conversation with the cellular telephone as you do with any other telephone. But like any other technology, if you want to tap in or buy a device that will allow you to tap in illegally, that can be accommodated. But it is not legal and the technology is such that your telephone conversation on a cellular phone is strictly between you and the person you are speaking to.

Mr. Roch: Apparently, from what I have been told anyway, it is easier to tap into a cellular phone conversation than the regular one because the regular you have to go and tap into the line but it is illegal.

We have digressed from the point that we were talking about in regard to ever-increasing technology. Yes, I agree with you that Telecom Canada and indeed MTS are certainly keeping on top of the ongoing change in technology. Again, it gives rise to the question that we do not know for sure and we can never know for sure, until the time comes, what the telecommunication needs or indeed their devices in technology will be eight years down the road. Yet here we have people getting rate increases starting next year. They will be paying for what is potentially going to be in some cases individual line services, some improvements in other areas. As time goes on, it may end up being what they need is something completely different. So we may end in the case where we may have to leave the groundwork for individual lines services for someone eight years down the road when that may have been replaced by something else. The ones who have individual line service now may need a new technology. Is there some flexibility somewhere in the plans?

Mr. Bird: I think it is safe to state that no matter what the technology is in telecommunications that we are on pretty safe ground by stating that every individual, every subscriber, be they rural or urban, will want to have and should have and has a right to have an individual line in their homes. Even though technology changes, that concept will not change.

Our ability to provide that individual line will change as time goes by. I can assure you that we are on top of that change. If part way through this program technology is such that we can provide those individual lines or those larger calling areas by utilizing the cheaper technology, we certainly will incorporate that into our program. We are not just going to go hellbent to implement this program without keeping on top of technology. We are in constant contact with our suppliers. They are spending hundreds of millions of dollars in research and development in this country in telecommunication services. When they come up with a new and different technology, we utilize it.

One of the most difficult parts of my job is just keeping on top of all these new concepts, some of which are excellent and some of which are not so good, and determining which ones we will implement and which ones we will not. As a matter of fact, Mr. Wardrop, who is here today, is basically the executive vice-president in charge of the operations organizations. He makes sure that he is on top of every modern new technology that comes along. Suppliers continually ask us to go to their plants to look at the new concepts they are doing. We do that and keep on top of it. I can assure you that when new methods are available to us for providing telecommunications cheaper, we will do as we have done in the past, introduce them into Manitoba and make sure that the citizens of Manitoba benefit from those improvements.

Mr. Roch: But the fact still remains that, as I pointed out earlier, some people experience rate increases before others. I just do not feel that is right.

You mentioned in the last meeting something to the effect that the company was getting ready for increased competition. I am talking about within Manitoba. What kind of competition is being referred to at this point? I forget who mentioned it, whether it was yourself or Mr. Thomas.

Mr. Bird: Mr. Chairman, we live in a telecommunications environment that is ever changing. We monitor what is happening in the United States and what is happening in other parts of Canada. In most other parts of the United States and in fact most other parts of Canada, there is a greater degree of competition in what we call the terminal, that piece of the telecommunications equipment which sits on your desk or in your private residence.

* (1020)

Mr. Roch: The which?

Mr. Bird: The terminal. The receiver, the telephone that sits on your desk.

In parts of the United States, as a matter of fact in all of the United States, long-haul toll is provided by a series of providers. Private lines, which are private net lines into your home or to some other area, are provided by competition in other parts of Canada and in most of the United States. I feel we would be remiss if we did not monitor, as we do with technology, what

is happening in the environment and to ensure that we are prepared as much as possible to embark on that type of environment should it occur in Canada.

As such, we have set up our company basically along the lines of what we call strategic business units, where we identify the type of businesses we are in and we have the right people in the right places to handle that. We set up MTS cellular which is a telecommunication service, which is already competitive. As you know, the federal Government has allowed CanTel to operate against us in that area, so we have established a strategic business unit which handles that.

In many parts of the United States, coin telephones are competitive. We look at how that has worked in those parts of the area and what we would have to do in Manitoba to prepare ourselves for a competitive environment. Technology is taken into consideration. Organization is taken into consideration. The culture of our employees, the training of our employees is all taken into consideration, as well as regulatory and legal concerns.

It is a mammoth undertaking for us to prepare for a change from a monopoly environment into a competitive environment, if that should occur. At the same time, the regulation in Canada is changing, where the federal Government is looking at changing regulation relative to what it is now. Also as you indicated earlier, technology is changing, so we have basically three major changes occurring in our environment which we must prepare for and ensure that we can accommodate them as best as possible as they change in the future.

Mr. Roch: So if I understand you correctly, to sum it up, the basic areas of competition would be in the areas of equipment, services as you mentioned as in cellular, and potential technological advances when they come from time to time, as well as changes in the regulation. You mentioned that there have been changes in the regulation already. Do you anticipate further changes in the regulation that might make the system more competitive here in Manitoba, such as is happening in the United States? As we discussed last time, the competition there, intra, in the U.S. has not exactly been necessarily beneficial to the consumer.

Mr. Bird: I have to anticipate all kinds of futures for MTS and have to continuously plan some preparation for them. It is up to the Government and our owners to determine, and our regulators, what type of future we will undertake in Manitoba. So I would not want to speculate on what that future would be, because I think it has to be scrutinized, studied and it involves regulatory and legal concerns to be addressed. Then whatever the future is determined by our owners or by our regulators, Manitoba Telephones will be prepared as much as possible to embark upon that path.

Mr. Roch: I think it is safe to assume that for the near and maybe not so near future that the basic telephone services as we know it within Manitoba will remain a monopoly situation and MTS—the Minister nods yes. Therefore, my next question is—we touched a while

ago upon the calling areas, the 60 dialing areas. The final goal will be reduced further.

Mr. Bird: Mr. Chairman, we do not like to look at what we call a final goal. We look at everything we do as a step towards the final goal. My personal feeling is 60 calling areas will be a step towards perhaps even smaller or different calling areas in the future. One thing about telecommunications, it never stays the same and we keep trying to meet consumer demands and, as we meet those, their demands change. If the past is any indication of what the future will encompass, our customers are not going to be completely happy with 60 calling areas. They will want something different. So I would say it is not a final goal, but it is a step in the right direction to bring in a higher level of telecommunication service to our customers.

* (1025)

Mr. Roch: Do you have any idea or any plans, you are saying it is just one step and if this going to continue, of which areas might be targeted as being reduced—I should not say reduced but the expanded calling areas. Like which parts of the province, which will have to wait?

Mr. Bird: The plan now is to eliminate Rate Groups Two and Three so that the smallest rate group in Manitoba is Rate Group Four. Although I do not have the numbers at my fingertips as to what that will allow you to receive when you pick up the receiver, I think it is safe to say that as soon as Rate Groups Two and Three are eliminated and people have the minimum number of a thousand or more phones that they can answer, our plan then will probably be to look at those areas which are the smallest and see if they can be made larger as well, all the time bearing in mind that even the large areas will want to go to larger areas. But our plan right now, the one that we would recommend to the Government and to our regulator, is that the smaller the area the more priority on increasing its size.

Mr. Roch: As far as northern telephone service, is the radio telephone service for northern areas being considered as a cheaper alternative to hard wire?

Mr. Bird: Yes, it certainly is being considered. As a matter of fact, right now in the North, we have a Spacetel system which works by satellite and we are also—experimenting is not the right word. We are testing a radio system that presently may be utilized in northern areas in the very near future. If you want some more information, I believe Mr. Wardrop could elaborate on specifically the trial we are undertaking, but it is a trial right now. As you indicated earlier with modern technology, we look at all the new changes and implementations and try them out to see how well they work before we implement them. But there is definitely a trial under place now for radio systems.

Mr. Roch: You mentioned something about a satellite system. If I heard you correctly, it is just on experimental basis at this point?

Mr. Bird: No, we have what we call Spacetel system in the northern communities which is in operation right now. It is not a test, it is in operation right now.

Mr. Roch: So at this point you are saying Spacetel is being tried out and—

Mr. Bird: I hope I indicated that we have a satellite system called Spacetel which is actually in operation right now, but we also are trying out a radio system in addition to that in the North. I might add we have several radio systems which are already working and functioning quite extensively in Manitoba but, to get into details of those, I will have to call on Mr. Wardrop to elaborate if you like.

Mr. Paul Thomas (Chairman, Manitoba Telephone System Board of Commissioners): I could just begin while Mr. Wardrop is making his way to the microphone. There are eight communities now that are serviced by Spacetel, approximately eight. These are quite small communities in terms of the number of population, quite remote. To take one example, Cross Lake is a community served by Spacetel. Prior to just recently, the signal was beamed into the earth station and then there were a series of community calling phones, pay phones that residents in the community could use. They have since obtained individual line service, and so these smaller communities progress through an evolution in which they get individual line service like communities elsewhere in the province.

We have had some difficulty in the past with icing on the Spacetel equipment, and we have dealt with that problem last winter, I believe it was, and Mr. Wardrop could again elaborate on this. But the system seems to work well given the distance involved and the terrain involved and the size of the community. It seems to be the most cost-efficient way to provide these people with the appropriate telecommunications service.

* (1030)

Mr. Dennis Wardrop (Executive Vice-President): Mr. Thomas has generally outlined what we are doing in Spacetel. Mr. Bird referred earlier to a trial radio system. This is a system that is for distances of shorter range than the Spacetel system. One of the places we will be trialling this unit within the next few months is between Thompson and Peat Lake and Setting Lake, just outside of Thompson. It is an arrangement whereby, without wire lines, one can reach customers directly and provide them with telephone service that otherwise would have been more costly had we done it on wire lines. So that, if this system proves to be reliable and our costs work out as expected, it could be of advantage, particularly in areas where there is more difficult terrain to reach the customers. Of course, the North is one of those.

Mr. Roch: You mentioned awhile ago, Mr. Thomas, that those communities which are being served by Spacetel eventually will progress towards individual line service. Again, I ask the question then, is radio telephone service

being seen as a potential cheaper alternative to hard wire individual line service, or is ILS with hard wire still the preferred choice?

Mr. Thomas: I think the president has answered that already. It really depends on the given situation of a community. I think the use of Spacetel in some circumstances makes sense from a cost-efficiency standpoint. In other situations where you have the density of population and the line loadings on the Telephone System, it makes sense to stick with the hard wire system.

I just might add, in conjunction with both the Individual Line Service Program and with the Community Calling Program, there are criteria in existence which govern the pace at which given communities will gain those new standards of service. In each case, MTS has gone to great lengths to try and identify objective criteria. It has nothing to do with regional location. It has to do with more objective criteria like, on the ILS Program for example, where that community stands in the line-up for the provincial modernization program which has been under way for some time. It also has to do with the line loadings, you know, how many lines are attached to a particular switch at this time.

We are looking at doing them on the most economical basis possible, so we look at doing adjacent communities at the same time just because we can get some economies of scale there, and likewise on the community calling plan, as Mr. Bird has indicated. We start with the smallest rate groups, but we also look at patterns of calling—I mean, what are the most frequent calling patterns among communities—and we also look at the distances involved.

So in each case where we are trying to approach planning the network for the future, we are looking at a variety of objective criteria. It is not to be warped either by the pressures coming from particular communities. We are trying to do it in the most objective fashion in presenting those criteria to the PUB for cross-examination and discussion.

Mr. Roch: We understand then the objective is for the North, as well as for the South, is to eventually have private lines for all concerned. Then, in that area, that is for the elimination of party lines and no doubt, as we said earlier, it has got to start somewhere, you cannot all start at the same time. Which areas will it begin, which areas will be serviced last, there must be some kind of plan in the works, or projections?

Mr. Bird: Mr. Chairman, we have divided the province organizationally into what we call Western Region, Eastern Region, Northern Region and Winnipeg. Mr. Wardrop can clarify for me if I make an error here, but the plan which will be implemented will address all areas at the same time. In other words, as a matter of fact there are multiline party subscribers in Winnipeg which will be addressed in the first year of the plan. There are some in Western Region which will be addressed the first year of the plan, and there are some in Eastern Region will be addressed in the first year of the plan.

There are some in Northern Region that will be addressed, if not in the first year of the plan, in the second or third year of the plan.

As the plan progresses through, each region will have some of its subscribers converted from the present multiparty to individual and party based on the upgrading of the switch in their area, and a timing for that upgrade and the availability of an outside plant.

So, if one were to look at a map of Manitoba, and colour code it based on the years when each area would be upgraded, you would see a patchwork of colours across the whole province showing that it is going as the modernization program advances across the province in the four regional basis.

Mr. Chairman: Mr. Roch, I am going to recognize Mr. Uruski the next round, in case he has some questions for Mr. Wardrop.

Mr. Roch: I am sorry, at the last meeting, at the end of the meeting you mentioned that you had no more questioning, so I thought the NDP had no more questions in this committee but, if he does, that is fine. You mentioned that at the last meeting. I just had one more related to this matter and then I will certainly let my friend—

Mr. Chairman: That is fine, go ahead, Mr. Roch.

Mr. Roch: Given the fact, if I understood you correctly, that the four regions, or it has been separated into four regions, you are going to be implementing that individual line service in those four regions simultaneously, but obviously not all the regions at once.

Is it possible to be provided with an area-by-area timetable vis-a-vis elimination? What I am asking for, I guess, is for a copy of that particular sketch or map that you have which would show which year by year.

Mr. Thomas: I can understand your interest in getting the schedule and, as we discussed at the last meeting, I believe, Mr. Roch, we are being a little bit coy and a bit inhibited here by the fact that we have an upcoming hearing with the PUB, a preliminary hearing, before the major public hearing, and we want to table the documentation supporting the Service for the Future Program before the PUB.

What I can tell you, and this is perhaps even to whet your appetite more, is that it starts gradually, the middle years are the period when the greatest number of conversions to individual line service take place, and then it tapers off in the final years of the program going up to 1996. So, in terms of the communities that are at the tail end of the schedule, who undoubtedly will be disappointed, the only consolation, I guess, that the system could offer would be that there are fewer communities at the tail end of the program than in the middle and at the front end and so, as you say, we cannot do everything all at once. We have neither the resources financially or manpower resources, nor would it make sense economically to try and do everything at once. You would not do a quality job at the lowest cost, I am sure, if you tried to do that. But once we

have filed the material with the PUB, it will become more general public knowledge.

Mr. Roch: So you are saying that these will be tabled with the Public Utilities Board at their preliminary hearing? Could I ask the Minister then, once that has been done, will that be available to the Members of the committee or in the Legislature for that matter?

Mr. Findlay: Yes, last day, at the end of the PUB session I had indicated that all Members of the committee would get a copy at the same time it was tabled to the Public Utilities Board.

Mr. Roch: Thank you.

Mr. Bill Uruski (Interlake): Mr. Chairman, just on that point. Maybe my understanding at that meeting was off, but it was my understanding that we would try and arrange the next meeting of this committee at such a time as that information would have been made available to the committee. That was my understanding from the Minister that we would not have this committee sitting until that information had already been filed at PUB, so that Members would have had a day or so to look at the information that has already been made public, subject of course to PUB approval. I think that was the discussion that we had here.

We are now having this meeting. It may be that we will require another meeting, but I am not certain of that at this point in time. So I am a bit disappointed at that.

Mr. Chairman, could I ask Mr. Wardrop, just to follow up on the points that were raised in terms of services in Northern Manitoba, the question of radio telephone versus the satellite service that is there, is it a question of distance that dictates what type of service is provided?

* (1040)

Mr. Wardrop: One of the fundamental criteria has to do with the cost. There is a tendency for satellite systems to be more economic as the distances get greater. The shorter the distance, the radio systems tend to be more economic so that the choice is made on economics with a very sharp eye of course to the quality of the service being provided to ensure that it is a suitable, reliable service. So that choice is made on an individual basis, community by community, and it is based on an economic and quality study.

Mr. Uruski: Mr. Chairman, are there communities in the province that are still serviced by basically what would be called a community telephone or a pay phone in the community, and which are they?

Mr. Wardrop: Mr. Chairman, yes, there are communities that have just a simple pay phone as the only service accessible to the community. I do not have a list of them all here, but that could be generated if the committee so wished.

Mr. Uruski: Mr. Chairman, would those communities receive the priority in terms of the enhancement of the

service that is to take place? Even though they may not receive the individual line service, would those type of communities that are still serviced by this be receiving the kind of priority from the system to move into, at least, maybe not individual line service but an expanded service in northern Manitoba? Would they be part of the criteria for expanded service, whoever would like to answer that?

Mr. Wardrop: Mr. Chairman, in some cases, those communities with single pay stations will be covered over the next few years. There are conversions done like that from time to time where the service is upgraded from what was a simple pay station into an offering in which most of the residents of the community are offered full telephone service. Generally, we base that roughly on the population involved and the interest shown by the community in receiving complete service throughout the community, rather than just having an individual telephone as their means of contact.

Certainly, we will recognize that the service requirements exceed our capacity to meet them completely. We are working on it. It progressively is extended each year, and that will continue, but it will not necessarily mean that every community will be served by multiple lines and that there will not still be some communities that will continue to have just simply pay station access for a number of years to come.

Mr. Uruski: Is there a time line in which that kind of a service is accomplished or at least the advancement in service is accomplished? The time line that we are looking at I think is 1996 in the improved service. Will that time line as well include the elimination of, say, single or several community telephone services to northern communities? Is that included in that plan, or will there be some communities at the end of the initial plan that we are looking at, the five- to six-year plan, will there still be some communities with that service at the end of that time?

Mr. Wardrop: Under the present plans, all communities in the North that today have a population of about 50 people or more would get the kind of service in which individual lines would be offered to the community. However, in the intervening years, new communities could arise, new settlements that may be smaller than 50 population, or they may be very new emergent communities in which we have not yet got the resources or the program to meet them, and they would initially be established on pay station service. It may be a few years after that before they were taken into the full service operation. So it is not a static thing. It is something that moves on continually, and we continue to work at it.

Mr. Uruski: Just for clarification, I recognize the kind of situation that Mr. Wardrop describes but, given your knowledge now of the communities which are existing, given that scenario without any new ones coming on—and I can understand the system not knowing where a community may crop up or a new mine be built or whatever—but the existing communities that you have knowledge of as you file your plans this month, does the system envisage the expansion or the improvement of service to those existing communities of 50 or more?

Mr. Wardrop: Yes, it does, of 50 or more.

Mr. Uruski: Will there be communities, and would Mr. Wardrop know how many communities would have populations of less than 50 that are existing today in the system in which, in fact, it may take a longer period of time? That is understandable.

Mr. Wardrop: Yes, we know of a number of communities that are less than 50 today that would fall in that category. I would hesitate to say that we know all of them but, to the degree that there are population statistics available and so on, which we generally gather from other sources, yes, we are aware of them and we anticipate that some of those for a number of years to come probably would continue with just a single access or something of that nature.

Mr. Uruski: The expansion of the coaxial cable installations throughout Manitoba, we have got areas of 65 communities presently being serviced by this service, 10 in your report this year. Is there a plan in this area of expansion of service or is service expansion determined in large by applications either by their cable operators and/or subscribers? How does the system respond in this area?

Mr. Wardrop: Manitoba Telephone System does not provide a cable service itself. It provides the facilities in order to provide the service so there must be a local operator involved in the provision of the service, and it is the local operator that is licensed by the CRTC to provide the service. Manitoba Telephone System works with potential local operators, provides quotations on the costs of construction of the necessary facilities and, where a suitable arrangement can be made that is satisfactory to both parties, the service goes ahead and the 10 cited are of that nature. So that activity continues and will continue in the future where any potential operator who would wish to get quotations on prices and so on from Manitoba Telephone System will be able to do that and make the decision whether they wish to go ahead with the service or not.

* (1050)

Mr. Uruski: Mr. Chairman, because this is a new area for myself, is there any what I would call line up or application system that the system has to schedule applications to accommodate operators to provide this service, or the system can respond as the operators come forward and agree or not agree in terms of the costing of installation?

Mr. Wardrop: There is no backlog, so to speak, in requests of this nature. We are in a position today to respond in a reasonably short time frame to any request for cost quotations of potential cable operators who may wish to consider proceeding with cable service in their community.

Mr. Uruski: I have a couple of other questions with respect to the chairperson's remarks to this committee dealing with the Mission and Goal Statement for the

corporation which was approved by the Board of Directors. Would that statement of mission and goals be available to members of this committee?

Mr. Bird: We would be pleased to provide all members of the committee with copies of the glossy little card which outlines the MTS mission. It is also posted prominently in phone centres so that people who may not be getting the service they desire, which we hope never happens, can point over the shoulder of the MTS representative and say, your goal is to provide superior customer service and so on. We have tried to ensure that the Mission Statement and the goals are a part of the culture of the organization, and we are doing a great deal to promote these as a basis on which our employees act on their day-to-day basis.

Mr. Uruski: I have just received my copy of the glossy card, and I want to thank the chairperson and the G.M. for that. As well, there is a set of objectives that have been provided to the board from management dealing with basically progress towards the fulfilling of those objectives by the corporation. Would those objectives from the various areas that are set out on a yearly basis be available to members of the committee as well?

Mr. Thomas: I think I have some inhibition in saying an absolute yes to that, because the information that filed through the president by the various vice-presidents, the seven vice-presidents of the corporation, deal with strictly operational matters. In some cases, they relate to competitive services that the corporation may be offering. This is, I think, a great step forward for which I commend Mr. Bird, in terms of requiring that the senior executives in the corporation have measurable results to demonstrate over the course of a year, in return for which they get resources and authority. This is in advance, in terms of the style of management within the corporation, and it allows the board particularly to ensure that the corporation has both a sense of direction, where it is going, and what concrete steps need to be taken to get us there. So I think this is quite an advance.

We are going to—we are at least holding discussions now on the presentation of the next Annual Report to this body and to the Legislature and to the people of Manitoba, where we are probably going to array the information in the Annual Report, in terms of the Mission and Goal Statements, so that you will be able to see some of the information, particularly the non-sensitive information presented in the Annual Report. So over a number of years, you will be able to look at that document and say, to what extent is the corporation living up to its mandate and its goals, and do we see progress here.

I had not really thought frankly about the internal documents which are generated for the president. These are negotiated between the president and the vice-presidents and tabled with me as chairman of the board. I guess I would have to give some further thought before I gave a "yes" answer to that request.

Mr. Chairman: Mr. Uruski, I am going to entertain a couple of more questions from you, if you would like, and Mr. Angus wants to be recognized.

Mr. Uruski: I am just about finished, Mr. Chairman, for the time being.

Just on that point, understanding or using the caveat of the confidentiality in the competitive area aside or leaving that area aside is understandable in terms of confidentiality, I would ask the chairperson to consider the question I have posed with the caveat that I have put on. I certainly can understand the sensitivity in areas where the corporation is and may be embarking in new ventures and new areas that are totally open to competition. However, in terms of the general service areas, in terms of measuring the ability of management and the system to respond to the objectives, I would ask the corporation to consider that request.

Mr. Thomas: We will certainly reconsider it and we will do our best to comply with the request. Again, the only other thing I would add is that this is a fairly thick binder, and if there is one member who wants to examine it, we are quite prepared, of course, to make it available to that member. In terms of duplicating the whole thing for the entire committee membership, which I gather shifts over time, it may not be the best use of our funds.

Mr. Uruski: Mr. Chairman, I think it is generally acknowledged in this committee that if any information is provided, that basically one copy of information per caucus rather than for every member, in terms of any general information, is all that would be required. Because as membership does change in the committee, any basic information is provided one per caucus is, I believe—I am sure other Members would agree—is adequate in terms of information.

Mr. Thomas: I might ask the president of the corporation just to respond briefly to Mr. Uruski's request.

Mr. Bird: The whole concept of establishing a Mission and Goals Statement for our organization is to develop a sense of purpose. The goals, if you look on the back of the card, lead toward that mission but the goals are something you very seldom, if ever, really accomplish. You keep moving towards them but you never get customer satisfaction. You keep moving towards it; it keeps the whole organization on track.

As the chairman has indicated, we have measurable objectives with myself that he has, that takes us towards each one of those goals, and each vice-president has with me. They are negotiated; they are fairly rigorous but, in a changing environment, they continually change. I meet with my vice-presidents individually each 11 weeks, one a week for 11 weeks. We sit down and go over this document and there are changes in it. In fairness, although we will table the document, no sooner is it tabled then it probably changes. So it is an ongoing thing. I do not know if you want us to continually update you every time we have a meeting on it and update them. They are fairly rigorous and they are fairly measurable and they lead toward these goals. So with that in mind, I just wanted to indicate that it is a working, ongoing, internal managerial document that we utilize.

Mr. Uruski: I am satisfied that, at least in terms of as much information as can be provided, would be certainly

a very good step forward. The access to that information, should any Member on behalf of the Party wish to sit down with the general manager or the chairman to review it periodically in between meetings, if that is desired, and I think would be satisfactory.

Mr. Chairman: Thank you. Mr. Angus.

Mr. John Angus (St. Norbert): First of all, my compliments to both Mr. Thomas and Mr. Bird for their positive management style and aggressive approach to the market. It is quite refreshing, the approach that they are taking to running this giant corporation.

Secondly, I apologize to the committee and to the Members of the administration if some of the questions that I ask are repetitive and/or have been answered before as I was unable to attend the previous committee meeting. The first question that I have, I guess, would be either to Mr. Thomas, and whether or not they have reviewed the Free Trade Agreement and whether they have any concerns in relation to the Free Trade Agreement.

* (1100)

Mr. Thomas: I could start with an answer to Mr. Angus' question and perhaps Mr. Bird will wish to add something.

Yes, we have had a review conducted of the Free Trade Agreement. A paper was produced, circulated to the planning committee of the board and to the full board looking at the implications of the free trade arrangement. Telecommunications is one of the service areas covered by the Free Trade Agreement, but the principal impact of the Free Trade Agreement will be on the supply of equipment where the tariffs on the equipment entering Canada will be reduced over the number of years covered by the agreement.

In terms of direct competition in the provision of telecommunication services, the Free Trade Agreement distinguishes between what are called basic versus enhanced services. If you take me too far into the technical distinctions between that, I will lose any credibility. There are different definitions of what constitutes a basic versus an enhanced service operating on both sides of the border. The United States has one working definition, the CRTC in Canada has another. But where there is value added to a basic service, it presumably then qualifies as an enhanced service.

In the case of enhanced services, competition is allowed for and there must be national treatment. So if competition is permitted, rather, then there must be national treatment. You cannot distinguish between competitors from the United States versus Canadian providers of a service. It does not require us necessarily to open any aspect of our telecommunications system to competition. In the event that we do and there is an American presence or an American company, then we would have to accord them similar treatment. That is my basic understanding and, if Mr. Bird wishes to add to that, I would invite him to do so.

Mr. Angus: I am appreciative of what Mr. Thomas has said. I have similar concerns, I guess the cause and

effect or the impact of that type of level playing field being accorded to an aggressive profit-oriented organization like AT&T coming into Manitoba. So my questions will lead back to the free trade issue, but I would also like to get a better understanding of CRTC's Bell Canada-MTS relationship in terms of interprovincial long-distance charges. I readily plead a considerable amount of ignorance in this relationship and, even having read some of the Hansard comments very briefly, perhaps someone can give me a layman's capsule response to that. What I would like to know is what impact the interprovincial long-distance charge reductions has on the revenues to MTS and where those revenue recoveries show up.

Mr. Thomas: I can start and then I will turn it over to Mr. Bird again. Long-distance interprovincial revenues are about 26 percent of our revenues currently. With the recent rate adjustments that have been ordered by the CRTC affecting Bell Canada and B.C. Tel and its territory, there has been a period in fact when our rates into the Bell territory were higher than the rates originating out of the Bell territory into Manitoba. We could not have that anomaly persisting because then businesses originating calls from Manitoba would simply have their head offices perhaps reverse the call and call back to us. So we had to come into line with that and it has meant, as you indicate accurately, a reduction in the revenues that will flow. That is a significant revenue source for us, as I say, 26 percent of our revenue base approximately.

Bell is such a dominant presence in the telecommunications market, and they are under federal regulatory authority, that we had no choice really but to adjust our rates accordingly. There is no doubt about where it will be made up. It will be made up from other sources of revenue from the corporation, regulated rates for local service, interprovincial rates. Intraprovincial within the province rates will have to go up.

Other sources of revenue like the telephone directory on which we make some money, cellular, will contribute to the overall revenue requirements of MTS. Undoubtedly, as that source of revenue begins to decline, we will have to make it up elsewhere. That is a long-term trend that has been under way for some time now because interprovincial long distance rates have been priced above actual costs. When there is the prospect of competition, you have to bring the rates closer into line with actual costs.

Mr. Angus: Does Mr. Bird want to make any additional comments? I am not sure.

Mr. Bird: Mr. Chairman, I think it was summed up pretty well. In Canada, Telecom Canada is a—10 large telephone companies have gotten together to form Telecom Canada for the specific reason to ensure that across Canada we have a long haul network and rates established consistently across Canada. Because we do not have a federal regulator that regulates everywhere, Telecom Canada has basically developed the system. The two major players in Telecom Canada, i.e., Bell and B.C. Tel, the two largest which are federally regulated, basically go to the CRTC for their regulation,

both local and federal. Whatever rate they establish for the long haul, the other Telecom Canada members have basically agreed to before it is approved by the CRTC. Then we take those rates to our regulators. That has worked pretty well in the past.

Mr. Angus: I understand the uniformity of the rate and the logic of having it that way. I am concerned about the dollar value of the 26 percent of the revenue. Can somebody just identify what that figure might be in terms of dollars and cents? You can be within a few million, I am sure.

Mr. Bird: I was going to state \$2 million and it is \$211 million.

Mr. Angus: 211 million?

Mr. Bird: That is long distance service revenues, yes.

Mr. Angus: That is the total of the long distance service revenues, so it would be 26 percent of the \$211 million?

Mr. Bird: No. Our total revenues are about \$379 million; \$211 million is long distance, and that includes interprovincial and intraprovincial revenues. And "inter" between the provinces is roughly 50 percent of our total toll revenues.

Mr. Angus: So that dollar figure then would be—

Mr. Bird: \$100 million, plus or minus.

Mr. Angus: \$100 million, plus or minus. I can appreciate that. It is my understanding then, according to what Mr. Thomas has said, that we are going to have to go back to the rest of the system to recover this \$100 million. Is that accurate? Is that an accurate assumption? The Minister is shaking his head no, but I just want to try and paraphrase what Mr. Thomas suggested to me.

Mr. Bird: If I can comment on that, that is theoretically what would have to happen but what has happened is, due to increased productivity and due to demand for the service as Telecom Canada has reduced or the regulars have reduced long-haul toll revenue rates, a large portion of that is made up in increased usage, not all of it but a greater increased usage.

To date, those drops in long-haul toll revenue have been compensated by increased usage. But as has happened in the United States, which is far more, shall we say, advanced than we are in introducing competition to the network, long-haul toll rates have dropped significantly to the point where they have to be made up, as Mr. Thomas stated, by other means such as increased revenues from other services or, in fact, increased revenues from local rates.

Mr. Angus: I guess you have answered my question and without saying how much is going to be put onto the individual monthly charges of the individual homeowners, at some time, the system is going to have to recover some of that potential loss. I appreciate that

Mr. Bird is nodding his head to that and I do not know if you have projected or can identify or if that is the subject of Public Utilities Board's hearings, and I do not certainly want to contravene any hearings but I am concerned about the loss of revenue. You can improve productivity and hopefully you are doing that on a regular basis anyway. But at some time the balloon is going to break or the elastic band is going to be stretched too tight and that projected loss is going to have to be recovered from the standard user.

Now, taking that concept and taking the statements that Mr. Bird has made in terms of the competitiveness of the United States and the competitiveness of the privately owned data networks, what is the impact of companies such as Great West Life and/or Richardson Greenshields and/or the Province of Manitoba, the Government of Manitoba, acquiring out-of-country individual data networks and running their own systems?

* (1110)

What impact would that have on the revenues of the—which by the way, Mr. Chairperson, I will just emphasize that Section 1402 allows, as Mr. Thomas has said, that each party shall accord persons of the other party treatment no less favourable than the other one has received. So we have led into this very credible discussion via a collaboration of our minds, and I think we should be either prepared or concerned or doing something to counteract that. I would just like to hear what Mr. Bird has to say about this.

Mr. Bird: Well, those of us in industry are very, very concerned about the future. We have created in North America an excellent telephone system and we based it on the concept of cross-subsidization and keeping local rates extremely low to ensure everyone can afford a telephone. In doing that, we have set the rates for long-haul toll significantly, and I mean significantly, above cost in order to take those dollars and put them to the local network. As such, when you do that, you attract competitors to that aspect of your business which is extremely profitable. It happened in the United States and many long-haul carriers came in against AT&T and, as a matter of fact, the result of all of that attraction and attention and legal undertakings was the breakup of AT&T as a long-haul carrier in the States and the local companies just handling the local services.

To protect the very issue you indicate, they have what they call "access charges" so a long-haul carrier, when he attaches his network to the local services in a specific area, must pay an access charge to that local company to ensure that subsidization continues some long-haul rates. But the United States, through the FCC, has set a rate that access charge over time is to be phased out. We, in Canada, have even greyer cross-subsidies between our long-haul toll and our local rates.

We look south of the border and we see what is happening there and in most cases if it happens at some point in time, either sooner or later, to some degree it is going to happen here. So we try to plan for that. The telephone long-haul reductions you are seeing now in Canada, which has been instigated

through Telecom Canada and either approved by the federal regulators or the provincial regulators, and in some cases even the regulators have increased greater reductions than we have proposed are in light of the fact that we see at some point in time pressure on those long-haul rates to drop.

Having said that as we drop them, we are fortunate enough to be in an environment where most of it is made up by increase in demand for those services. But there is a danger, a real danger that as those rates drop and if competition comes to Canada long-haul toll, there will be significant pressure on whoever regulates the local services to increase those rates. One can speculate whether that increase on local rates will be three times or whether it will be 20 percent, or whether it will be 30 percent. I would go as far as to say that if it occurs in Canada and if it occurs in Canada in the near future that the pressure on local rates all across Canada will be significant.

Having said that, technology is a factor in this as well and, as I have stated earlier, there are three major changes in our environment that are affecting us. One is regulation, one is technology and one is competition. Technology is such that a lot of these large players such as the Great-West Life, as you mentioned, the General Motors or the Kodaks are so major and are so big in environment that there is another threat coming down the line called "by-pass" where they have the technological capability to by-pass the toll network because of their very size. For example, if you have a plant in city A in the United States and another plant in city B and 80 percent or 75 percent of your long-haul traffic is between your two plants, technology is such that you can build your own telephone system in both those plants and by-pass completely the network of the telephone company and, therefore, get around these high rates.

So whether it is a regulation that changes the rules or whether it is just the advent of technology that changes the rules, the threat to the telephone industry is that those long-haul rates are going to drop. The rules are going to change and depending on what side of the fence you are on, it is good or bad, but one thing you can be sure of is that the long-haul carriers that come into the marketplace to capitalize on those long-haul rates are going to go on the heavily used routes and concentrate on them, as opposed to some of the more sparsely utilized routes which the telephone company, I am sure, will have a mandate to continue to maintain. So it is a dynamic ever-changing environment but one that has some uncertainties in the future.

Mr. Angus: To compete with the good and hang on to the bad. Mr. Bird, I appreciate your candour and you have obviously looked at the cause and effect and the ramifications, and I agree with you that technology is changing so quickly that we have to keep abreast of the technology just in order to be able to play in the game, whether or not we win or lose, whether or not we have to sign into agreements, opportunities to allow our aggressive competitiveness to be—to put ourselves in a position of losing our prime accounts because of lower rates and more aggression and better

profitability or whatever other reasons from companies in the United States, and I mean large companies that have spent—Mr. Chairperson, through you to the Minister who is looking at me quizzically—literally zillions of dollars in capital resources developing the components so that they do not have to redevelop them, as it were.

Correct me if I am wrong, but the situation is such that, because of the revenues that we garner from these large accounts and the rates and the method of transmitting information that they use, we can then subsidize and/or offset the expense of the common user, if you like.

Because of the competitiveness of the situation, because of the potential competitiveness, that is the level playing field concept, the American firms that have already developed the technology and have invested money in the technology will be able to come in and compete, scoop up, if you like, the large profitable companies that we currently provide the service for, that we gain the revenues from.

My question is, Mr. Thomas or to the Minister, what positive action can we take as a province, as a telephone company, as a Crown corporation to protect the type of system that we have, that we have enjoyed in this province, and not foist upon the common user of the telephone the expense of losing our profit?

Mr. Chairman: Mr. Angus, Mr. Plohman wants to be recognized, so I want to give you an opportunity to clean up and then we will move on.

Mr. Thomas: One of the things, of course, that the system has to do is try to anticipate some of these trends and the future is clearly somewhat uncertain there. Not only is technology changing and public policy approaches changing, but there is also a federal-provincial controversy about who will have ultimate jurisdiction over the telecommunications field.

I might mention to Mr. Angus that shortly there is a report forthcoming, I understand, by a CRTC task force chaired by Bud Sherman, dealing with competition in the long distance voice market and that, as I understand it, reviews the experience in the United States with the introduction of long distance telephone competition and asks some questions about the relevance of that experience and its significance for Canada.

It may be that the production of that document, the release of that document will generate some further discussion among Ministers responsible for telecommunications policy. In that regard, we collaborate with an office here called the the Telecommunications Policy Office which advises the Minister on telecommunications policy. We are in close contact with them on a regular basis, and we get quite satisfactory cooperation from them in helping us to anticipate trends.

* (1120)

The board, for its part, through its planning committee has been looking at a number of strategic documents dealing with the question of terminal attachment which

was mentioned by the president, the threat that could represent in terms of equipment that is provided by the customer rather than by the telephone system. We have looked at the question of interconnection to the telephone system and we are trying to prepare ourselves mentally for trends that are under way. In some cases we have initiated actions to anticipate things that are obviously going to happen. So we are trying to be as prepared as possible, but there is still quite a bit of cloud on the crystal ball to see what exactly the future will bring.

Mr. Angus: Mr. Chairperson, through you, regardless of the task force report, I have serious reservations whether we would ever be competitive with voice data networks in the United States. They have just gone too far, too fast, for us to play catch-up, and I suspect that it is going to be a trade-off.

Mr. Thomas did not suggest anything and I am not sure what he could suggest that we might be able to do to maintain our competitiveness or maintain our good accounts. I will bow to Mr. Plohman who indicates he has some similar questions on the same issue. I would like to come back and ask some questions about the proposed service tax, federal tax on services, and the impact that may have on the system, but that is a different subject, so I will bow to Mr. Plohman now. Thank you.

I thank the administration for obviously being prepared and being concerned, Mr. Chairperson, about this issue because it is significant. Whether we like it in politics or not, it is going to have a significant impact on the future of telephone conversations in this province and this country.

Mr. Chairman: Thank you and we will get back to you, Mr. Angus.

Mr. John Plohman (Dauphin): I find the comments made by the Member for St. Norbert (Mr. Angus) very interesting, indeed. The fact is this concern and problem has been recognized by the administration of the Manitoba Telephone System and the former Government certainly since 1981-82 and perhaps long before that. The concern about deregulation in the telecommunications industry, I want to point out to the Member for St. Norbert as well that a great deal of effort was put in by our Government previously in dealing with the former Liberal Government who was moving forward with this deregulation and allowing competition in telecommunications. It started a lot of these problems and we raised those concerns.

We attempted to protect the Telephone System through amendments to The Telephone Act, as a matter of fact, regarding terminal attachments and interconnection, particularly as it deals with cablevision, to protect the MTS, to protect its revenue-generating ability so that we could protect indeed and keep down the local telephone rates which we have been saying for years are threatened.

Now, I do not know how far away we are from that threat. Each year, it comes closer to perhaps rather large increases. But unfortunately, the Member for St.

Norbert (Mr. Angus) was not around at that time to be able to give those kinds of warnings to his colleagues, such as Francis Fox and Lloyd Axworthy and others, who felt that this was a good policy for Canada.

I say that the chickens are going to come home to roost and they are going to be exacerbated by the Free Trade Agreement, which is now going to allow, in addition to the competition by Canadian companies, wide-open competition from the Americans on the level playing field, as we have been saying, equal access, national treatment for American companies who have, as the Member for St. Norbert (Mr. Angus) pointed out, the experience now in dealing with that kind of environment over a number of years. They will provide a tremendous threat to us. They should be able to obviously, with the tremendous financial resources behind them and their experience, outcompete us in this area.

So it is an understatement to say it is of concern. There are no words to explain how very important this whole issue is. I want to ask the Minister, with the \$211 million, a large portion is \$211 million of revenue being threatened by deregulation and by the Free Trade Agreement. It follows further from what the Member for St. Norbert (Mr. Angus) asks, what kind of steps does this Minister see taking—challenging representation, challenging CRTC? I believe that decisions were made several years ago to allow CNCP to compete in certain areas in Canada, in certain regions. I forget their exact location. Mr. Bird will probably be very familiar with that.

What kind of action plan does this Minister intend to put in place to protect these very vital basic services for the people of Manitoba? Has he considered this? Has he recognized the tremendous threat to the local telephone rates? I would ask him to respond to that. I would also ask him to confirm whether in fact in the United States and in most areas the local telephone rates have increased three, four or five times from what they were prior to deregulation.

Mr. Findlay: The Member uses some pretty strong words like "protect" and "threat." The president has indicated here this morning that what has happened when long distance interprovincial tolls decline, the usage increases so the actual revenue that is coming in from that source does not change very much. In terms of projecting that into the future and projecting our desire to change in terms of meeting technological challenges of the future and meeting the competition, the business community and the individuals are going to continue to pressure us to have the most modern technology here to be the most competitive.

I think that our MTS corporation is moving, under this president and this chairman, very aggressively in attempting to position themselves well to supply the services that the present and future customers are going to want from the network in that very cost-competitive fashion. As long as the person is doing that, I think you are indirectly protecting the system in terms of supply and service at the least possible cost. I do not think we can survive in this province or in this country by always regulating to protect. That may have been

a good idea in the past, but the requirement for change and meeting the challenges of the future require that you get out and be competitive and that is how you protect the system.

Maybe the president or the chairman would like to add something more, but I think that the Mission and Goal Statement that has been laid out clearly indicates the aggressive desire of the MTS corporation is to meet the challenge and supply the best service at the least possible cost to our citizens in the Province of Manitoba. And as I said earlier and as the president has said, the interprovincial toll total revenue is not being affected at this point in time by the decreased cost because the increased use is offsetting it.

Mr. Bird: I would just like to clarify one point. The Free Trade Agreement does not require a country to change the rules or the regulations that it has presently in place as far as non-competitive services are required. As the president indicated, or as the chairman indicated, it reflects on what we call enhanced services as they are identified from time to time. If you change in a country, such as ours, the rules that toll now is competitive should we decide to do that or that the terminal is competitive, if we change that, then my understanding is that it is open to whomever. As long as we have regulations in Canada, in Manitoba, that are Government set, then I do not believe that aspect of our business will be affected but, if we change those rules in this country, then they are affected.

The immediate benefit we are going to get out of free trade as a telephone company is the fact that other manufacturers can respond to our tenders across the border, which right now is somewhat limited.

Mr. Plohman: I do not know whether the chief executive officer, Mr. Bird, is indicating that is going to offset the loss of revenue, at least the threat of loss of revenue through the double whammy of deregulation which is removing those protective policies just as we sit here and as has been done over the last number of years, to the move to deregulate the telecommunications industry which has been initiated by successive federal Liberal and Conservative Governments in this country. We are removing that network of protection at the same time that we have a trade deal which is going to allow equal treatment to the Americans. They have got us over a barrel here like we have never seen before.

* (1130)

When Mr. Bird talks about as long as we have these protective regulations or Governments that provide certain protections for, in this case, a Crown corporation offering a service to all Manitobans universally, I think he is playing down the fact that those regulations are being removed year by year. Certainly the trend is there and very shortly I think, unless we take very strong action and we have changes in policies across the country, we are going to see it happen here in this country.

With that in mind, I ask the Minister how he can continue, first of all, when he sees the potential impact that this will have on Manitobans' local rates, and my

question was not answered about three or four or five times increases for local rates. I guess maybe before I ask the Minister again about his support for free trade and deregulation, I would ask the staff to indicate to me whether they feel that is a very real scenario for Manitobans with the threats that we face, local rates increasing some four or five times, three times even?

If I am wrong, explain to me why it happened in the States and it will not happen here. We get a tremendous amount of our revenue from long distance rates that we have just heard are very overpriced, so that there is a cross-subsidization that takes place. Those rates are going to have to come down under competition.-(Interjection)- Where are we going to get our revenue? A number of sources. We are broadening our base. Mr. Thomas mentioned a number of potential sources but the fact is the main one will be the local rates, at least in my mind. I am asking if that is correct.

Mr. Findlay: I would hate to think that the Member is trying to imply through the strong use of the word "deregulation" that there is any attempt or consideration to remove the powers of MTS to deliver a monopoly service in the Province of Manitoba. That is certainly not happening. It is not in the consideration and we have the right to continue to maintain that monopoly situation in the Province of Manitoba. We are in that position, and I think it has been clearly stated to him that the revenue from interprovincial toll, the reduced rates have been offset by increased usage such that his projection of three and four times increase is purely fearmongering of the worst kind and is not addressing the issue, that the corporation in terms of management of its various revenue sources is actually doing a very good job of continuing to supply telephone services at amongst the lowest costs in Canada even after the ILS increased rates came into effect in 1989. I think he is unfortunately reflecting negatively on the ability of this corporation to supply the services and meet the challenges of the future that the citizens of the Province of Manitoba so desperately want and deserve.

Mr. Plohman: I still did not get an answer on what the projections are for local rates, but the fact is that we are losing our monopoly position insofar as long distance is concerned. Therefore, the Minister cannot say that I am suggesting that the MTS will no longer have a monopoly situation for telephone services in this province. It is a fact that it will not have a monopoly on long distance services for one, which sure generates a lot of revenue.

The other fact is we have a sparsely populated, large geographic area to cover. We have small communities throughout the North expensive to service. We have sparsely populated rural areas which you want to provide private lines to every individual. So there is a tremendous cost there. You cannot get the revenue out of the pockets of the rural residents completely. You have to cross-subsidize. You cannot just get it from local rates from the people of the City of Winnipeg, you have to get it from somewhere. You get it up to now from long distance rates.

It has been said that is threatened and we are going to lose that. So I am not fearmongering, I am talking

about a situation that has happened in the United States that is moving across this country with policies of Liberal and Conservative Governments, and I want to know how this Minister can sit there and continue to support those kinds of policies when he sees these rates will be threatened and will be very difficult for people on fixed incomes, elderly people, seniors, rural people to pay those local rates just to keep a telephone in the house.

So I do not think it is fearmongering at all. I am not reflecting on the MTS at all. They have a very difficult situation, a geographic situation that we have with the population we have. It is not like in the States where they have the heavy populations and yet their local rates have gone up that significantly. Ours may go up even more and MTS has no choice but to compete. You talk about them competing. Yes, of course they have to compete because the environment says they have to. They have got no choice, if they are going to survive. So we are not reflecting on them trying to compete or making digs at MTS or taking shots at them for competing as the Minister has indicated. Of course, they have to as the protective veil is removed, they have no choice, to survive. So they have to be aggressive and they are going to try their best.

But I am saying the odds are stacked against them. I think this Minister has to get out there and start making some representation, strong representation to have the kind of policies that have been leading to this insanity in telecommunications and protection for Manitobans to have those policies reversed.

So I want to ask again, what comfort can senior staff give us with regard to the local telephone rates in view of the situation that we find ourselves in? Is it wrong and can they tell me why it is wrong to make the suggestion that we are facing tremendous increases in local rates as we lose our long distance revenue?

Mr. Thomas: I will try desperately hard to avoid getting entangled in a political fight here, but let me relate how I perceive the situation. We have, and I think again MTS senior executives should be commended, a multi-year plan now, a very ambitious plan to improve the quality of telecommunication service in this province. We have also taken the extra step of costing that plan over a number of years and the general rate increases of 5 percent in the first two years of the plan and the service improvement assessment are not a response to the threat or the reality of enhanced competition in telecommunications.

We have had the benefit so far of increased long distance calling as a result of lower rates, so the impact of the rate reductions ordered on Bell has not hurt our financial position. In fact, our revenue forecast from long distance had been conservative throughout this period and we have actually gotten more revenues than we anticipated. The rate increases, the two parts of them, one is to keep the corporation just to correspond to growth and inflation within the corporation's environment, and the second part is to provide a special charge to support a much enhanced telecommunication system in this province.

So I do not see yet, Mr. Plohman, the dire consequences of rate reductions flowing directly from

deregulation in long distance competition. I know enough of the recent history of telecommunications in this province to know that there was all-Party support and concern at the time when CNCP was proposing to get into the long distance market earlier. What the future holds is more a matter for elected representatives from the two orders of Government in federal-provincial forums to decide on what will be the policy direction in the regulatory environment for the future.

* (1140)

As I mentioned earlier, there is a task force being tabled through the CRTC which will be under discussion among Ministers. The other thing I guess I would add is that my reading of where the technology is taking us is that, even if you wanted to preserve all aspects of the traditional regulated monopoly in this province, you would be very, very hard pressed given technological developments. The president has mentioned the potential for by-pass. If there is a large company in Manitoba that does most of its business with headquarters in Toronto or with a plant elsewhere in the States, it will set up its own microwave network or it will get private line system established for itself and by-pass the telephone network, perhaps.

So, in some ways, we are a bit like the Dutch boy with his finger in the technological dike. It may be pouring over the top of us before too long. So I guess what we are all groping toward is some balance between regulation and some measure of competition which will allow us to get the technological innovation that we are all looking for. I mean, we want to have a superior telecommunication system. We want it for our companies and for our individual residence customers so that they can have first-class service in the future and it is a tricky balance. That is what the system through its board is trying to bring us to and getting the best advice we can as the operating side of telecommunications in this province to the Minister and the Government.

Mr. Plohman: Yes, I will conclude this, Mr. Chairman. I do not disagree with anything that Mr. Thomas has said. I do not believe that we should wallow in obsolete technology and I do not believe that we should maintain the status quo for the sake of maintaining the status quo. But we do face a threat that I think is very, very imminent on the deregulation insofar as long distance revenues. I want to ask one other question on this issue. I would like to ask many more and have a much longer discussion but, because of the interests of other people wanting to participate, I recognize that.

I would ask then Mr. Bird or Mr. Thomas to indicate whether they can project at this time whether we will see a significant drop in those revenues within the next year or two under current policies that are in place because of competition in long distance?

Mr. Bird: If I understand the question correctly, it is do we project significant drop in revenue from long distance interprovincial toll and the affect on the—yes. In our long-range plan and in our tabling in front of the Public Utilities Board, we have already reflected a

10 percent reduction, roughly a 10 percent reduction, in long-haul toll January 1, 1989, and a further 14 percent reduction on January 1, 1990. Those projections are already in our long-range plan and have been accommodated within the rates that we have set in Manitoba and still ensure that the local rates for Manitoba not only are among the lowest but in many cases are the lowest rates in Canada. Any other reductions in long-haul toll after that are not in this plan.

Mr. Plohman: Just to clarify, Mr. Chairman, is that because of competition, or is it simply a decrease in the reductions that have taken place in the tolls? Is that the reason, or is it to stave off deregulation, in other words, to lower our rates, making it less attractive for others to get involved, or in fact is it a direct result of competition that will take place in those two years?

Mr. Bird: I think it is a bit of both. As I indicated earlier in my remarks, one of the responsibilities that I have and Telecom Canada has is to look into the future and to project what could or could not happen and to make some accommodation for it. I think Telecom Canada would be remiss now if they continue to leave long-haul toll rates at the same level they are or increase them, based on what has happened in the United States.

So, in anticipation of possibly opening up at some time in the future to a greater degree than it is now the long-haul network and also to reflect part of the improved productivities we have and also because of the fact that we are finding that demand increases significantly as we reduce the rates, our strategy in Telecom Canada now is to move those rates down step by step, but at the same time ensuring that the rates in our specific jurisdictions, as far as local rates are concerned, are kept low or subsidized by toll as they are now.

Mr. Thomas: I would just like to add a brief word. The irony is we have been debating deregulation here. These rate reductions are being imposed through regulation. They are ordered by the CRTC, so that it is not the result of opening the doors to competition. The CRTC, protecting the public interests, as is its mandate, is looking at the costs of this and saying that it is priced above the real costs of producing the service and it has ordered the rates to come down. The domino effect has hit Manitoba as well. It is an irony but that is the situation.

Mr. Angus: I want to just pick up on the continuation of the free trade arguments. I appreciate what Mr. Thomas has suggested, that it is the regulations, not the deregulation that has caused the problem. The facts are though that, whether it is by regulation or by competitiveness, we have a problem if a big chunk of our revenue is taken away from us one way or the other. Whatever you call it, if it is gone, we have a problem and, as you push the balloon in in one area, it pops out in another area. That was the whole thrust of the argument I think that Mr. Plohman was going to make.

Secondly, I would like an opportunity just to make—I want to say enlighten but I want to make sure that

I heard the Minister accurately when he suggested that we could still have a monopoly. I am sure that he meant that we can have a monopoly as things exist right now today, that the existing service, as it is being provided, we can maintain and that is not threatened. The threat comes, I am sure the Minister is aware, on what is referred to as the enhanced service, that is, any improvements that we make. Did I understand that accurately, Mr. Chairperson, through you to the Minister? I am not trying to set you up or anything. That is the way it is.

Mr. Findlay: If you are referring to the Free Trade Agreement, it does not force us to open up anything to competition that we presently have and, as the president said, the competitiveness comes in enhanced services for the future but does not take away our ability to control what we are doing within the Province of Manitoba for the citizens of Manitoba right now.

Mr. Angus: I am sure that the Minister is aware that Annex 1404(c), Article 5, indicates that assurances that enhanced service providers do not benefit from unreasonable cross-subsidization or other anti-competitive practice from the related monopoly services.

That means, Mr. Chairperson, through you to the Minister, that when we improve our service as the technology advances, as we have to maintain our technological advancements as indicated by the chairman of the board and the president of the company that we are improving and, as soon as we improve it and change the technology, then we are open to the competitive nature of it. It is very strongly entrenched in the level field concept that we cannot monopolize or subsidize this type of business development. So I think that we have to be proceeding at least on a unified front for Manitobans and for the corporation.

Our politics being what they may, it may not allow us or may force us to agree to disagree on the best method of achieving a particular end result, but surely we have to agree on the interpretation of the agreement, that enhanced services are subject to competitiveness.

Mr. Findlay: I do not see anything wrong with having to meet competitiveness. I think that the corporation in Manitoba is quite capable of being able to compete in terms of supplying services at least possible cost. I see no problem. I do not see anybody coming in and supplying enhanced services at no cost. There is always a cost associated with it and I think that we are in a position as a corporation, need to be, must be in a position to supply it at the least possible cost. On that basis, I think we will be very competitive. I have no reason to think otherwise, no reason at all to reflect negatively on our corporation that we cannot supply it at a competitive cost to any other potential supplier.

In terms of cross-subsidization, PUB regulations prevent that right now. So we have not been doing it and it is not a problem that I see we have to deal with in the future. I hope that the Member is not reflecting that MTS is so horribly positioned that they cannot

compete. That would be terribly negative, if he is thinking that.

* (1150)

Mr. Angus: I did not appreciate Mr. Plohman's editorial comments and politicking at the expense of the Manitoba ratepayers and I do not appreciate yours. The facts are that the agreement allows and the Minister has asked, Mr. Chairperson, for some reason why we would not be able to compete. The facts are that IT&T has spent hundreds of millions of dollars in capital investments to create a product that they can now bottom out because they do not have the start-up costs, and they will be able to outbid us for technology if they are allowed to come in here and do the job. They will take our prime customers away from us on a purely dollars and cents business relationship. They will be able to undercut our prices, steal our business, steal the majority of our revenue. Well, when I say steal, I do not mean steal, I mean win it fairly Mr. Chairperson. I mean win it fairly in a competitive situation.

The Minister is laughing, but you do not have to believe me. Ask the members of the board, ask your Executive Committee. Those are the facts of this agreement, Mr. Chairperson. Unless we take some strong action to offer some form of protection, either in provincial legislation or in policy changes, we are not going to be able to maintain the low home user rates that we have got right now.

Mr. Chairperson, I suspect that we are not going to have to worry about it anyway. I would like to ask a question of the administration. I would like to ask the question through the Minister, either the Minister or the department, in relation to the proposed federal tax on services and what impact that would have, whether it is the decision of the board to make this a straight pass through or how you are going to deal with it? Have you prepared to deal with it?

Mr. Thomas: You are referring to the federal sales tax that is going to be applied? In the past, when any service, when our service had been taxed, the tax has been passed along to telecommunication users. We have had for the past two years, I believe it is, a 10 percent federal telecommunications tax being applied to certain of our services and that is what we have done. We have transferred it forward to the customer.

Mr. Angus: Thank you very much, Mr. Chairperson. I will pass to my colleagues.

Mr. Roch: I was wondering, Mr. Chairman, does the corporation have any plans for any kind of an emergency calling system similar to that of the major urban centres. I am not referring to the FRED system or anything like that. I am talking about more of a central calling number.

Mr. Bird: Mr. Chairman, you mean a 911? Well, there is a 911 system available now that is marketable, and I believe the City of Winnipeg has a 911 system, the City of Edmonton has one and so on. The question of whether there would be one on a provincial basis came

up at one of our public meetings. If that is what you are applying to—

Mr. Roch: I was referring specifically to rural areas. I realize that Brandon and Winnipeg have it.

Mr. Bird: Well, the FRED system is available in rural areas. But one of the problems -(Interjection)- well, it is not everywhere, but it is available if people want to purchase it. The problem with a provincial-wide emergency calling system is not a technological problem. It is not a problem that MTS could not address. The problem is in who is going to answer the phone when the call comes in. In other jurisdictions where it has been tried, there is such a variety of jurisdictions as to where the call coming in should be relayed to that it is very difficult to operate and you set yourself up for litigation. I would not want to be on the end of the phone, for example, in Manitoba if the phone rang and it was someone who had a problem in a very remote area of Manitoba as to how or where I would relay that call to. There are various police services, there are various fire services, there are various ambulance services. To be able to know exactly where to refer what call is a very difficult problem. So I think it is not a technological problem to implement a system like that. It is an administrative one as to who administers and where the calls get referred.

Mr. Roch: You mean to tell me that the corporation will not be able to figure out some kind of a plan of a way to administer this?

Mr. Bird: I was involved in a quote at another company I was at for the City of Ottawa. The City of Ottawa put a 911 system in there. The technology was there but, when it got down to actually who would run the system and who would refer the calls, it was a very complex matter and it was referred back to the City of Ottawa who was addressing the concern to sort out exactly who would be responsible. To the latest of my knowledge, that has not been resolved yet. That is not a trivial matter to solve, I will assure you.

Mr. Roch: I realize that. You highlighted the problem in rural Manitoba. In some cases, if professional people cannot be found to administer that, you can imagine the situation when someone is on the road and stops in the rural area, whether they would be a rural resident or urban resident, and they need emergency help all of a sudden. In the urban centres, whether it be ambulance, medical, fire, police, you dial 911 and you get it right away. In the rural areas, sometimes you can have more than one number for just one service, never mind putting them all together. I think there is a certain amount of responsibility on the part of the corporation and certainly the Government to implement some kind of an emergency system of a similar nature in rural Manitoba. If you see the technology is there, it should not be that difficult to train professional administration personnel to be able to know where it is really. In other words, if a call comes from point A, they would know that the nearest emergency service is B and to relay it to that immediately.

Mr. Bird: Again, in the telephone industry, we are in the carriage business and we can certainly put a system

together as far as technology is concerned. I really wonder about the telephone company working the end of the system. All the 911 systems that I am aware of have been put together by a telecommunications entity and then have been sold or leased or whatever to the local area to actually run them.

I would not want to be a person, in my view, on the end of a telephone line that said there has been a significant car accident 22 miles out of Snow Lake, Manitoba, and have that person decide who to respond to that call who is perhaps located in Brandon, the person who is answering the call. That is a very difficult—at least other jurisdictions have found that a very difficult hurdle to overcome and, after a thorough investigation, generally refer those matters back to the local areas as each local area would have its own emergency calling area.

So again, we can carry it, we can set up the carriage system. It is the administration's responsibility to actually know where and how to refer the calls at different times of the day and night from huge geographical areas such as Manitoba. That is not a trivial matter.

Mr. Roch: So if I understand you currently, a telecommunications company here and elsewhere would put together a package, then sell and/or lease it out to the various local jurisdictions. So in other words, in Winnipeg, the City of Winnipeg would be leasing the service or having bought the service? Mr. Thomas nods yes. I am correctly assuming that. I was not sure how the system worked, but I knew it worked through the telephone company.

Mr. Bird: If you wanted a 911 system, I know of at least two or three agencies, over and above Manitoba Telephones, who would want to or be available to tender or to see you to talk about developing one of those systems. When it comes to operating it, that is where they would say, here it is, here is how much it costs to lease, you buy it and operate it and run it or set up whatever mechanism you want to run it.

Mr. Roch: So what I have gathered then from asking these questions, and I just want to clarify that, MTS like other companies can provide the technology but it is not within their jurisdiction to operate the actual system. I mean, it is not up to them to supply the personnel for that. That becomes an entirely different area of—

Mr. Bird: That is our stand, yes.

Mr. Roch: Okay. I wanted to clarify that. I guess Mrs. Charles has some questions and I will be brief. I just want to ask a couple more questions.

Last Tuesday, Mr. Fraser said to a question that I posed myself, he said that the corporation deals through the Department of Finance as do all the Crown corporations in terms of its borrowing program. "We have specifically asked that we only receive debt in Canadian currencies. We have had a commitment that every effort will be made to provide debt to us in only

Canadian currencies because our revenue is in all-Canadian dollars and we do not have any foreign revenue which could counteract and buffer us against any changes in foreign exchange."

Can the Minister indicate whether or not he has received any assurances from the Department of Finance that any future debt received by MTS will be in Canadian currencies, as is the wish and desire of the corporation?

Mr. Findlay: I will have to ask Mr. Fraser to expand on the situation.

Mr. Bill Fraser (Vice-President, Finance): The Treasury Division of the Department of Finance has made a commitment to the Manitoba Telephone System to finance our borrowing requirements in Canadian debt and they have given us that commitment in writing that they will make every effort. Now I guess they are unable to guarantee us that because there is a lot of uncertainty down the road at any particular point in time in terms of the availability and the interest rates and so on, but it is our express desire to obtain debt only in Canadian currencies. They are well aware of that and they have assured us that they will follow through and provide that debt to us in Canadian currencies.

* (1200)

Mr. Roch: If I understand you correctly then, the department has given you assurances that they will try but there are no guarantees. You may be forced to borrow in foreign currencies whether you like it or not?

Mr. Fraser: Our expectation at this point in time is that we would get Canadian currencies. I guess my only qualification is that they cannot guarantee us 10 years down the road that the circumstances might be different and that there might be a different policy in place but, for the foreseeable future, I would expect that we will be getting just Canadian currency debt.

Mr. Roch: I thank you for that clarification. Just a couple of brief ones to either Mr. Thomas or Mr. Bird, it has been suggested at some meetings and some presentations that the area of what has loosely been called "flexible boundaries" as far as calling areas, i.e., you know what I mean? In regard to point A, B and C where B can phone A toll-free and C toll-free, but C cannot call A toll-free and so on, it is apparently possible to undertake. Is there any consideration being given to that type of an arrangement down the road somewhere?

Mr. Bird: One of the advantages of going to the public meetings is that issue was brought up two or three times. We have looked at that issue and we are looking at it again based on the results of the customer input from those meetings. I must state, however, that does not come free. When you buy a digital switch, you buy it with a certain capacity to handle so many lines based on the amount of intelligence that switch must have. As you want to make the switch more and more intelligent, which means as you move across the country

the adjoining areas are toll free, it has to have more intelligence to recognize where those calls are coming from. So you pay a significant price in the capacity of that switch. That price is reflected back through increased rates to subscribers. As we re-evaluate that issue, which we are in the process of doing, I think that we will find that price to the subscribers is greater than the option that the Minister has announced of taking 160 calling areas down to 60. We are in fact re-evaluating that option because of the customer request for it, but there is no question that the modern technology which we have, the digital switching, does have theoretically that capacity to do that very option. Whether the cost of that is less than the cost of our option is the debatable point right now.

Mr. Roch: What would be the cost of such a system approximately or have any studies been done?

Mr. Bird: I do not happen to know but, Mr. Wardrop, do you want to comment on that?

Mr. Wardrop: We have not got figures on that at this time. I would point out though that in the Service for the Future package that the Minister did announce—

Mr. Roch: I am sorry, I did not hear the answer. I was being interrupted.

Mr. Chairman: Are you ready now?

Mr. Roch: Yes. Mr. Chairman, I am not the one who did not want to listen. The Member for Churchill (Mr. Cowan) was asking me questions.

Mr. Wardrop: Mr. Chairman, we do not have the total costs of that type of an arrangement across the province at this time. I would point out, however, that in the Service for the Future package recently announced by the Minister responsible for The Manitoba Telephone Act (Mr. Findlay) that some areas could in fact utilize that kind of an arrangement, particularly in sparser areas in the North where there are longer distances. So there may be a limited amount of that in that plan. For the whole of the province, we do not have a price at this time.

Mr. Roch: Probably, if I may, Mr. Chairman, my colleague from Selkirk (Mrs. Charles) has some questions. I have a few more. My colleague from the Interlake (Mr. Uruski) indicates he has some too. Possibly then, there seems to be a general sense that we could adjourn now and reconvene, and we could probably finish it up in one more meeting.

Mr. Jay Cowan (Churchill): It has been the practice to end at 12:00 and to end at 12:30 in different committees. It is usually the committee that decides when they go into the meeting what time they will finish. I believe Manitoba Hydro Committee for example has been ending around 12:00, so that people can get lunch before having to go into the House. It is purely the Minister's call. If he wants to carry on to 12:30, we would be prepared to do so or we would be prepared to adjourn now.

Tuesday, November 15, 1988

Mr. Findlay: We are prepared to adjourn now, but Mr. Thomas would like to put one more comment on the record in response to the last question, and then we will terminate for today.

Mr. Thomas: Just in response to Mr. Roch's question, we heard a lot out in the rural meetings about adjacent exchange calling. It is where the right to call into all the immediately adjacent exchanges. We have to be careful about what is a minority preference versus a majority preference in those circumstances. There will be people who live in the northern part of an exchange whose principal community of interest lies immediately to the North of them. They are a distinct minority perhaps in the overall exchange area.

The vast majority of citizens may be calling to some southern point and they would want that service. They probably would not want to have an additional charge imposed on them to get the additional engineering and switching capabilities put in to allow calling in all directions out of the exchange. The way the Community

Calling plans are based is that we do an analysis of calling patterns and we know the principle points that are called from within the exchange so it is not random.

So you have to be careful about imposing something on people who probably would not want to pay the extra cost since they are the majority within the community and, as Mr. Bird has indicated, it would involve additional cost.

We are looking at it, but I am just saying that is another consideration.- (Interjection)- No, we do not at this stage. We would have to look into that and produce some figures but, again, we heard from the people you are representing by your remarks and it is just a question of how you read the situation, whether they represent a minority preference within that particular exchange area.

Mr. Chairman: Committee rise.

COMMITTEE ROSE AT: 12:07 p.m.